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Yip's Chemical Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 408)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

HIGHLIGHTS			
	For the year ended 31 December 2012 (audited)	For the year ended 31 December 2011 (audited)	% Change
Turnover	HK\$8,894,409,000	HK\$8,275,569,000	+7%
Net profit attributable to Owners of the Company	HK\$276,302,000	HK\$201,344,000	+37%
Earnings per share	HK 49.4 cents	HK 36.3 cents	+36%
Final dividend ⁺	HK 15.0 cents	HK 12.0 cents	+25%
Dividend for the year	HK 25.0 cents	HK 24.0 cents*	+4%

+ Scrip dividend available to elect wholly or partly shares
* 2011 dividend included a special dividend of HK 4.0 cents.

CHAIRMAN'S STATEMENT - REVIEW & PROSPECTS

It is my pleasure to present all our shareholders with an overview of our business in 2012. The Group's overall results are gratifying: turnover grew 7% in the year to HK\$8,894,409,000, setting a historical high once again. In terms of sales volume, growth was as high as 14%. Profit attributable to shareholders rose sharply to HK\$276,302,000, representing a growth of 37% from the year before. In accordance with the Group's dividend policy of striking to reward shareholders and offer them stable returns, the Board of Directors has resolved to recommend a final dividend of HK15.0 cents per share (final dividend for the previous year was HK12.0 cents). Together with the interim dividend of HK10.0 cents per share, the total dividend for the year came to HK25.0 cents per share or an increase of 4% from the year before. Since we firmly abide the principle of prudent financial management, we always endeavour to maintain a healthy financial status while ensuring a sustained high growth rate for the Group's business. To this end, the Board of Directors proposes that, for the final dividend, shareholders can elect to take scrip dividend in lieu of all or part of cash.

REVIEW

In reviewing our business situation in the past year, one cannot but feel that we have emerged from a gauntlet unscathed. Business environment in the reporting period was indeed extremely bleak, the Euro crisis lingered stubbornly, recovery of major economies such as the United States and Japan was still a distant prospect, while growth in the BRIC countries stayed sluggish. The situation was compounded by the fact that China, as the locomotive for global economic growth, was still dragged down by the global downturn, so much so that both exports and inward investments dropped sharply. On the other hand, as the domestic market was hampered by a slump in real estates and the Government's various counter-inflation measures, consumer confidence remained listless. Furthermore, last November, prior to the convening of the 18th National Congress of the Communist Party of China ("CPC"), measures for stimulating economic vitality have not been unveiled as expected. As a result of all these unfavourable factors, for a great majority of livelihood related products, supply exceeded demand. The core products produced by us were no exception. During the period, in addition to facing increasingly fierce competition from industry peers, the upsurge of various operating costs, particularly labour costs, has exacerbated pressures on our operations. What was fortunate was that prices of raw materials generally dropped slightly during the year, thus alleviating some of the pressures. What was most important, however, was that we have reacted quickly to the new situations and new challenges by decisively revising our medium-term development strategy from one of seeking surges in sales to one of optimising earning quality and raising profitability continuously. Under such circumstances, we overcame some short-term adjustment pains, restructured our core businesses and carried out streamlining, rationalising and efficiency-driven reshuffling of plant allocations, management structures and human resources in related areas. All these measures were basically completed in 2012 and will be implemented in depth in the coming year. The benefits of the adjustments will be realised gradually and are expected to make significant and far-reaching impacts on the achieving of the Group's medium-term targets.

PROSPECTS

The Group considers the period after the global financial turmoil in 2009 as a golden opportunity to expand its business and has set a medium-term target of doubling sales to HK\$10 billion by 2015. In the last few years, though we had to face innumerable difficulties and challenges, we were able to capitalise on the opportunities offered by China's sustained rapid development and sustained increase in our overall competitiveness. Thus there is a good chance that we can achieve our medium-term sales target this year, which is two years ahead of our plan. After the 18th CPC National Congress was convened last year, the Government has, in response to sluggish external demand and slower growth, accelerated the country's urbanisation programme so that, by 2020, the proportion of urbanised population will increase from the current 50% to 80%. This is meant to effectively expand domestic demand and serves as a structural adjustment for the future sustainable and stable growth of China's economy. I am convinced that the overall business of the Group will definitely be benefited continuously as a consequence. Therefore, with such a foundation and platform, the Group has already made all the necessary preparations and is determined and confident that, come 2020, sales will double again to HK\$20 billion. At the same time, I am also convinced that, after restructuring, the competitiveness of our core businesses will be enhanced continuously and the efficiency of our operations will doubtlessly see sustained improvement.

All along, while creating value for its shareholders and pursuing sustainable development, the Group has always in mind to fulfil its corporate social responsibility ("CSR"). To this end, the Group actively encourages its staff and stakeholders in participating in an array of activities such as energy conservation, environmental protection and caring for the underprivileged. The Group's flagship CSR programme, the donation of mobile eye surgery centres, is stepping up inputs from year to year as scheduled. The fifth of such surgery centres will be in place in Yunnan Province in 2013 so that, by 2020, the Group will have donated at least 12 mobile eye surgery centres.

I would like to take this opportunity to thank the Board of Directors for their contribution particularly towards the sustained improvement in the Group's governance and risk management. To the Group Executive Committee, I am grateful for the solidarity they have demonstrated in rising to difficulties. To our partners from various industries, our bankers and stakeholders I am indebted for their support and trust. To all the staff of the Group I am thankful for their best efforts and their hard work.

REPORT OF THE CHAIRMAN OF THE GROUP EXECUTIVE COMMITTEE

In 2012, the Group Executive Committee performed outstandingly well in discerning market changes, seizing opportunities arising from the growth of China's domestic market and speeding up the Group's various reform programmes. Specifically, its outstanding performance was reflected in the following areas:

1. While driving for sales growth, the Group was also keen on improving operating efficiency through such measures as optimising product formulae, centralising procurement and carrying out vertical integration. Thus profitability enhancement was taken as a guiding policy.
2. Implementation of the “Yip’s mega plant” concept by merging small plants that showed lower-than-expected financial performance. In the year, mergings of certain plants under the coatings division and lubricants division were completed.
3. Prudent utilisation of working capital and proper management of cash flow.

Reports on the Group’s three main lines of business are given as follows:

SOLVENTS

For the reporting period, the solvents business achieved fabulous results: though sales grew only 4% to HK\$5,315,984,000, operating profit grew sharply by 42% to HK\$311,565,000.

Even though overall market demand was less than desirable and the division’s flagship products, butyl acetate and ethyl acetate, were under oversupply pressure, the management was able to take positive actions by raising capacity through technological transformation of production lines, expansion of export markets and increasing market share in peripheral provinces. As a result, considerable growth in overall sales was recorded. Nevertheless, in the year, as selling prices were under downward pressure due to drops in raw material prices and acute market competition, average unit selling prices fell and resulted in a decline in sales growth figure. In view of this, management concentrated on improving production processes, kept raw material and energy costs under effective controls and actively expanded the acetate solvents product range. Consequently, profitability of the solvents business improved significantly.

Currently the total acetate solvent capacity of the Group is in excess of 700,000 metric tons and the average utilisation rate of this capacity is hitting 90%, putting the Group solidly into the No. 1 position both in capacity and sales volume among industry peers in China. The Group will raise its capacity gradually to further enhance its economy of scale and is planning to apply to build this year a 200,000-metric ton acetate solvent production facility in Taixing, Jiangsu Province. The aim is to actively acquire market shares in the Eastern China market and to prepare capacity drives into neighbouring areas of Eastern China including the Northern China market.

With a design capacity of 80,000 metric tons, the production line of butyl acrylate, a new product of the solvents division, is located in Jiangmen, Guangdong and expected to be fully operational by early April this year. Butyl acrylate is mostly used in making emulsions of water-based paints and adhesives. Thus the majority of its potential buyers are current customers of our acetate solvents, which would be favourable for cross-selling. For this we are fully expectant for the debut of this product and see it as a new starting point for our solvents business.

COATINGS

The Group’s coatings business is involved mainly in the production and sales of (1) plastic printing inks used for food packaging and offset printing inks used for paper printing, (2) household and architectural coatings - “Bauhinia” paints, as well as (3) industrial coatings used primarily in electronic products and furniture. For the reporting period, our coatings business witnessed a breakthrough development as turnover grew 14% year-on-year to HK\$3,209,418,000. With the Group implementing in earnest such measures as maximization of economy of scale, optimisation of product formulae and centralisation of procurement, as well as the prices of major raw materials were under control, operating profit rose drastically by 71% from a year before and hit HK\$144,679,000.

The inks business of the coatings division is now undergoing a boom and had an exceptional performance during the year since its development is in tandem with China’s huge demand for livelihood products, and this boom is attributable especially to the tremendous growth in demand for packaged food. Consequently, overall sales amount last year was up 20% from 2011. The business for offset printing inks also developed steadily, registering sales of almost 7,000 metric tons, representing an increase of 14% over the previous year. The Group is now planning to make further investments to forge into the production of resins, the upstream raw materials for inks, so that vertical integration with the production of finished ink products can be made. This will provide the Group with more competitive raw materials and will further raise product quality.

In household and architectural coatings, Bauhinia paints last year boasted sales volume growth of 17% and has now more than 4,200 points-of-sale across the country, thanks to the continuous optimisation of sales channels and the delayering of distribution network carried out in previous years. This business requires more upfront investment for

the building of sales network and the creation of brand publicity. The return of such investment will be in the form of sustained growth in business results for the Group. For our industrial coatings business, we will carry out sustained internal consolidation. In future, with China's domestic market in mind, we will focus on plastic coatings such as those for use in electronic products.

Phase one of the new coatings plant, with an investment of over HK\$300 million and a design capacity of 280,000 metric tons, in Jinshan Fine Chemical Industrial Park in Shanghai has been in operation since last year end. The new plant provides a strong foundation for the further development of the Group's coatings business. Meanwhile, after developing for more than a year, the operation of the Group's R&D centre in Zhangjiang Hi-tech Park in Shanghai is getting increasingly seasoned. So far, it has made good progress in providing product development supports to Yip's Chemical subsidiaries and in launching various industrial-academia research projects in conjunction with various mainland universities and institutes.

On the whole, the Group will step up the development of its coatings business by continuing to sail with the wind of prosperity of China's domestic market and the urbanisation of the country's rural population.

LUBRICANTS

The Group's lubricant business includes automotive and industrial lubricant products. In the year, a slight growth in sales was recorded, with turnover up 4% from the previous year to HK\$433,150,000. Weighed down respectively by a fall in market demand, a one-off goodwill write-down, and consolidation costs and so on, a loss of HK\$6,107,000 was registered, whereas an operating profit of HK\$4,474,000 was obtained for the same period in the previous year.

At the end of 2012, in streamlining management structure, the Group's two lubricant companies were merged into one while two of their plants were also combined. Through restructuring of resources, synergic effects were generated in product profile, customer profile as well as marketing. The management is convinced that, beginning this year, there will be substantial improvement in the business performance.

Set up on 1 January 2012, the Group Executive Committee is charged with the day-to-day management of the Group. After operating for a year, the Committee is fitting in smoothly with the rest of the management hierarchy. What is more, decision-making has been quicker and execution strength has been mightier. Looking forward, the Group is fully confident of seeing robust sales growth while this year's focus will be on the further improvement of profit quality and strengthening of capital utilisation. As we get nimbler through our consolidating and upgrading, I expect our business will see sustained growth and healthy development.

CORPORATE SOCIAL RESPONSIBILITY

In its constant striving for higher business performance and sustained development, Yip's Chemical is also committed to reciprocating society and helping the underprivileged so as to strike a balance between the two endeavours. The Group takes the assuming of corporate social responsibility ("CSR") as part of its mission and sees CSR as a long-term and worthy commitment. It is also committed to incorporating the concept of sustainable development into its business operations and management processes to better achieve an all-win situation and comprehensive development for the economy, society and the environment.

WORKPLACE PRACTICE :

Safety First

Since its inception on 1 January 2012, the Group Health, Safety and Environment ("HSE") Committee has been raising the performance of the Group's HSE aspects continuously while striving to safeguard the health and safety of its staff and various stakeholders during operations. In the year, a Group HSE Policy was drawn up and key HSE targets and criteria were set by the HSE Committee. Also, systems and responsibilities in HSE management and monitoring were laid down and key regulatory measures and guidelines in HSE areas were required to be developed by the management. The Group HSE Policy will be reviewed by the Board of Directors on a regular basis.

In the year, the Group HSE Department made continuous improvements in safety management. By carrying out regular plant safety checks and specific inspections, it reviewed safety policies, made suggestions for improvement and performed follow-ups and monitoring to ensure that all improvement measures were executed thoroughly and properly. In 2012, a total of 22 safety inspections were carried out by the Group HSE Department on various plants

around the country.

Safety Training

The Group is highly concerned with the occupational health and safety awareness of its employees. Through training, drills, annual safety meetings and incident investigation studies, employee emergency response capability is raised and safety incident handling skills and procedures are practised. In 2012, the Group's safety management personnel attended 4,828 hours of training offered by relevant mainland organisations.

Benefits of Employees' Children

Since the establishment of the independently-run Yip's Care Extension Foundation in May 2011, the management committee of the Foundation has been considering in earnest the possibility of expanding the scope of sponsorship within the affordability of the Foundation so that subsidy can be offered to more needy children of Yip's Chemical employees to help them receive better education and complete their schooling successfully.

In 2012, the management committee of the Foundation decided to extend the scope of sponsorship to technical secondary school and senior secondary school programmes. At the same time, the amount of subsidy for college and university programmes was increased by about 30%.

Application for the 2012 sponsorship of general staff has been successfully closed and a total of 115 applications have been received. Together with nine cases of abrupt changes in financial situations, a total of HK\$425,000 in subsidy has been dispensed, resulting in a 40% increase in both the number of sponsorship cases and sponsorship amount.

ENVIRONMENTAL PROTECTION :

Clean Production

The Group is zealous in promoting energy conservation and emission reduction. All factories under the Group are committed to implementing clean production and would spare no effort in minimising pollution to the environment during production. In 2012, the Zhongshan and Tongxiang plants of Bauhinia Variegata inks participated in China's clean production programme and their two energy conservation and emission reduction measures both passed municipal level certification audits. In particular, the measure to use eco-friendly refrigerants for supporting production processes was capable of cutting electricity consumption in the plants by 15%. In the year, the industrial coatings plant in Huiyang was awarded the title of "Guangdong Clean Production Enterprise".

Meanwhile, the waste water treatment technology used in the production of butyl acrylate, a new product of the Group, is capable of decomposing various organic matters in the waste water. The decomposition is able to remove odour and minimise the amount of solid waste so that sludge quantity is significantly reduced. This treatment process can handle waste water with a chemical oxygen demand of as high as 15,000mg/L at a rate of 560m³ per day.

Research and Development of Eco-friendly Products

The coatings subsidiaries of the Group have been carrying out product R&D based on environmental protection trends and consumer needs so as to minimise the burden imposed on the environment during production and product usage. In household coatings, Bauhinia Paints has introduced a "Super odourless bamboo charcoal wall paint" during the year. This new product can effectively remove from indoor air such harmful substances as formaldehyde and benzene. In inks division, the Group's FD series of eco-friendly soy offset printing inks has, on the merits of its eco-friendly features and clean practices, won the "Green Technology Award 2012" jointly awarded by Printing and Distribution Management Department of the General Administration of Press and Publication, China Academy of Printing Technology and Keyin Net. This award is a recognition of the advanced green technology of Bauhinia Variegata inks.

Active Support of Environmental Activities

Yip's Chemical is an ardent supporter and participant of events organised by various environmental groups in Hong Kong so that staff awareness in low-carbon lifestyles and environmental conservation can be raised. For seven successive years since 2006 it has participated in the Tree Planting Challenge organised by Friends of the Earth Hong Kong. It is also a participant of Friends of the Earth's River Walk to help raise funds for the Dongjiang River Source Conservation Project for three successive years since 2010. As well, it is a staunch supporter of the Green Festival of this organisation over the years. Last year, it also participated in World Wide Fund for Nature's Earth Hour 2012 activity.

OPERATING PRACTICES :

Cultivating an “Ethics and Capability Emphasising” Culture

It is the conviction of Yip’s Chemical that, for the long-term development of the Group, employees at all levels should have high ethical and capability standards. The effective fostering of team cohesion and promoting of company core values will be key strategies of the Group. Last year, 18 “Ethics and Capability Emphasising” codes of conducts were drawn up to help employees understand how they can demonstrate responsible ethical behaviours towards customers, shareholders, superiors, subordinates and other stakeholders.

To better allow employees understand the Group’s “Ethics and Capability Emphasising” concept, 31 talks and related training sessions have been organised. In addition, emails on “Ethics and Capability Emphasising” examples have been sent out periodically to familiarise employees with how the concept can be put into practice in the workplace.

COMMUNITY INVOLVEMENT :

Mobile Eye Surgery Centre Donation Programme

Yip’s Chemical cares for the community and strives to help needy persons in Hong Kong and the mainland to improve their livelihood. Based on this conviction, it has rolled out a long-term CSR project—“Ten-Year Mobile Eye Surgery Centre Donation Programme”, the objective of which is to help restore vision for needy cataract patients in the mainland. Up till the end of 31 December 2012, the four mobile eye surgery centres the Group donated to Ningxia Hui Autonomous Region, Jiangsu Province, Shandong Province and Inner Mongolia Autonomous Region have performed eye surgeries for almost 18,000 cataract patients living in remote areas. In particular, in Ningxia Hui Autonomous Region, Jiangsu Province and Shandong Province, totally free surgery was offered to all patients in the last year.

In May 2012, the Group’s fourth mobile eye surgery centre donated to Inner Mongolia was brought into service formally. This mobile surgery centre is expected to travel to at least six districts each year and bring vision to some 1,500 cataract patients. The fifth mobile eye centre donated by the Group in October 2012 will be put into service in Yunnan Province in 2013.

In addition to donating mobile surgery centres, the Group has also made an all-out effort in encouraging volunteer work related to the surgery centres. In 2012, Yip’s Chemical Volunteer Team continued with its annual trans-subsidiary visitation programme. In the year, 16 employees from Hong Kong and the mainland were called up to carry out cataract prevention education, visit cataract patients and ex-patients as well as schools for the blind in Shandong Province so that more employees would have a better understanding of the significance and effectiveness of the work of the mobile eye surgery centres.

Corporate Volunteer Team

Yip’s Chemical well understands that the next generation will be the future pillars of society. Therefore, in 2012, Yip’s Chemical Volunteers set children and teenagers as their service targets and organised a number of volunteer events related to the development of students. In the year, two joint events were run in conjunction with St. James’ Settlement. One of the events was the “Love & Share Programme—Noah’s Ark Experience” in which volunteers sponsored and brought 40 primary school pupils from low-income families in Hong Kong to visit Noah’s Ark Theme Park and participate in a green workshop. The volunteer team also donated 100 sets of learning aids to grass-root pupils and organised a party for 25 of the recipient children during the Mid-Autumn Festival. Other volunteer services included participation in the “Walk for Children” fundraising walkathon organised by Plan International, participation in the Standard Chartered Marathon, purchasing Christmas cookies from Caritas La Vie, a social enterprise under Caritas Hong Kong, and sending the cookies to 200 children with intellectual disabilities studying in a special school run by Hong Chi Association.

The mainland’s volunteer team has also organised a number of community activities to provide grass-root children with valuable urban life experiencing opportunities. One example was taking 40 offspring of migrant workers living in Shanghai to the city’s central business district and letting them experience urban life through interactive games. Other activities included urban life experiencing activities for school children from the mountain areas of Qingyuan and trips to the Beijing Zoo, etc. The mainland volunteer team members also visited on a regular basis senior citizens, people with disabilities, orphans, children with intellectual disabilities and school children in impoverished mountain areas and brought them daily necessities and learning materials.

In 2012, Yip’s Chemical employees in Hong Kong and their relatives and friends contributed 418 hours of volunteer services, up 27% from the previous year while the number of participants in such services was 127 (number of participants in 2011 was 113). Mainland employees and their relatives and friends contributed 1,013 hours of volunteer services and the number of participants was 159—representing increases in both the hours of services offered and the

number of participants.

Student Sponsorship and Scholarship

For seven straight years since 2006 Yip's Chemical has been carrying out a student sponsorship programme in Jiangmen, Guangdong. In 2012, a total of RMB600,000 was donated. The sum was used to sponsor some 90 needy students who had succeeded in matriculating, to provide scholarship to the top 15 students from the arts stream and science stream respectively who have excelled in the college entrance examination and to present awards to some 20 teachers who have contributed to the performance of outstanding graduating classes.

In addition to the student sponsorship programme in Jiangmen, Yip's Chemical has also been an active supporter of the "Seagull Scholarship Programme" which aims at helping needy undergraduates from north-west China finish their education. In 2012, 18 university students under the Seagull programme were offered the chance of undergoing a one-month internship at different departments in various Group subsidiaries. In addition to getting paid, each intern was also given free room and board as well as transportation expenses. The Group was highly concerned with the training of these interns: in addition to giving them orientation training, each intern was assigned a mentor who was responsible for drawing up his work and training programme.

LIQUIDITY AND FINANCIAL RESOURCES

In order to meet the medium and long term targets, the Group has constructed new plants for fuelling business expansion in recent years. Leveraging on the low interest rate environment, the Group obtained additional bank loans and resulted in subsisting increase of gearing ratio. As at 31 December 2012, the Group's gearing ratio (measured by net bank borrowings as a percentage of equity attributable to owners of the Company) was 51.5% (31 December 2011: 40.4%). The increase in gearing ratio was mainly attributable to the continuous investment of capital expenditures on capacity expansion, increase in working capital for substantial growth in sales and the rise in receipts of banker's acceptances (i.e. bills receivables) in newly expanded markets. The Group has always been highly concerned about the continuous growth of gearing ratio and applied a series of measures to monitor cash flow and ensure efficient usage of working capital, such as setting up management policies and indicators to monitor account receivables, account payables and inventory turnover days as well as banker's acceptance. The Group also periodically reviewed all capital investment projects, splitting the project investments in phases or retarding non-crucial items whenever possible. Furthermore, the Group implemented the scrip dividend scheme, expecting to enhance equity and release pressure of dividend payout on working capital. We also consulted with banks to ease covenants of gearing ratio commitments in credit terms in order to reduce default risks of bank loans.

As at 31 December 2012, the gross bank borrowings of the Group amounted to HK\$2,374,277,000 (31 December 2011: HK\$2,159,433,000). After deduction of short-term bank deposits, bank balances and cash amounting to HK\$966,300,000 (31 December 2011: HK\$1,161,489,000), the net bank borrowings amounted to HK\$1,407,977,000 (31 December 2011: HK\$997,944,000). Out of the gross bank borrowings, HK\$923,027,000 (31 December 2011: HK\$938,600,000) were short-term loans and repayable within one year. Such loans were denominated in two currencies, namely HK\$694,584,000 in Hong Kong Dollar and HK\$228,443,000 in US Dollar (31 December 2011: HK\$617,751,000 in Hong Kong Dollar, HK\$315,925,000 in US Dollar and HK\$4,924,000 in Renminbi). Long-term loans repayable after one year amounted to HK\$1,451,250,000 (31 December 2011: HK\$1,220,833,000) and they were all denominated in Hong Kong Dollar.

Since 2011, the Group has obtained 5-year bilateral long-term loans in total of HK\$1,500,000,000 and 3-year bilateral mid-term loans in total of HK\$200,000,000 to support the capital expenditure and working capital requirement for the Group's expected future growth. The Group is arranging refinancing of some of its maturing 3-year mid-term loans for the capital need of future development. As at 31 December 2012, mid to long-term loans accounted for 61% of the total bank loans. Since some of the borrowings of the Group carry interests at floating rate, our funding costs are subject to interest rate fluctuation. In order to hedge against interest rate fluctuation, the Group used interest rate swaps to convert HK\$1,010,000,000 of its 5-year bilateral long-term loans to fixed interest rate loans.

As at 31 December 2012, a total of 15 banks in Hong Kong, Macau and PRC granted banking facilities totaling HK\$4,891,059,000 (31 December 2011: HK\$3,991,731,000) to the Group and provided sufficient funds to meet its present working capital and expansion requirement. 75%, 18% and 7% of these banking facilities were denominated in Hong Kong Dollar, Renminbi and US Dollar respectively. The Group arranges most of its Hong Kong Dollar bank loans in Hong Kong for its China operations to enjoy the relatively low borrowing rate and enhance performance. Following the adoption of a series of measures to combat the debt crisis in Europe, and the launch of another round of quantitative easing measures by the United States, the three months or shorter Hong Kong Dollar inter-bank interest

rate is maintained at a low level. Furthermore, the inflation rate in the Mainland is under control, which also benefits the Group to lower its borrowing costs. Besides, the Group is exposed to exchange rate risk as the bank borrowings are denominated in Hong Kong Dollar and US Dollar while the Group's assets are mainly located in the Mainland and most of its income is generated in Renminbi. Since it is expected that there shall not be sharp appreciation of Hong Kong Dollar and US Dollar against Renminbi in the near future, the management considers that no hedging measure against such exchange rate exposure is necessary at this stage but will closely monitor its fluctuations. The Group will strike a balance between lowering borrowing costs and minimizing currency exposure by structuring an optimal combination of Hong Kong Dollar, US Dollar or Renminbi bank loans.

EMPLOYEES

As of 31 December 2012, the Group has a total number of 4,832 employees. 114 employees are from Hong Kong and Macau and 4,718 are from different provinces in China.

The Group places great emphasis on the management and development of human capital. The employees are encouraged to strive for improvement through internal and external training program, on-the-job training and participation in the Group's educational subsidies, allowing for self-development in knowledge and skills and to maximize their potential in their work. We offer excellent platform for development of highly committed and capable employees, regardless of their background, geographical region or educational levels. Through versatile experience in challenging roles, the current leadership of the Group has come through the ranks to advance to positions of management. Besides the focus of developing employees internally, the Group seeks to attract talent from outside and also recruit top graduates from the best tertiary institutions in Hong Kong, Mainland China, and abroad and provide them with training and development opportunities. The Management Trainee Program has been implementing for a number of years. Some of the management trainees have demonstrated their excellence capabilities and have been advanced to positions of leadership within the Group.

The Group offers a challenging work environment, sets up different programs for motivating employees to strive for improvement and to upgrade their skills in order to sustain the development of business. From time to time, the Group will make reference to market trends for the review of remuneration policy so as to ensure reasonable and competitive compensation and benefits. These include basic salary and performance-based bonus to attract and retain talents.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standard of corporate governance so as to achieve the Group's objectives of maximizing values for its employees, customers, suppliers, business partners and shareholders, and safeguarding the interests of them. The Company has complied with "Corporate Governance Code and Corporate Governance Report" (previously known as "Code on Corporate Governance Practice") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the year ended 31 December 2012 except that the Company does not have a nomination committee. Further information will also be included in the 2012 Annual Report.

AUDIT COMMITTEE

The Audit Committee was formed in November 1998 and comprises three non-executive Directors and four independent non-executive Directors and is chaired by Mr. Wong Kong Chi. Mr. Ip Chi Shing was appointed as member of the Audit Committee on 1 January 2012. Major duties of the Audit Committee include reviewing financial information of the Group, overseeing the Group's financial reporting system and internal control procedures and monitoring of the relationship between the Group and its external auditors. An audit committee meeting was held on 14 March 2013 to review the Group's audited consolidated financial statements for the year ended 31 December 2012.

REMUNERATION COMMITTEE

The Remuneration Committee was formed in June 2005. It comprises three non-executive Directors and four

independent non-executive Directors and is chaired by Mr. Au-Yeung Tsan Pong, Davie. Mr. Ip Chi Shing was appointed as member of the Remuneration Committee on 1 January 2012. Major roles and functions of the Remuneration Committee include establishing a formal and transparent procedure for developing remuneration policy, making recommendation to the Board on the Group's policy and structure for the remuneration of Directors and senior management and determining the remuneration packages of all executive Directors and senior management.

HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

The Health, Safety and Environment ("HSE") Committee was established on 1 January 2012 in order to enhance the awareness of the importance of the HSE protection works to the Group. This Committee comprises two non-executive Directors, namely Mr. Ip Chi Shing and Mr. Ng Siu Ping and three independent non-executive Directors, namely, Mr. Wong Kong Chi, Mr. Li Chak Man and Mr. Ku Yuen Fun, and is chaired by Mr. Ku Yuen Fun. Major duties of the HSE Committee include the adoption of and reviewing of the Group's HSE policies, reviewing the Group's appetite for HSE risk and monitoring the Group's environment for HSE matters, including organization structure, reward and punishment systems, resource inputs, operation culture, etc.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. After making specific enquiries, all Directors have confirmed that they have fully complied with the required standard as set out in the Model Code during the year ended 31 December 2012.

The Board of Directors of Yip's Chemical Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012, together with comparative figures of last year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2012

	Notes	2012 HK\$'000	2011 HK\$'000
Turnover	2	8,894,409	8,275,569
Cost of sales		(7,394,484)	(7,136,083)
Gross profit		1,499,925	1,139,486
Other income		59,683	94,630
Other gains and losses		16,491	59,005
Selling and distribution expenses		(387,304)	(348,169)
Administrative expenses		(726,194)	(619,193)
Interest expense		(41,257)	(28,742)
Profit before taxation	3	421,344	297,017
Taxation	4	(81,455)	(54,850)
Profit for the year		339,889	242,167
Other comprehensive income (expense)			
Exchange differences arising on translation		38,363	108,505
Net adjustments on cash flow hedges		(4,451)	(8,830)
Revaluation of leasehold properties for own use upon transfer to investment properties		38,321	-
Total comprehensive income for the year		412,122	341,842
Profit for the year attributable to:			
Owners of the Company		276,302	201,344
Non-controlling interests		63,587	40,823
Total comprehensive income attributable to:		339,889	242,167
Owners of the Company		345,627	286,772
Non-controlling interests		66,495	55,070
		412,122	341,842
Earnings per share	6		
- Basic		HK 49.4 cents	HK 36.3 cents
- Diluted		HK 49.3 cents	HK 36.1 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

Notes	2012 HK\$'000	2011 HK\$'000
Non-current assets		
Property, plant and equipment	1,453,531	1,153,357
Prepaid lease payments	212,809	218,518
Investment properties	66,300	-
Goodwill	69,574	71,462
Intangible assets	13,215	19,204
Available-for-sale investment	23,421	23,167
Deposits paid for acquisition of property, plant and equipment and land use rights	73,723	47,017
Other non-current asset	4,600	4,600
	1,917,173	1,537,325
Current assets		
Inventories	870,332	877,150
Trade and bills receivables	3,073,440	2,560,983
Other debtors and prepayments	310,819	295,678
Prepaid lease payments	4,990	5,003
Short-term bank deposits		
-with original maturity within three months	218,540	120,128
-with original maturity more than three months	19,128	445,337
Bank balances and cash	728,632	596,024
	5,225,881	4,900,303
Asset classified as held for sale	-	2,814
	5,225,881	4,903,117
Current liabilities		
Creditors and accrued charges	1,566,672	1,386,825
Taxation payable	71,990	77,028
Derivative financial instruments	7,451	2,795
Bank borrowings - amount due within one year	923,027	938,600
	2,569,140	2,405,248
Net current assets	2,656,741	2,497,869
Total assets less current liabilities	4,573,914	4,035,194
Non-current liabilities		
Derivative financial instruments	8,120	11,052
Bank borrowings - amount due after one year	1,451,250	1,220,833
Consideration payable for acquisition of additional interests in a subsidiary	-	2,400
Deferred tax liabilities	11,273	8,848
	1,470,643	1,243,133
	3,103,271	2,792,061
Capital and reserves		
Share capital	56,186	55,515
Reserves	2,677,010	2,416,766
Equity attributable to owners of the Company	2,733,196	2,472,281
Non-controlling interests	370,075	319,780
	3,103,271	2,792,061

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 12	Deferred tax: Recovery of underlying assets
Amendments to HKFRS 7	Financial instruments: Disclosures - Transfers of financial assets

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 12 "Deferred tax: Recovery of underlying assets"

The Group has applied for the first time the amendments to HKAS 12 "Deferred tax: Recovery of underlying assets" in the current year. Under the amendments to HKAS 12, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property" are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, the directors have determined that the "Sale" presumption set out in the amendments to HKAS 12 is not rebutted.

The application of the amendments to HKAS 12 has resulted in the Group not recognising any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

The application of the amendments to HKAS 12 has had no effect on the consolidated statement of comprehensive income for the year ended 31 December 2011 and the consolidated statement of financial position as at 31 December 2011 and 1 January 2011. Accordingly, the consolidated statement of financial position as at 1 January 2011 is not presented. The effect of the application of the amendments to HKAS 12 in the current year is summarised as follows:

Effect in the consolidated statement of financial position at 31 December 2012

	HK\$'000
Decrease in deferred tax liabilities	9,112
Increase in property revaluation reserve	6,323
Increase in retained profits	2,789
	<u>9,112</u>

Effect in the consolidated statement of comprehensive income for the year ended 31 December 2012

	HK\$'000
Decrease in taxation	<u>2,789</u>
Increase in profit for the year	2,789
Other comprehensive income	
Increase in property revaluation reserve	<u>6,323</u>
Increase in total comprehensive income for the year	<u>9,112</u>

Impact on basic earnings per share

	HK cents
<i>For the year ended 31 December 2012</i>	
Basic earnings per share before adjustments	48.9
Adjustments arising from change in accounting policy in relation to:	
- application of amendments to HKAS 12 in respect of deferred taxes on investment properties	<u>0.5</u>
Reported basic earnings per share	<u>49.4</u>

Impact on diluted earnings per share

	HK cents
<i>For the year ended 31 December 2012</i>	
Diluted earnings per share before adjustments	48.8
Adjustments arising from change in accounting policy in relation to:	
- application of amendments to HKAS 12 in respect of deferred taxes on investment properties	<u>0.5</u>
Reported diluted earnings per share	<u>49.3</u>

Amendments to HKFRS 7 Disclosures - Transfers of financial assets

The Group has applied for the first time the amendments to HKFRS 7 Disclosures - Transfers of financial assets in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The Group endorsed certain bills receivables to creditors to settle the trade payables to them. In prior year, the Group also discounted certain bills receivables to banks for cash with recourse. If the bills receivables are not paid at maturity, the creditors and the banks have right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to the receivables, it continues to recognise the full carrying amount of the receivables and the relevant payable to creditors and the cash received as secured borrowings until maturity. The relevant disclosures have been made regarding the transfer of these bills receivables on application of the amendments to HKFRS 7. In accordance with the transitional provisions set out in the amendments to HKFRS 7, the Group has not provided comparative information for the disclosures required by the amendments.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new or revised standards that have been issued but are not yet effective.

Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 cycle ¹
Amendments to HKFRS 7	Disclosures - Offsetting financial assets and financial liabilities ¹
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures ³
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance ¹
Amendments to HKFRS10, HKFRS 12 and HKAS 27	Investment entities ²
HKFRS 9	Financial Instruments ³
HKFRS 10	Consolidated financial statements ¹
HKFRS 11	Joint arrangements ¹
HKFRS 12	Disclosure of interests in other entities ¹
HKFRS 13	Fair value measurement ¹
HKAS 19 (Revised 2011)	Employee benefits ¹
HKAS 27 (Revised 2011)	Separate financial statements ¹
HKAS 28 (Revised 2011)	Investments in associates and joint ventures ¹
Amendments to HKAS 1	Presentation of items of other comprehensive income ⁴
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ²
HK(IFRIC) - INT 20	Stripping costs in the production phase of a surface mine ¹

¹ Effective for annual periods beginning on or after 1 January 2013

² Effective for annual periods beginning on or after 1 January 2014

³ Effective for annual periods beginning on or after 1 January 2015

⁴ Effective for annual periods beginning on or after 1 July 2012

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for the Group for annual period beginning on 1 January 2015, with earlier application permitted.

Except for available-for-sale investment, the directors anticipate that the application of HKFRS 9 will not affect the classification and measurement of the Group's other financial assets and liabilities as at 31 December 2012. Regarding the Group's available-for-sale investment, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (Revised 2011) and HKAS 28 (Revised 2011).

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK (SIC) - INT 12 "Consolidation - Special purpose entities" will be withdrawn upon the effective date of HKFRS10. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for the Group for the annual period beginning on 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

Other than the application of the disclosure standard of HKFRS 12 which will result in more extensive disclosures, the directors consider that the application of the other four standards may not have significant impact on amounts reported in the consolidated financial statements.

HKFRS 13 Fair value measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. This standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for the Group for annual period beginning on 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2013. Other than available-for-sale investment, the application of the new standard is not expected to affect the measurement of the Group's assets and liabilities reported in the consolidated financial statements but will result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 "Presentation of items of other comprehensive income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for the Group for the annual period beginning on 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

Amendments to HKAS 32 Offsetting financial assets and financial liabilities and amendments to HKFRS 7 Disclosures - Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for the Group for the annual period beginning on 1 January 2013 and interim periods within this annual period. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to derivative financial instruments which are under master netting arrangements.

Other than those disclosed above, the directors of the Company anticipate that the application of the other new and revised standards will have no material impact on the results and financial position of the Group.

2. TURNOVER AND SEGMENT INFORMATION

Turnover

Turnover represents the amount received and receivable for goods sold to customers during the year, net of discounts and sales related taxes.

Segment information

For management purposes, the Group's operations are currently classified under the following business divisions, namely solvents, coatings, lubricants and others. These divisions are the basis on which the Group reports its operating segment information.

Principal activities of the Group's reportable segments are as follows:

- Solvents - manufacture of and trading in solvents and related products
- Coatings - manufacture of and trading in coatings and related products
- Lubricants - manufacture of and trading in lubricants products

Segment profit represents the profit earned by each segment without allocation of interest income, dividend income, fair value change on derivative financial instruments, fair value change of investment properties, gain or loss on disposal of corporate assets, central administration costs and interest expense. This is the information reported to the Chairman of Group Executive Committee of the Company, the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment.

Segment revenue and results

An analysis of the Group's turnover and results by reportable and operating segments for the year under review is as follows:

	Solvents	Coatings	Lubricants	Reportable Segment total	Others	Elimination	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2012							
Segment revenue							
External sales	5,155,427	3,209,418	433,150	8,797,995	96,414	-	8,894,409
Inter-segment sales	160,557	-	-	160,557	-	(160,557)	-
Total	<u>5,315,984</u>	<u>3,209,418</u>	<u>433,150</u>	<u>8,958,552</u>	<u>96,414</u>	<u>(160,557)</u>	<u>8,894,409</u>
Results							
Segment results	<u>311,565</u>	<u>144,679</u>	<u>(6,107)</u>	<u>450,137</u>	<u>11,672</u>	<u>(5,552)</u>	<u>456,257</u>
Fair value change on derivative financial instruments							(1,579)
Increase in fair value of investment properties							16,900
Unallocated income							20,069
Unallocated expenses							(29,046)
Interest expense							(41,257)
Profit before taxation							<u>421,344</u>

	Solvents HK\$'000	Coatings HK\$'000	Lubricants HK\$'000	Reportable Segment total HK\$'000	Others HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Year ended 31 December 2011							
Segment revenue							
External sales	4,988,517	2,821,351	416,201	8,226,069	49,500	-	8,275,569
Inter-segment sales	111,593	-	-	111,593	-	(111,593)	-
Total	<u>5,100,110</u>	<u>2,821,351</u>	<u>416,201</u>	<u>8,337,662</u>	<u>49,500</u>	<u>(111,593)</u>	<u>8,275,569</u>
Results							
Segment results	<u>219,477</u>	<u>84,530</u>	<u>4,474</u>	<u>308,481</u>	<u>1,043</u>	<u>3,064</u>	312,588
Fair value change on derivative financial instruments							(5,498)
Unallocated income							41,978
Unallocated expenses							(23,309)
Interest expense							(28,742)
Profit before taxation							<u>297,017</u>

Inter-segment sales are charged at the similar terms as external sales.

3. PROFIT BEFORE TAXATION

	2012 HK\$'000	2011 HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of intangible assets	6,163	6,321
Auditors' remuneration		
- current year	4,390	4,073
- underprovision in prior year	463	138
Depreciation of property, plant and equipment	84,633	78,915
Fair value change on derivative financial instruments**	1,579	5,498
Impairment loss recognised in respect of goodwill**	1,888	-
Operating lease payments in respect of rented premises	23,416	22,488
Release of prepaid lease payments	5,831	3,486
Staff costs, including directors' remuneration	642,096	535,889
Increase in fair value of investment properties**	(16,900)	-
Interest income*	(16,563)	(20,175)
Government grants recognised*	(5,516)	(13,684)
Net loss (gain) on disposal/written off of property, plant and equipment and land use rights**	2,323	(3,972)
Gain on disposal of property held for sale**	(1,749)	-
Rental income* (excluding direct outgoings of HK\$557,000)	(869)	-
Dividend income from available-for-sale investment*	-	(8,590)
Compensation for early termination for operating lease* (Note)	-	(21,515)

* Included in other income

** Included in other gains and losses

Note: Pursuant to an agreement entered into with an independent third party (the "Landlord") in April 2011, the Group received a compensation of HK\$21,515,000 as the Landlord would like to early terminate an operating lease agreement in respect of a parcel of land leased to the Group located in the Mainland China.

4. TAXATION

	2012 HK\$'000	2011 HK\$'000
Current tax - Hong Kong		
Current year	17	295
Under(over)provision in previous years	502	(505)
	<u>519</u>	<u>(210)</u>
Current tax - Mainland China		
Current year	92,191	65,970
Overprovision in previous years	(13,680)	(13,201)
	<u>78,511</u>	<u>52,769</u>
	<u>79,030</u>	<u>52,559</u>
Deferred taxation		
Hong Kong	(291)	(260)
Mainland China	2,716	2,551
	<u>2,425</u>	<u>2,291</u>
	<u>81,455</u>	<u>54,850</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in Mainland China is 25% from 1 January 2008 onwards.

The Group's subsidiaries operating in Mainland China are eligible for certain tax holidays and concessions. Certain subsidiaries of the Company operating in Mainland China are eligible as High and New Technology Enterprise and the income tax rate of these subsidiaries is 15%. Pursuant to the relevant laws and regulations in Mainland China, certain subsidiaries of the Company in Mainland China are entitled to exemption from enterprise income tax of Mainland China for the first two years commencing from their first profit-making year of operation and thereafter, these subsidiaries in Mainland China will be entitled to a 50% relief from enterprise income tax of Mainland China for the following three years up to 2012. Enterprise income tax of Mainland China has been provided for after taking these tax incentives into account.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

5. DIVIDENDS

	2012 HK\$'000	2011 HK\$'000
Dividend recognised as distribution during the year:		
Interim dividend for 2012 of HK10.0 cents <i>(2011: HK8.0 cents) per share</i>	56,187	44,412
Special dividend for 2011 of HK4.0 cents <i>(2012: nil) per share</i>	-	22,206
Final dividend for 2011 of HK12.0 cents <i>(2011: final dividend for 2010 of HK10.0 cents) per share</i>	66,699	55,496
	<u>122,886</u>	<u>122,114</u>

Final dividend for 2011 of HK12.0 cents per share (with share alternative) were distributed as follows:

	HK\$'000
Dividends:	
Cash	31,279
Share alternative	<u>35,420</u>
	<u>66,699</u>

The final dividend equivalent to HK15.0 cents per share totalling not less than HK\$84,000,000, with an option to receive shares of the Company, in respect of the year ended 31 December 2012 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2012 HK\$'000	2011 HK\$'000
Profit for the year attributable to owners of the Company and earnings for the purposes of calculating basic and diluted earnings per share	<u>276,302</u>	<u>201,344</u>
	Number of shares '000	
Weighted average number of shares for the purpose of calculating basic earnings per share	<u>558,846</u>	554,365
Effect of dilutive potential ordinary shares: Share options	<u>1,559</u>	<u>3,293</u>
Weighted average number of shares for the purpose of calculating diluted earnings per share	<u>560,405</u>	<u>557,658</u>

7. INVESTMENT PROPERTIES

	HK\$'000
Fair Value	
At 1 January 2011 and 31 December 2011	-
Transfer from leasehold land and buildings under property, plant and equipment with fair value adjustment	49,400
Increase in fair value	<u>16,900</u>
At 31 December 2012	<u>66,300</u>

The investment properties were situated in Hong Kong and were held under medium-term leases.

The fair values of the Group's investment properties have been arrived at on the basis of valuations carried out at the end of the reporting period by an independent qualified professional valuer, Roma Appraisals Limited, not connected with the Group. The valuations were arrived at by reference to recent market prices for similar properties in similar locations and conditions.

All the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

8. TRADE AND BILLS RECEIVABLES

	2012 HK\$'000	2011 HK\$'000
Trade receivables	1,949,850	1,585,300
Less: Allowance for doubtful debts	(36,949)	(25,978)
	1,912,901	1,559,322
Bills receivables	1,160,539	1,001,661
	3,073,440	2,560,983

An aged analysis of trade receivables presented based on the invoice date at the end of the reporting period is as follows:

	2012 HK\$'000	2011 HK\$'000
0 - 3 months	1,525,139	1,314,430
4 - 6 months	340,158	226,109
Over 6 months	47,604	18,783
	1,912,901	1,559,322

The Group allows a credit period ranging from 30 to 90 days to its trade customers. A longer credit period may be granted to large or long established customers with good payment history.

Before accepting any new customers, the Group has an internal credit control system to assess the potential customers' credit quality and the board of directors has delegated the management shall be responsible for determination of credit limits and credit approvals for customers. Limits attributed to customers are reviewed periodically. Approximately 69% (2011: 75%) of the trade receivables are neither past due nor impaired as they were assessed to be of good credit rating attributable under the credit control system used by the Group.

Bills receivables represent banker's acceptances ("銀行承兌匯票"), i.e. time drafts accepted and guaranteed for payment by PRC banks. The Group accepts the settlement of trade receivables by customers using banker's acceptances accepted by PRC banks on a case by case basis.

These banker's acceptances are issued to or endorsed to the Group and with due dates not longer than six months from the date of issuance. Those banks accepting the banker's acceptances, which are state-owned banks or commercial banks in the PRC, are the primary obligors for payment on the due date of such banker's acceptances.

9. CREDITORS AND ACCRUED CHARGES

At the end of the reporting period, the balance of creditors and accrued charges included trade creditors of HK\$1,142,535,000 (2011: HK\$1,063,254,000), dividend payable to a non-controlling shareholder of a subsidiary of HK\$3,994,000 (2011: nil) and consideration payable for acquisition of additional interests in a subsidiary of HK\$2,400,000 (2011: nil). Remaining balances mainly consist of receipts in advance from customers, payable of staff salaries and benefits, sales commission, storage and transportation, etc.

An aged analysis of trade creditors at the end of the reporting period based on the invoice date is as follows:

	2012 HK\$'000	2011 HK\$'000
0 - 3 months	1,002,226	982,834
4 - 6 months	128,929	73,903
Over 6 months	11,380	6,517
	1,142,535	1,063,254

FINAL DIVIDEND

The Board of Directors has resolved to recommend a final dividend of HK15.0cents (31 December 2011 : HK12.0 cents) per share for the year ended 31 December 2012 to shareholders of the Company whose names are on the register of members on 14 June 2013. The final dividend will be paid to shareholders by way of cash with an option to elect to receive wholly or partly an allotment and issue of shares of the Company credited as fully paid in lieu of cash payment under the scrip dividend scheme ("Scrip Dividend Scheme").

The Scrip Dividend Scheme is conditional upon the approval by the shareholders of the Scrip Dividend Scheme at the Company's forthcoming annual general meeting and the grant by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in the new shares of the Company to be allotted pursuant thereto. A circular containing details of the Scrip Dividend Scheme together with an election form will be sent to the shareholders of the Company.

CLOSURE OF REGISTER OF MEMBERS

The Hong Kong branch register of members of the Company will be closed from Tuesday, 4 June 2013 to Thursday, 6 June 2013 (both dates inclusive) for the purpose of ascertaining shareholders' entitlement to attend and vote at the forthcoming annual general meeting. No transfer of shares may be registered on those dates. In order to qualify for the shareholders' entitlement to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates should be lodged with the Company's Branch Registrar in Hong Kong, Tricor Secretaries Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Monday, 3 June 2013.

The Hong Kong branch register of members of the Company will be closed from Thursday, 13 June 2013 to Friday, 14 June 2013 (both dates inclusive) for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. No transfer of shares may be registered on those dates. In order to qualify for the shareholders' entitlement to the proposed final dividend, all transfer forms accompanied by the relevant share certificates should be lodged with the Company's Branch Registrar in Hong Kong, Tricor Secretaries Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Tuesday, 11 June 2013.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the Stock Exchange website (<http://www.hkex.com.hk>) and the Company's website (<http://www.yipschemical.com>). The 2012 annual report containing all the information required by the Listing Rules will be published on the Stock Exchange website and the Company's website in due course.

By Order of the Board
Ip Chi Shing
Chairman

Hong Kong, 19 March 2013

As at the date of announcement hereof, the Board of Directors of the Company comprises the following Directors:-

Non-executive Directors :

Mr. Ip Chi Shing (Chairman)
*Mr. Wong Kong Chi**
*Mr. Au-Yeung Tsan Pong, Davie**
*Mr. Li Chak Man**
*Mr. Ku Yuen Fun**
Mr. Tong Wui Tung
Mr. Ng Siu Ping

Executive Directors :

Mr. Yip Tsz Hin (Deputy Chairman)
Mr. Wong Kam Yim (Chief Executive Officer)
Mr. Li Wai Man, Peter (Chief Operations Officer)
Mr. Ho Sai Hou (Chief Financial Officer)

**Independent non-executive Directors*