

[For Immediate Release]

**Yip's Chemical Announces 2007/08 Annual Results  
Net Profit Attributable to Equity Holders Surges 23%  
to HK\$ 275,183,000**

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**Solvents and Coatings Businesses Sustained Strong Growth Momentum  
Turnover and Net Profit Attributable to Equity Holders Reached Record High**

**Results Highlights**

	<i>For the year ended 31 March</i>		
	<b>2007/ 08</b>	2006/ 07	Change (%)
	<b>(HK\$ '000)</b>	(HK\$'000)	
<b>Turnover</b>	<b>4,648,386</b>	3,913,835	+19%
<b>Net Profit Attributable to Equity Holders</b>	<b>275,183</b>	223,636	+23%
<b>Net Profit Margin (%)</b>	<b>5.9</b>	5.7	-
<b>Basic Earnings Per Share (HK cent)</b>	<b>56.7</b>	46.6	+22%
<b>Final Dividend Per Share (HK cent)</b>	<b>15</b>	12	+25%
<b>Total Dividend Per Share (HK cent)</b>	<b>25</b>	20	+25%

(Hong Kong, 3 July 2008) – **Yip's Chemical Holdings Limited** (HKEx: 0408) ("Yip's Chemical" or the "Group"), one of the largest manufacturers of petrochemical products in China, today announced its 2007/08 annual results for the year ended 31 March 2008.

During the year under review, the Group recorded a turnover of HK\$4,648,386,000, a 19% increase compared with last year. Net profit attributable to equity holders also surged by 23% against last year to reach HK\$275,183,000. The Group's net profit margin also improved from 5.7% to 5.9%. The Board recommends payment of a final dividend of HK15 cents per share which, together with the interim dividend of HK10 cents already issued, brings the total dividend for the year to HK25 cents per share, representing a growth of 25% compared with last year.

**Mr. Tony Ip, Chairman of Yip's Chemical**, said, "In the face of a difficult operating environment, the Group continued to focus on its business, directing efforts into enhancing competitiveness and economies of scale. As a result, its turnover and profit attributable to shareholders reached new highs and attained double-digit growth for four years since we restructured the businesses in 2001. Working by the principle of acquiring business on a scale that is within the Group's ability, we endeavour to seize business acquisition opportunities that generate synergy with our core businesses, and accelerate the growth of the Group. "

## **Business Review**

### Solvents

Sales of raw solvents for the year was excellent and mixed solvents business benefited from the good performance of coatings business. Overall, the solvents division recorded a turnover of HK\$2,745,605,000, an increase of 23%, while operating profit was HK\$250,185,000, a slight decline of HK\$2.14 million as compared with the previous year. As the division benefited from a temporary demand and supply imbalance last year, figures from the two periods are not deemed as meaningful comparison of its performance. Generally speaking, considering the nature of the division, an 8 to 10% operating profit is normal.

To address the issue of full utilization of production capacity, the Group completed the first phase of expansion of its original plant in Jiangmen in January this year and the second phase will be completed by September the same year. These projects are expected to increase the Group's production capacity by 60,000 tonnes a year. That plus the 45,000 tonnes annual capacity of Shengda Chemical acquired by the Group in August last year will ultimately boost its total production capacity for raw solvents to 320,000 tonnes per year.

In February this year, the Group acquired Taixing Jinjiang Chemical in Jiangsu, which produces ethanol with the annual capacity of 60,000 tonnes. The Group intends to expand the production at Taixing by adding a 50,000 tonnes ethyl acetate production line, which will contribute to the Group's goal of achieving vertical integration of its solvents business. The Group has submitted the license applications and expects the new production line to commission by the beginning of next year. Apart from allowing the Group to lower cost of producing solvents and enhance competitiveness, the new production line will provide a platform for the Group to expand business in Eastern China.

### Coatings

With the steady growth of the Chinese economy in recent years, domestic demand has been on the rise, together with the Group's strategy in brand building and placing more resources for promotions, the Group was able to achieve encouraging results for the coatings business. Turnover and operating profit of the division were HK\$1,666,336,000 and HK\$124,046,000 respectively, representing an increase of 15% and 40% against the previous year.

In the past year, the Group strengthened its marketing unit to raise its brand profiles. At the same time, it expanded the capacity of existing plants and also built new ones to increase production capacity in its bid to satisfy market demand. Expansion of the plants in Zhongshan, Chengdu and Shanghai will be completed this year and in 2009, and construction of the new plant in Tungxiang, Zhejiang is expected to be completed by the end of the year. These expansion plans are expected to increase the Group's production capacity for coatings to 230,000 tonnes or about HK\$3.5 billion worth per year.

In June this year, the Group acquired Fusen Ink Chemical, a company in Hebei with an ink production plant. With some modifications, the plant will serve as a new integrated production facility for the coatings division in Northern China. In May this year, the Group also acquired the businesses of Pak Lam Chemical, an electronic casing coatings specialist in Guangdong. Its business with expected sales over RMB100 million per year has become part of the Group's Hang Cheung Coatings division located in Huiyang, Guangdong. With the completion of Tungxiang plant looming in the horizon, Hang Cheung will build on the existing platform of the Pak Lam business in the Northern China region to accelerate its growth of electronic casing coatings businesses in the region.

### Lubricants

With the price of base oil rising and major oil companies around the world entering the competition in China, the lubricants business of the Group operated in a very challenging environment during the year. However, with the Group's restructuring efforts taking effect, the division's turnover increased 21% against last year to HK\$248,656,000, and operating profit reached HK\$9,493,000, a significant improvement over last year's loss of HK\$6,384,000.

In the coming year, the lubricants business will continue to consolidate its position in the market, with the division of the Best Lubricants concentrating on automotive lubricants and the Pacoil division focusing on specialty lubricants; both actively developing quality and competitive products in their respective divisions. It will also improve its management of procurement and logistics to maximize synergies between the two lubricant businesses and attain sustainable profits for the division.

### Prospects

Looking ahead, the Group expects the market environment to remain uncertain in the short term. However, as the financial markets around the world gradually stabilise and with the 2008 Beijing Olympics anticipated to stimulate demands in the country, the Chinese economy is expected to maintain high growth and in turn present more and more opportunities for the Group's three core businesses. To effectively tap these opportunities, the Group has placed great efforts in raising corporate governance standards and strengthening its financial foundation.

Mr. Ip concluded, "In April this year, the Group implemented a new management structure, separating policy making and business operation, which will be directed by the Board of Directors and management committee respectively. Members by the Chairman, the Vice Chairmen, and a number of executive directors, the Board of Executive Directors will set long-term development objectives and strategies as well as supervise the operations of the management committee. The purposes of the new management structure are to ensure policies are diligently implemented, thus raising the Group's corporate governance standards. In the same month, we successfully raised funds in the market through share placing, which reflected the recognition of the investment community for the Group. It has also provided support to our future expansion plan as well as acquisition opportunities. We will continue to strive for greater returns for our employees and shareholders riding on the new corporate structure."

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### **About Yip's Chemical Holdings Limited (SEHK : 0408)**

Yip's Chemical Holdings Limited, formerly known as Hang Cheung Hong, was established in 1971 and listed on the Hong Kong Stock Exchange in 1991. The Group focuses on the production and sale of petrochemical products. Its three core businesses are solvents, coatings and lubricants. It is one of China's largest manufacturers of petrochemical products, and the fourth and largest manufacturer of acetate solvents in the world and in China respectively. The Group is headquartered in Hong Kong, with 18 manufacturing plants across China, a huge sales network covering every major Chinese province and city, and a total staff of 4,100. Brands operated under the Group include the "Bauhinia" for paints, "Bauhinia Variegata" for inks, "Galaxxo" for specialty varnishes, "Da Chang" for resins, "Ad-Coat" for electronic insulating coatings, "Hercules" for lubricants and "Pacoil" for specialty lubricants. In 2007, the Group attained recognition by being named by Asiamoney as "Small Cap Corporate of the Year – Hong Kong", which acknowledged the company's corporate strategy and business management. The Group was also named the "Best Mid-Cap" in Hong Kong by FinanceAsia's Best Managed Companies Poll 2008.

Company Website : [www.yipschemical.com](http://www.yipschemical.com)

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