葉氏化工集團有限公司
YIP'S CHEMICAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 408)

DISCLOSEABLE TRANSACTION – ACQUISITION OF 40% EQUITY INTEREST IN A PRC COMPANY

The Board is pleased to announce that on 10 October 2006, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Share Purchase Agreement with the Sellers, pursuant to which the Sellers have agreed to transfer and the Purchaser has agreed to acquire 40% equity interest in the Target Company at a Consideration of about RMB36,044,000 (equivalent to approximately HK$35,337,255), subject to adjustment as stated below.

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

A circular containing further information on the Share Purchase Agreement and the transaction contemplated therein will be dispatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

THE SHARE PURCHASE AGREEMENT

Date: 10 October 2006

Parties:

Sellers: SCHBV and SCL

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Sellers and their respective ultimate beneficial owners are Independent Third Parties.

Purchaser: Primer Limited, a company incorporated in Western Samoa and a wholly-owned subsidiary of the Company.

Assets to be Acquired:

The Target Company is a sino-foreign co-operative joint venture company with limited liability established on 2 April 1993 with a registered capital of US$3,800,000 (equivalent to approximately HK$29,640,000) and is currently owned as to 40% by Best, 30% by SCHBV, 10% by SCL and 20% by Zhanjiang Port Authority. The Target Company is principally engaged in the lubricant blending and trading business and currently comprises of three units, one operated independently by Best (the "Best Unit"), one independently by the Sellers (the "Shell Unit") and a remaining commonly-shared operating unit (the "Common Unit") which involves both the Sellers and Best on a 50:50 basis.

Consideration:

The Consideration is in the sum of about RMB36,044,000 (equivalent to approximately HK$35,337,255), and was determined after arm's length negotiations between the Sellers and the Purchaser with reference to the value of the Shell Interest taking into account the estimated net working capital values (whereas the non-current assets and liabilities are not taken into account) as at 31 October 2006 of (i) the Shell Unit and (ii) 50% of the Common Unit, after deducting a sum of RMB2,100,000 (equivalent to approximately HK$2,058,824) which the Sellers have agreed to bear as a maintenance cost in order that the Target Company can keep its plant up to the standard required for rendering the Blending Services.

The Consideration is subject to adjustment based on the difference between the estimated net working capital value of (i) the Shell Unit and (ii) 50% of the Common Unit as aforesaid and such value as at the Completion Date as shown in the completion accounts to be prepared by an accounting firm appointed jointly by the Purchaser and the Sellers within ten (10) Business Days after the Completion Date. The Completion Date is expected to take place by the end of 2006.

The Consideration shall be payable by the Purchaser to the Sellers by wire transfer on the Completion Date, whilst the aforesaid adjustment, if any, which may be positive or negative (i.e. being positive if the asset value as shown in the completion accounts is greater than the estimated net working capital value, and thus the payment obligation will be on the Purchaser, and if otherwise, the adjustment will be negative and the payment obligation will be on the Sellers), shall be payable within seven (7) Business Days after its determination. The Consideration and the adjustment thereof will be funded by the working capital of the Group.

As at 31 October 2006, the total assets and net assets of the Target Company (computed under PRC GAAP) are estimated to be RMB157,213,000 (equivalent to approximately HK$154,130,392) and RMB50,649,000 (equivalent to approximately HK$49,655,882) respectively. The audited net profits (before taxation and extraordinary items) attributable to the Target Company for each of the years ended 31 December 2005 and 2004 (computed under PRC GAAP) are RMB18,964,134 (equivalent to approximately HK$18,592,288) and RMB39,085,139 (equivalent to approximately HK$38,318,764) respectively, whilst the audited net profits (after taxation and extraordinary items) attributable to the Target Company for each of the years ended 31 December 2005 and 2004 (computed under PRC GAAP) are RMB11,989,795 (equivalent to approximately HK$11,754,701) and RMB26,212,267 (equivalent to approximately HK$25,698,301) respectively.

Conditions Precedent:

Completion of the Acquisition is conditional upon satisfaction of, among other things, the following:

(1) the transfer of the Shell Interest by the Sellers to the Purchaser pursuant to the Share Purchase Agreement having been approved in writing by Zhanjiang Port Authority, Best and the Zhanjiang Foreign Trade and Economic Cooperation Bureau;

(2) the transfer of the Shell Interest by the Sellers to the Purchaser having been registered with the Zhanjiang Administration of Industry and Commerce; and

(3) the Toll Blending Agreement having been duly signed by ZSOP and the Target Company.

Pursuant to the Toll Blending Agreement, the Target Company will provide Blending Services to ZSOP on an exclusive basis for two and a half (2.5) years, such that the Target Company, taking into account its blending capacity, is obliged to accept order from ZSOP if it falls within a pre-agreed ranges of volumes. There is also an aggregate minimum throughput volume of orders which must be made by ZSOP and thus the Target Company will receive a minimum fee from ZSOP for processing such orders.

Upon completion of the Acquisition, the Target Company will remain as a co-operative joint venture and will be owned as to 80% indirectly by the Company and thus will become a non-wholly owned subsidiary of the Company. Zhanjiang Port Authority is entitled to receive a fixed rate of dividend equivalent to 20% of its capital injection into the Target Company, amounting to about HK$1.19 million, in priority to distribution to other shareholders. The Purchaser will then be entitled to any remaining profit of the Target Company after the aforesaid distribution to Zhanjiang Port Authority.

Post Completion Undertakings:

Upon completion of the Acquisition, save for any liabilities as a result of the purchasing, marketing and sales activities or transactions of the Shell Unit and any tax liabilities in connection therewith which are to be retained as the liabilities of the Sellers, the Sellers are to be released from all its responsibilities and liabilities in relation to the Target Company and the Purchaser is to indemnify the Sellers against any claim in respect of such released liabilities. The Board believes that since the Sellers retain the liabilities in respect of the Shell Unit, and since Best has at all times been a shareholder of the Target Company and the operator of the Best Unit of the Target Company, the additional chances of claims for other liabilities are remote.

The Purchaser undertakes to use its best endeavour to sell the Shell Interest together with the Group's existing 40% interest in the Target Company to a third party within three (3) years after the Completion Date. Should such a sale of an 80% equity interest in the Target Company be realized within the said period, the Sellers are entitled to receive half of the net proceeds.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Sellers and the Purchaser started negotiation for the Acquisition because both parties regarded that the size and location of the plant operated by the Target Company no longer fitted with their respective development strategies and both parties intend to sell or liquidate their respective interests in the Target Company eventually. The Directors consider that the Consideration is appealing because it only takes into consideration the net current assets for the Shell Interest whilst the Group is not required to pay for the non-current assets attributable to the Shell Interest and the fee that the Target Company will receive from provision of the Blending Services under the Toll Blending Agreement not only can cover the fixed and operating costs of the plant but will also provide the Group with steady additional income. Therefore, the Directors consider the Acquisition is beneficial to the Group as it will offer the Group a reasonable interim arrangement whilst it is in search of a buyer for the Target Company. More importantly, the Acquisition together with the Toll Blending Agreement will also allow the Company to consolidate its lubricant blending operations in Southern China in its other lubricant subsidiary Dongguan Pacoil Lubricant Co., Ltd. located at Ma Chung, Dong Guan, whereby more synergies can be achieved from its operations in the Target Company and Pacoil. Moving the blending operations of Best from Zhanjiang to Dong Guan will also enable Best to reduce its operating costs in respect of transportation and logistics, as Dong Guan is much closer to the main markets of its lubricant products.

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

INFORMATION OF THE PARTIES

SCHBV is principally engaged in investment holding whilst SCL is principally engaged in making and promoting investment within the Oil, Gas, Chemical, Coal, Power, other Infrastructure Industries and to provide services to the companies in which it invests.

The Purchaser is a wholly-owned subsidiary of the Company incorporated in Western Samoa and its principal activity is investment holding. It holds two operating companies engaged in the lubricant blending and trading business. The Company is an investment holding company incorporated in Cayman Islands and the activities of its subsidiaries include the manufacture and trading of solvents, coatings and lubricants.

GENERAL

As the Consideration of RMB36,044,000 (equivalent to approximately HK$35,337,255) represents more than 5% but less than 25% of the applicable percentage ratios, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules.

A circular containing, among other things, details of the Share Purchase Agreement and the transaction contemplated therein will be dispatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

DEFINITIONS

"Acquisition"	the acquisition of the Shell Interest by the Purchaser from the Sellers pursuant to the Share Purchase Agreement
"Best"	Best Lubricant Blending Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
"Blending Services"	the blending services to be provided by the Target Company to ZSOP which include mainly storing and blending lubricating oils and fluids from time to time provided by ZSOP and filling and packing the resultant finished products in accordance with the instructions from time to time given by ZSOP
"Board"	the board of Directors
"Business Day"	means a day, other than a Saturday or Sunday or Public Holiday, on which banks both in Hong Kong and on the Mainland of the PRC are open for ordinary banking business
"Company"	Yip's Chemical Holdings Limited, a company incorporated in Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
"Completion Date"	the fifth Business Day following the date on which all the conditions precedent in relation to the Acquisition have been satisfied or waived or such other date as agreed by the Sellers and the Purchaser
"Consideration"	the consideration to be paid by the Purchaser to the Sellers for the Acquisition
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"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
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	The People's Republic of China, and for the purpose of this announcement, excluding Hong Kong and the Macau Special Administrative Regions and Taiwan
"Purchaser"	Primer Limited, a company incorporated in Western Samoa and an indirect wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SCHBV"	Shell China Holdings BV, a company incorporated in the Netherlands and an indirect wholly-owned subsidiary of Shell
"SCL"	Shell (China) Limited, a company incorporated in the PRC and an indirect wholly-owned subsidiary of Shell

"Sellers"	SCHBV and SCL
"Share Purchase Agreement"	the share purchase agreement dated 10 October 2006 entered into between the Sellers and the Purchaser pursuant to which the Sellers agree to sell and the Purchaser agrees to purchase the Shell Interest in the Target Company
"Shares(s)"	ordinary share(s) of HK$0.1 each in the issued capital of the Company
"Shareholder(s)"	holder(s) of the existing ordinary share(s) of HK$0.1 each in the share capital of the Company
"Shell"	Royal Dutch Shell plc, a company incorporated in England and Wales with limited liability, the shares of which are listed on the Amsterdam, London and New York Stock Exchanges
"Shell Interest"	means the 40% equity interest in the registered capital of the Target Company held by SCHBV and SCL which is the subject of the Acquisition
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Zhanjiang Best Lubricant Blending Limited, a sino-foreign co-operative joint venture company with limited liability established in Xiashan District, Zhanjiang City, Guangdong, the PRC, currently owned as to 40% by Best, 30% by SCHBV, 10% by SCL and 20% by Zhanjiang Port Authority
"US$"	US Dollar, the lawful currency of the United States of America
"Toll Blending Agreement"	means the Toll Blending Agreement to be entered into between ZSOP and the Target Company
"Zhanjiang Port Authority"	now restructured to be the Zhanjiang Port Group Company Limited, the Chinese partner to the joint venture regarding the formation of the Target Company, owning 20% of the equity interest in the Target Company
"ZSOP"	Zhejiang Shell Oil & Petrochemical Company Limited, a company incorporated in Zhapu, the PRC and an indirect wholly-owned subsidiary of Shell

As at the date of this announcement, Mr. Ip Chi Shing, Tony, Ms. Ip Fung Kuen, Mr. Yip Tsz Hin, Stephen, Mr. Ng Siu Ping, George, Mr. Ting Hon Yam, Mr. Wong Kam Yim, Kenny and Mr. Young Man Kim, Robert are executive directors of the Company, Mr. Tong Wui Tung, Ronald is a non-executive director of the Company and Mr. Wong Kong Chi, Mr. Au-Yeung Tsan Pong, Davie and Mr. Li Chak Man, Chuck are independent non-executive directors of the Company.

In this announcement, RMB has been converted to HK$ at the rate of RMB1.02 = HK$1 while US$ has been converted to HK$ at the rate of US$1.00 = HK$7.8 for illustration purpose only. No representation is made that any amounts in RMB, US$ or HK$ have been, could have been or could be converted at the above rate or at any other rates or at all.

On behalf of the Board
Ip Chi Shing, Tony
Chairman

Hong Kong, 10 October 2006

Please also refer to the published version of this announcement in South China Morning Post.