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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt about** this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitors, professional accountant or other professional adviser.

**If you have sold or transferred** all your Shares in YIP'S CHEMICAL HOLDINGS LIMITED (the "Company"), you should at once hand this circular to the purchaser or to the bank or stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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Yip's Chemical Holdings Limited

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 408)**

**DISCLOSEABLE TRANSACTION  
ACQUISITION OF BUSINESS OF MIN JUN (HK) COMPANY**

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# CONTENTS

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	<i>Page No.</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE CHAIRMAN</b>	
1. INTRODUCTION .....	4
2. BUSINESS TRANSFER AGREEMENT .....	5
3. FINANCIAL EFFECT OF THE BUSINESS TRANSFER .....	8
4. REASONS FOR AND BENEFITS OF THE BUSINESS TRANSFER .....	9
5. INFORMATION OF THE PARTIES .....	9
6. ADDITIONAL INFORMATION .....	9
<b>APPENDIX – GENERAL INFORMATION</b> .....	10

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Board”	the board of Directors of the Company
“Business Day(s)”	means a day, other than a Saturday or Sunday or Public Holiday, on which banks in Hong Kong are open for ordinary banking business
“Business Transfer Agreement”	the business transfer agreement dated 19 December 2007 entered into between the Vendor and the Purchaser pursuant to which the Vendor agrees to sell and the Purchaser agrees to purchase the Business
“Business Transfer”	the acquisition of the Business by the Purchaser from the Vendor pursuant to the Business Transfer Agreement
“Business”	the business of the Vendor being carried on by the Vendor in Hong Kong or elsewhere under the name of Min Jun, which shall include goodwill and all of the assets and rights thereof or related thereto (including the entire equity interests in the Target Company), but shall exclude all its liabilities, debts and obligations
“Company”	Yip’s Chemical Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Completion Accounts”	the unaudited accounts of the Target Company as at the Completion Date
“Completion Date”	the fourth or earlier Business Day after all the conditions precedent to Completion set out in the Business Transfer Agreement have been fulfilled or waived
“Completion of Registration”	the completion of certain registrations for the Target Company in the PRC as set out in the Business Transfer Agreement
“Completion”	completion of the Business Transfer in accordance with the terms and conditions of the Business Transfer Agreement
“Consideration”	the consideration to be paid by the Purchaser to the Vendor pursuant to the Business Transfer Agreement for the Business Transfer

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## DEFINITIONS

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“Deed of Charge”	the deed of charge to be executed by Guangxi Jinyuan in favour of the Purchaser, details of which are set out in paragraph headed “Other Security”
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Guangxi Jinyuan”	桂平市金源酒精實業有限公司, a company established in the PRC with limited liability, currently 67.38% owned by the Vendor
“Guarantee”	the deed of guarantee to be executed by the Guarantors in favour of the Purchaser, details of which are set out in the paragraph headed “Guarantee”
“Guarantors”	the Vendor and Guangxi Jinyuan
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	(an) independent third party(ies) not connected with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates as defined in the Listing Rules
“Latest Practicable Date”	4 January 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Min Jun”	Min Jun (HK) Company, the trade name used by the Vendor for the carrying on of the Business
“PRC”	The People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Production Line”	the full set of equipment and facilities of Guangxi Jinyuan for the production of anhydrous ethanol at a production capacity of approximately 30,000 tones per year as set out in the Business Transfer Agreement

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## DEFINITIONS

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“Purchaser”	Concord Chemical Storing Limited, a company incorporated in Hong Kong with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
“Shareholder(s)”	holder(s) of the existing ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shares(s)”	ordinary share(s) of HK\$0.1 each in the issued capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Taixing Jinjiang Chemical Industry Co., Ltd. 泰興金江化學工業有限公司, a wholly foreign owned enterprise with limited liability established in the PRC, currently wholly owned by the Vendor through Min Jun
“Transfer Notice”	transfer notice issued pursuant to Transfer of Business Ordinance
“Transfer of Businesses Ordinance”	Transfer of Businesses (Protection of Creditors) Ordinance (Cap. 49 of the Laws of Hong Kong)
“Vendor”	Mr. Ching Hak

*In this circular, unless otherwise indicated, the exchange rate of RMB0.95 = HK\$1.00 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such a rate or at any other rates.*



## Yip's Chemical Holdings Limited

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 408)**

*Executive Directors:*

Ip Chi Shing, Tony

*(Chairman and Managing Director)*

Ip Fung Kuen *(Deputy Chairman)*

Yip Tsz Hin, Stephen *(Deputy Chairman)*

Ng Siu Ping, George

Ting Hon Yam

Wong Kam Yim, Kenny

*(Deputy Chief Executive Officer)*

Young Man Kim, Robert

*Non-Executive Director:*

Tong Wui Tung, Ronald

*Independent non-executive Directors:*

Wong Kong Chi

Au-Yeung Tsan Pong, Davie

Li Chak Man, Chuck

*Registered office:*

PO Box 309GT

Ugland House

South Church Street, George Town

Grand Cayman

Cayman Islands

*Head Office and Principal Place  
of Business in Hong Kong*

Yip's Chemical Building

13 Yip Cheong Street, On Lok Tsuen

Fanling

New Territories

Hong Kong

7 January 2008

*To: the Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE TRANSACTION ACQUISITION OF BUSINESS OF MIN JUN (HK) COMPANY**

#### **1. INTRODUCTION**

The Company announced on 20 December 2007 that the Vendor and the Purchaser had entered into the Business Transfer Agreement, pursuant to which the Purchaser would acquire the Business from the Vendor at a Consideration of RMB31,793,215 (equivalent to approximately HK\$33,466,542.11), subject to adjustment. Through the acquisition of the Business, the Group will acquire the entire equity interest of the Target Company, which is currently owned by the Vendor through Min Jun.

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## LETTER FROM THE CHAIRMAN

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The Business Transfer constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

The purpose of this circular is to provide Shareholders with further information in relation to the Business Transfer and other information in compliance with the requirements of the Listing Rules.

### 2. BUSINESS TRANSFER AGREEMENT

**Date:** 19 December 2007

**Parties:**

- (1) Mr. Ching Hak (as Vendor)
- (2) Concord Chemical Storing Limited (as Purchaser), a 75% owned subsidiary of the Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Mr. Ching Hak is an Independent Third Party.

**Information of the Business:**

The Business is owned and carried out by the Vendor in the form of sole proprietorship and its sole investment is its ownership of the entire equity interests in the Target Company. The registered owner of the Target Company is Min Jun. Min Jun is merely a holding vehicle of the entire equity interest in the Target Company. Save for that interest, it does not have any other assets or liabilities. Through acquisition of the Business, the Group will acquire the entire equity interest of the Target Company. As the Company holds a 75% interest in the Purchaser, upon Completion, the Target Company will become an indirect 75% owned subsidiary of the Company.

It is expected that Completion will take place by 1 February 2008 and starting from the Completion Date, the Group will assume all risks and assets of the Business.

**Information of the Target Company:**

The unaudited net asset value of the Target Company as at 30 November 2007 was RMB43,534,678 (equivalent to approximately HK\$45,825,976.84) while the audited net asset value of the Target Company as at 31 December 2006 was RMB47,463,218 (equivalent to approximately HK\$49,961,282). For the two years ended 31 December 2005 and 31 December 2006, the audited net losses of the Target Company before taxation and extraordinary items were RMB3,972,630 (equivalent to approximately HK\$4,181,715.79) and RMB2,461,180 (equivalent to approximately HK\$2,590,715.79) respectively. Since there were no taxation and extraordinary items for the aforesaid periods, the audited net losses of the Target Company after taxation and extraordinary items for the aforesaid periods also amounted to RMB3,972,630 (equivalent to approximately HK\$ 4,181,715.79) and RMB2,461,180 (equivalent to approximately HK\$2,590,715.79) respectively. The above figures were computed under PRC GAAP.

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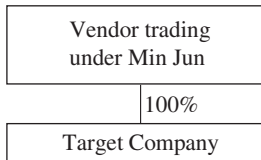
## LETTER FROM THE CHAIRMAN

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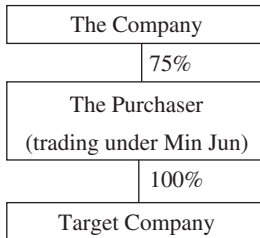
The main purpose of the Business Transfer is to acquire certain major assets of the Target Company, such as land and plant and machinery for manufacture and sales of ethanol and carbon dioxide.

The shareholding structure of the Target Company before and after Completion is depicted below:

### Before Completion



### After Completion



### Conditions Precedent:

Completion is conditional upon fulfillment or waiver of, among other things, the following:

1. the notice period as required by the Transfer Notice has expired pursuant to the Transfer of Businesses Ordinance;
2. the execution and delivery of the Guarantee by the Guarantors;
3. the execution and delivery of the Deed of Charge by Guangxi Jinyuan and due registration of the Deed of Charge with the appropriate authority;
4. from the date of the Business Transfer Agreement until Completion, there are no material adverse changes in the Target Company's business, operation, assets, liabilities, etc.

If the conditions precedent are not fulfilled or waived within 1 month of the execution of the Business Transfer Agreement, the Purchaser may choose to extend such period or terminate the Business Transfer Agreement. If the Purchaser elects to terminate the Business Transfer Agreement, the Vendor shall within five Business Days from the termination fully refund to the Purchaser the Consideration already paid by the Purchaser.

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## LETTER FROM THE CHAIRMAN

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As at the Latest Practicable Date, other than the execution and delivery of the Guarantee by the Guarantors, none of the conditions precedent was fulfilled or waived. Completion is expected to take place by 1 February 2008.

### **Consideration:**

The Consideration is RMB31,793,215 (equivalent to approximately HK\$33,466,542.11) subject to the following adjustments:-

- (i) if the Vendor fails to deliver to the Purchaser on Completion all of the fixed assets of the Target Company in the manner as set out in the Business Transfer Agreement, the value of such non-delivered assets as determined by an independent auditor shall be subtracted from the Consideration accordingly;
- (ii) if prior to the expiry of the notice period of the Transfer Notice made pursuant to the Transfer of Businesses Ordinance, any legal proceeding is instituted against the Vendor and/or the Purchaser in respect of any liability arising out of the operation of the Business which was carried out by the Vendor prior to completion of the Transfer Notice, the Consideration shall at the request of the Purchaser be adjusted downwards;
- (iii) if the outstanding debts of the Target Company as shown or reflected in its Completion Accounts is higher or lower than RMB38,206,785 (equivalent to approximately HK\$40,217,668.42), the difference thereof shall be subtracted from or added to (as the case may be) the Consideration accordingly;
- (iv) if it is subsequently discovered that the Target Company has on or before Completion incurred any outstanding debts which are not shown or reflected in the Completion Accounts, the Purchaser is entitled to deduct the total amount of such debts from the Consideration.

Subject to the adjustment as aforesaid, the Purchaser shall pay the Consideration by installments in the following manner:

1. RMB20 million (equivalent to approximately HK\$21,052,631.58) shall be paid on the date of the Business Transfer Agreement;
2. RMB9,793,215 million (equivalent to approximately HK\$10,308,647.37) shall be paid within 7 Business Days after the Completion of Registration; and
3. balance of RMB2 million (equivalent to approximately HK\$2,105,263.16) shall be paid within 7 Business Days after 24 months from the Completion of Registration, after deducting any tax, administrative fees and/or penalties or any other debts or liabilities owed to the government or any third party incurred before the Completion but subsequently demanded or claimed against the Target Company.

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## LETTER FROM THE CHAIRMAN

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In the event that the Vendor is required to repay the Purchaser any Consideration already paid by the Purchaser together with interest, the Vendor shall pay such sum to the Purchaser within 14 days from the demand made by the Purchaser.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser and was determined after taking into account the assets and earning potential of the Business. The Consideration is to be paid in cash and funded by the working capital of the Group.

### **Non-Competition Covenant:**

The Vendor has undertaken to the Purchaser that for five years after the Business Transfer, he shall not, without the Purchaser's prior written consents, either on his own or through any third party establish any enterprise, partnership, corporation or by any other means, directly or indirectly manufacture ethanol in Jiangsu Province, Anhui Province, Zhejiang Province, Shandong Province and/or Shanghai of the PRC, but the Vendor is allowed to carry on trading activities of ethanol in such districts.

### **Guarantee:**

The Guarantors will execute a guarantee in favour of the Purchaser to guarantee the due and punctual performance of the Vendor's obligations under the Business Transfer Agreement, which shall include, among other things, the Vendor's obligations pursuant to the non-competition covenant described above (for details, please refer to the paragraph headed "Non-Competition Covenant") and his obligation to ensure the Target Company shall be free from any tax liability incurred prior to Completion.

### **Other Security:**

Guangxi Jinyuan will further execute a Deed of Charge in respect of its Production Line in favour of the Purchaser for a period of 30 months from the registration thereof to guarantee the due and punctual performance of the Vendor's obligations under the Business Transfer Agreement. In the event the Purchaser or the Target Company suffers any direct economic loss arising out of the Vendor's failure to perform his obligations under the Business Transfer Agreement, the Purchaser shall, upon obtaining judgment against Guangxi Jinyuan, have priority over the proceeds from the sale of the Production Line.

### **3. FINANCIAL EFFECT OF THE BUSINESS TRANSFER**

Upon Completion, the results of the Target Company will be consolidated into the income statement of the Group for the financial periods ending after the Completion Date. As stated in the section headed "Reasons for and Benefits of the Business Transfer", in view of the Group's expertise in the solvents business, it is expected that the Group can turn around the Target Company and that the Business Transfer can enhance and strengthen the earnings of the Group.

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## LETTER FROM THE CHAIRMAN

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The Business Transfer is expected to increase the assets and liabilities of the Group by about HK\$82,640,138 and HK\$36,493,379 respectively.

#### 4. REASONS FOR AND BENEFITS OF THE BUSINESS TRANSFER

The Target Company is a producer of ethanol, which is one of the key raw materials necessary for the production of the Group's major product of ethyl acetate. The Group's present acetate business is the largest in the PRC and the fourth in the world, with manufacturing facilities mainly concentrated in South China. Although the Target Company is not currently producing ethyl acetate, its location at the China Fine Chemical Industry Taixing Park in Jiangsu Province Taixing Economic Development Zone, and the infrastructure already established by the Target Company provides an excellent opportunity for the Group to add ethyl acetate production facilities to the existing plant, thus providing the Group with a firm foothold to expand its solvents business into the East China market, where the demand for solvents is booming in the vibrant Chinese economy. The vertical integration into ethanol manufacturing by virtue of the Business Transfer would also further enhance the Group's competitiveness in the business of production and distribution of ethyl acetate. In view of the Group's expertise in the solvents business, the Group is confident that it can turn around the Target Company. Moreover, the cost of the acquisition will be much lower than the costs of setting up of a new production plant by the Group itself. The acquisition will also greatly reduce the time for the Group to set up a new production plant. This strategic acquisition will not only increase the reliability of supply of key raw materials, but also reduce the cost of acquiring raw materials compared to other acetate manufacturers. Moreover, from an investment point of view, the Business Transfer is expected to provide a satisfactory return to the Shareholders.

The Directors consider that the terms of the Business Transfer are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

#### 5. INFORMATION OF THE PARTIES

The Vendor is a sole proprietor who carries on trading business under Min Jun.

The Purchaser is a 75% owned subsidiary of the Company incorporated in Hong Kong and its principal activity is investment holding. The Company is an investment holding company incorporated in the Cayman Islands and the activities of its subsidiaries include the manufacture and trading of solvents, coatings and lubricants.

#### 6. ADDITIONAL INFORMATION

Your attention is also drawn to the appendix to this circular.

Yours faithfully,  
By order of the Board  
**Ip Chi Shing**  
*Chairman*

**(1) RESPONSIBILITY STATEMENT**

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

**(2) DISCLOSURE OF INTERESTS**

As at the Latest Practicable Date, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules were as follows:

**(a) Long positions in the Shares of the Company**

Directors	Personal Interests	Family Interests	Total	Percentage of issued share capital of the Company
Ip Chi Shing, Tony	189,373,932	–	189,373,932	38.91%
Ip Fung Kuen	58,000,000	–	58,000,000	11.92%
Yip Tsz Hin, Stephen	36,340,000	20,000,000 <sup>(a)</sup>	56,340,000	11.58%
Ng Siu Ping, George	1,632,000	50,000 <sup>(b)</sup>	1,682,000	0.35%
Ting Hon Yam	120,000	–	120,000	0.02%
Wong Kam Yim, Kenny	208,000	–	208,000	0.04%
Young Man Kim, Robert	2,102,000	–	2,102,000	0.43%
Tong Wui Tung, Ronald	–	500,000 <sup>(c)</sup>	500,000	0.10%
Wong Kong Chi	–	100,000 <sup>(d)</sup>	100,000	0.02%
Au-Yeung Tsan Pong, Davie	–	–	–	–
Li Chak Man, Chuck	150,000 <sup>(e)</sup>	150,000	150,000	0.03%

*Notes:*

- (a) These shares are held by Madam Yip Tso Ka Lai, Brenda, the wife of Mr. Yip Tsz Hin, Stephen.
- (b) These shares are held by Madam Siu Oi Li, Maicy, the wife of Mr. Ng Siu Ping, George.
- (c) These shares are held by Madam Lau Mui Sum, the wife of Mr. Tong Wui Tung, Ronald.
- (d) These shares are held by Madam Jim Siu Wai, the wife of Mr. Wong Kong Chi.
- (e) These shares are jointly held with Madam Cheng Yee Ha, the wife of Mr. Li Chak Man, Chuck.

**(b) Long positions in underlying Shares of the Company**

<b>Directors</b>	<b>Number of Share Options Outstanding</b>
Ip Fung Kuen	200,000
Ng Siu Ping, George	1,200,000
Ting Hon Yam	400,000
Wong Kam Yim, Kenny	1,200,000

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

**(3) SUBSTANTIAL SHAREHOLDERS**

As at the Latest Practicable Date, so far as was known to the Directors, there was no person, other than the Directors who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

**(4) DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

**(5) LITIGATION**

As at the Latest Practicable Date, no member of the Group is engaged in any litigation or claim of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened against any member of the Group.

**(6) COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, whether directly or indirectly, with the business of the Company.

**(7) MISCELLANEOUS**

- (a) The company secretary and qualified accountant of the Company is Mr. Ng Siu Ping, George, who is a fellow member of the Association of Chartered Certified Accountants and a certified public accountant of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is at PO Box 309GT, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands and its principal place of business of the Company in Hong Kong is at Yip's Chemical Building, 13 Yip Cheong Street, On Lok Tsuen, Fanling, New Territories, Hong Kong.
- (c) The Hong Kong branch share registrar of the Company is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.