

HIGHLIGHTS

- **Turnover was HK\$891,626,000, increased by 21.3% when compared with the corresponding period last year.**
- **Net profit for the period was HK\$60,214,000, decreased by 3.5% when compared with the corresponding period last year.**
- **Basic earnings per share was HK13.0 cents, increased by 4.0% when compared with the corresponding period last year.**
- **Interim dividend was HK4.0 cents per share, same as the corresponding period last year.**
- **Gearing ratio was 8.7%.**

BUSINESS REVIEW

2

It gives me great pleasure to report to our shareholders our business performance for the six months ended 30th September 2003. During this period, we had experienced the SARS epidemic which affected the whole world and in particular ravaged Hong Kong and the Chinese Mainland tremendously. A part of the economy was virtually suspended. Accordingly, the individual core businesses of the Group were inevitably affected to a greater or lesser degree. Fortunately, on the whole the impact of SARS had been short and slight. The Group continued to expand our market share according to our established plans and achieved satisfactory results. Turnover of the Group reached HK\$891,626,000, representing a growth of 21.3%.

At HK\$60,214,000, net profit for this period experienced a slight downturn of 3.5%. However, after taking into account the repurchase and subsequent cancellation of 48,096,000 shares at the end of last year, basic earnings per share actually grew by 4.0% from last year, to HK 13.0 cents. The main reason for the small decline in profits was the sustained high prices for chemical raw materials. Certain materials had even shown signs of a structural supply shortage. Competitors had mainly chosen a 'wait-and-see' attitude regarding the selling prices of their manufactured products, resulting in our only able to pass on part of the cost increases to customers, thus adversely affecting profit margins. Accordingly, although our operating results was slightly below our own expectations, I am heartened by the hard-earned results which we achieved in the face of all these unforeseen and unfavourable factors.

High Molecular Chemical Products and Mixed Solvents

Turnover of the Division in the first quarter had been hit by the SARS epidemic. At the same time, most of the raw materials had stayed at the high levels attained during the end of last year. Some of the solvents used by the Division had shown signs of a structural shortage. The high cost of raw materials, coupled with the market's resistance to price increases had caused the inability to fully pass on the significant cost increases to customers. In view of these factors, the Division only achieved turnover and operating profits of HK\$191,265,000 and HK\$26,402,000, representing increase of 8.5% and decline of 2.6% respectively from last year.

We expect that the pressures from the high costs of raw materials will continue in the second half of the year. Accordingly, it will be quite challenging to achieve margins normally expected in previous years. However, since the impact of SARS in the first quarter would have pushed some of the export orders to the second and third quarters, sales in the second half of the year will probably benefit. At the same time, we will endeavour to exercise tighter cost control to improve operating results.

Construction of the new plant in Huiyang experienced slight delays due to unfavourable weather conditions during the summer. However work is now progressing well, and we expect that the plant will come on-stream during the first quarter of financial year 2004/05.

In August this year, the Company's testing laboratory in Buji became the first testing laboratory in the industry to receive the China National Accreditation Board for Laboratories (CNAL) certification, thus enabling the Company to provide internationally recognized CNAL certified product testing reports directly to customers. The certification enables the Company to meet the customers' increasingly stringent demands on product quality and testing standards in a much professional manner.

Paints

Following the encouraging trend set last year, we had expected the results of the Paints Division to continue to improve this year. Unfortunately, due to the impact of SARS, coupled with the intense competition especially in parts of China, profit from operations only reached HK\$20,704,000, representing a decline of 8.0% despite turnover growing by 13.0%, to HK\$271,026,000.

The loss of business in architectural paints in China during the SARS outbreak was difficult to recoup. However, in the industrial paints area, much of the export orders were only delayed rather than lost, especially in the electronics and furniture segments. In these industries, the orders during the third quarter is expected to be stronger than the past, thus giving us reasons to be cautiously optimistic towards the performance of the Paints Division for the year as a whole.

Inks

The phased start-up of the new plant in Shanghai had proved to be a tremendous boost to the development of the inks business in Eastern China. At the same time, the Division had made gratifying progress in broadening its product range, helping the Division to once again reach record levels in sales. Turnover during the period reached HK\$106,869,000, which was 46.2% higher than the first half of last year. Profit from operations, however, were affected by the significant increases in raw materials prices and the severe competition in the inks business, and only grew by 14.3% to HK\$9,816,000. The Division will endeavour to achieve an optimal balance between increasing our market share and operating efficiency. We anticipate that, with the Shanghai plant going fully on-stream at the end of this financial year, the Division's manufacturing capacity and the quality of its production will be further upgraded, and our inks business will reach another milestone.

Raw Solvents

Following the completion of the capacity expansion at the beginning of the year, the Division's manufacturing capacity had reached 120,000 tonnes, making it a world-scale manufacturing facility for acetate solvents. The plant had been operating smoothly, with monthly output surpassing the 10,000-ton mark for many months in succession. The Division had maintained its policy to base its sales strategy on its manufacturing capability, thereby achieving record heights in the Division's turnover in the first half of this year, reaching HK\$292,060,000, which represented a growth of 44.6% over the corresponding period of last year. The growth of profit from operations, however, failed to match turnover growth, and only reached HK\$15,825,000, representing a slight upturn of 4.3% over the corresponding period of last year. We regard the operating environment of the corresponding period in 2002 as being unusually favourable, with the past six months returning towards normalcy. We are striving to further increasing our capacity to 150,000 tonnes while at the same time reducing the energy consumption on acetate production through upgrading our production processes in order to reach the target of further enhancing our operational efficiency.

Lubricants

4 As the Division's sales was generated entirely within the Chinese Mainland, the outbreak of SARS had had a major adverse effect on its business in the first half of this year. During the height of the epidemic between April and June, inter-provincial travel and road transport of goods almost grounded to a complete halt, thereby drastically curtailing lubricants demand. During the first half of the year, turnover was HK\$46,184,000, showing a decline of 11.2% from the corresponding period of previous year, and the Division recorded a small loss of HK\$159,000, compared to a profit of HK\$1,914,000 in the same period of last year.

With the passing of SARS after July, business activities had returned to normal, and the Division had made significant efforts in market development. We expect the Division's performance to turn around in the second half, and we are optimistic that the full year results for the Division will be a positive one.

Corporate Image and Social Responsibility Programmes

Whilst the SARS epidemic was showing signs that it was coming under control in Hong Kong in May this year, it was still raging in many parts of China. Conscious of the need to raise the standards of personal hygiene to combat this deadly contagious disease, and mindful of our corporate image and social responsibility as a corporate citizen in China, the Group promptly supplied 120,000 tubes of anti-bacterial hand gel together with posters promoting the message of "wash hands frequently and stay healthy", and mobilized over hundred of our staff to distribute them free of charge in China through our distribution network achieving a total expected success.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to implement prudent financial management strategy. Investment in new plants in the PRC during the period was financed by funds from operations and bank loans. Gearing ratio of the Group, calculated on the basis of net debt over shareholders' funds, was 8.7% as at 30th September 2003 (the Group had no gearing at 31st March 2003 since it had net cash and bank balances of HK\$34,344,000).

During the current period, the Group arranged a medium term loan of HK\$150,000,000 with a bank in Hong Kong. Half of this loan was a 3.5 years term loan repayable by 12 quarterly instalments and the remaining portion a 2 years revolving loan. This loan had been drawn to the extent of HK\$145,000,000 at the current period end date. Apart from this medium term loan, a total of 14 banks in Hong Kong and the PRC granted short term banking facilities totaling HK\$524,447,000 to the Group. 61% of these facilities were denominated in Hong Kong Dollars and the rest in Renminbi. Letters of credit issued and other banking facilities utilized amounted to HK\$252,441,000 as at 30th September 2003. Loans drawn under these facilities were repayable within one year or on demand and carried interest at floating rates. To take advantage of the current low interest level in Hong Kong, the Group will continue to fund its investments by Hong Kong dollar bank loans.

The Group's available banking facilities and its future cash flow from operations will provide sufficient funds to the Group to meet its present operation requirements and further development of its business in the foreseeable future.

The Group generates the majority of its income in RMB and the majority of its assets are located in the PRC. The Group uses its RMB bank borrowing as a hedge towards its RMB exposure. As the rate between RMB and Hong Kong Dollar has remained stable in the past few years and it is generally expected that it will remain so in the short term future, management considers that no further hedging measures are necessary at this stage.

EMPLOYEES

As at 30th September, 2003, the Group had 2,961 employees, of which 145 were based in Hong Kong and 2,816 other provinces in the PRC. Remuneration packages of employees include salary, bonus as well as share options which are reviewed from time to time and at least annually. The Group provides internal training, external training and educational subsidy scheme to encourage employees to upgrade themselves.

PROSPECTS

The seasonal nature for the Group's business is such that the first half of the financial year is usually stronger than the second half. However, there is reason to believe that this year may see a slight departure from the patterns of previous years. In industries such as electronics and furniture, the export orders lost in the first quarter as a result of SARS seemed to have been merely delayed, and many manufacturers had subsequently received supplementary orders. Accordingly, we have reason to be optimistic about continued improvements in sales. However, we are less optimistic about the return of petrochemical raw materials to more normal price levels, leading to a recovery in unit margins. Therefore, the Group will dedicate its efforts to increasing its market share, upgrading its product portfolio, and controlling operating costs, with a view to fundamentally improving the quality of our earnings. With our successful re-engineering project behind us, with last year's operating results fully reflecting the fruits of the re-engineering, we anticipate this to be a year of consolidation, laying the foundation for healthy, sustainable and perpetual growth of business in future.

On behalf of the Board, I would like to extend my sincere gratitude to all the shareholders and staff for your continued support.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 15th December, 2003 to 17th December, 2003 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, should be lodged with the Company's Share Registrars in Hong Kong, Secretaries Limited, G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Hong Kong not later than 4:00p.m. on 12th December, 2003.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Company had not issued any debenture since its incorporation. As at 30th September, 2003, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows: –

(i) Long positions in shares of Company

Name of Director	Capacity	Number of Ordinary Shares			Total	Approximate % of Shareholding
		Personal Interests	Family Interests	Other Interests		
Mr. Ip Chi Shing, Tony	Beneficial owner and beneficiary of trust	400,000	–	189,423,932 (a)	189,823,932	40.71%
Ms. Ip Fung Kuen	Beneficial owner and beneficiary of trust	1,200,000	–	60,000,000 (b)	61,200,000	13.12%
Mr. Yip Tsz Hin, Stephen	Beneficial owner and interest of spouse	37,400,000	20,000,000 (c)	–	57,400,000	12.31%
Mr. Ng Siu Ping, George	Beneficial owner and interest of spouse	932,000	50,000 (d)	–	982,000	0.21%
Mr. Ting Hon Yam	–	–	–	–	–	–
Mr. Wong Kam Yim, Kenny	Beneficial owner	708,000	–	–	708,000	0.15%
Mr. Young Man Kim, Robert	Beneficial owner	550,000	–	–	550,000	0.12%
Mr. Tong Wui Tung, Ronald	Interest of spouse	–	500,000 (e)	–	500,000	0.11%
Mr. Wong Kong Chi	Interest of spouse	–	100,000 (f)	–	100,000	0.02%

Notes:

- (a) The 189,423,932 shares in the Company are held by Ablewood Holdings Limited as trustee of a family discretionary trust, the beneficiaries of which include Mr. Ip Chi Shing, Tony and his family.
- (b) The 60,000,000 shares in the Company are held by Calisan Holdings Limited as trustee of a family discretionary trust, the beneficiaries of which include Ms. Ip Fung Kuen and her family.
- (c) These shares are held by Madam Tso Ka Lai, the wife of Mr. Yip Tsz Hin, Stephen.
- (d) These shares are held by Madam Siu Oi Li, Maicy, the wife of Mr. Ng Siu Ping, George.
- (e) These shares are held by Madam Lau Mui Sum, the wife of Mr. Tong Wui Tung, Ronald.
- (f) These shares are held by Madam Jim Siu Wai, the wife of Mr. Wong Kong Chi.

(ii) Rights to acquire shares of Company

During the six months ended 30th September, 2003, movements in the number of share options to subscribe for shares of the Company which had been granted to certain directors and employees under the Company's old share option scheme adopted on 18th July, 1991 were as follows :-

	Date of Grant	Exercise Price HK\$	Number of share options			Outstanding at 30.9.2003
			Outstanding at 1.4.2003	Exercised during the period	Cancelled during the period	
Directors						
Mr. Ng Siu Ping, George	16th July, 2001	0.395	1,000,000	300,000	-	700,000
			1,000,000	300,000	-	700,000
Employees	3rd March, 1999	0.314	280,000	100,000	-	180,000
	16th July, 2001	0.395	300,000	300,000	-	-
			580,000	400,000	-	180,000
			1,580,000	700,000	-	880,000

Movements in the number of share options to subscribe for shares of the Company which had been granted to certain directors and employees under the Company's new share option scheme adopted on 3rd September, 2002 were as follows:–

	Date of Grant	Exercise Price HK\$	Number of share options			Outstanding at 30.9.2003
			Outstanding at 1.4.2003	Exercised during the period	Cancelled during the period	
Directors						
Mr. Ng Siu Ping, George	14th November, 2002	1.190	500,000	–	–	500,000
Mr. Ting Hon Yam	14th November, 2002	1.190	500,000	–	–	500,000
Mr. Wong Kam Yim, Kenny	14th November, 2002	1.190	500,000	–	–	500,000
Mr. Young Man Kim, Robert	14th November, 2002	1.190	500,000	–	–	500,000
			2,000,000	–	–	2,000,000
Employees	14th November, 2002	1.190	12,090,000	8,290,000	–	3,800,000
			14,090,000	8,290,000	–	5,800,000

Weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised was HK\$1.737.

(iii) Long positions in shares of Yip's H.C. (Holding) Limited, a subsidiary of Company

Name of Director	Capacity	Number of non-voting deferred shares				Approximate % of Shareholding
		Personal Interests	Family Interests	Other Interests	Total	
Mr. Ip Chi Shing, Tony	Beneficial owner and interest of spouse	1	1 (g)	–	2	40%
Ms. Ip Fung Kuen	Beneficial owner	1	–	–	1	20%
Mr. Yip Tsz Hin, Stephen	Beneficial owner	1	–	–	1	20%

Note:

(g) This share is held by Madam Liang Bih Yu, the wife of Mr. Ip Chi Shing, Tony.

Save as disclosed above, none of the directors or chief executives of the Company had, as at 30th September, 2003, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any director or chief executives of the Company, as at 30th September, 2003, shareholders (other than directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows :-

Long positions of substantial shareholders in shares of Company

Name of Shareholder	Capacity	Number of Ordinary Shares	Approximate % of Shareholding
Ablewood Holdings Limited	Trustee	189,423,932 (h)	40.62%
Calisan Holdings Limited	Trustee	60,000,000 (i)	12.87%

Notes :

- (h) The 189,423,932 shares in the Company are held by Ablewood Holdings Limited as trustee of a family discretionary trust, the beneficiaries of which include Mr. Ip Chi Shing, Tony and his family.
- (i) The 60,000,000 shares in the Company are held by Calisan Holdings Limited as trustee of a family discretionary trust, the beneficiaries of which include Ms. Ip Fung Kuen and her family.

Save as disclosed above, as at 30th September, 2003, the Company has not been notified by any persons (other than the directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

During the six months ended 30th September, 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the period covered by this interim report in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDIT COMMITTEE

The Audit Committee consists of two independent non-executive directors, Mr. Tong Wui Tung, Ronald and Mr. Wong Kong Chi acting as the chairman. The Audit Committee reviews matters within the purview of audit, such as financial statements and internal control, to protect the interests of the Company's shareholders. This interim report had been reviewed by the Audit Committee before it was tabled for the approval by the Board of Directors.

UNAUDITED INTERIM RESULTS

The board of directors of Yip's Chemical Holdings Limited (the "Company") is pleased to announce the condensed unaudited consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2003, together with comparative figures for the corresponding period of last year. The interim financial report has not been audited, but has been reviewed by the Company's auditors and audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30th September,	
	<i>Notes</i>	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Turnover	3	891,626	735,000
Cost of sales		(680,147)	(507,029)
Gross profit		211,479	227,971
Other operating income		3,345	5,404
Selling expenses		(32,671)	(27,571)
Administrative expenses		(108,656)	(130,657)
Profit from operations	3&4	73,497	75,147
Interest expenses		(1,801)	(1,151)
Profit before taxation		71,696	73,996
Taxation	5	(5,747)	(5,365)
Profit before minority interests		65,949	68,631
Minority interests		(5,735)	(6,221)
Net profit for the period		60,214	62,410
Interim dividend	6	18,653	20,115
Earnings per share	7		
– Basic		13.0 cents	12.5 cents
– Diluted		12.9 cents	12.4 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	At 30th September, 2003 (Unaudited) HK\$'000	At 31st March, 2003 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	8	336,582	277,621
Intangible asset		4,487	5,000
Other non-current assets		4,600	4,600
		345,669	287,221
Current assets			
Inventories		205,428	201,904
Trade debtors	9	416,090	288,949
Other debtors and prepayments		47,890	52,262
Taxation recoverable		1,991	2,479
Pledged bank deposits	14	523	–
Short term bank deposits		2,557	4,005
Bank balances and cash		107,918	121,045
		782,397	670,644
Current liabilities			
Creditors and accrued charges	10	257,530	218,752
Taxation payable		8,901	4,457
Bank borrowings-amount due within one year	11	116,993	90,706
		383,424	313,915
Net current assets		398,973	356,729
Total assets less current liabilities		744,642	643,950
Non-current liabilities			
Bank borrowings-amount due after one year	11	51,250	–
Minority interests		33,891	31,834
Net assets		659,501	612,116
Capital and reserves			
Share capital	12	46,632	45,733
Reserves	13	612,869	566,383
Shareholders' funds		659,501	612,116

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Total equity (Unaudited) HK\$'000
At 1st April, 2002	586,438
Net gains not recognised in the consolidated income statement in respect of exchange differences arising on translation of financial statements of subsidiaries outside Hong Kong	990
Shares issued upon exercise of options	1,237
Net profit for the period	62,410
Dividends paid	(17,601)
	<hr/>
At 30th September, 2002	633,474
	<hr/>
At 1st April, 2003	612,116
Net gains not recognised in the consolidated income statement in respect of exchange differences arising on translation of financial statements of subsidiaries outside Hong Kong	338
Shares issued upon exercise of options	10,133
Net profit for the period	60,214
Dividends paid	(23,300)
	<hr/>
At 30th September, 2003	659,501

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30th September,	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Net cash from operating activities	978	31,098
Net cash used in investing activities	(74,294)	(31,011)
Net cash from financing activities	60,028	4,064
Net (decrease) increase in cash and cash equivalents	(13,288)	4,151
Cash and cash equivalents at beginning of the period	121,045	82,267
Effect of foreign exchange rate changes	161	120
Cash and cash equivalents at end of the period	107,918	86,538

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention.

In the current period, the Group has adopted, for the first time, SSAP 12 (Revised) "Accounting for income taxes" ("SSAP 12 (Revised)") issued by the HKSA. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of the SSAP 12 (Revised) has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Other than the above, the accounting policies adopted are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31st March, 2003.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

The Group is organised into five operating divisions, namely high molecular chemical products and mixed solvents, paints, raw solvents, lubricants and inks. As the turnover and results of the storage activities were insignificant in the current and prior period, such activities were grouped under others for presentation purposes.

Principal activities are as follows:

High molecular chemical products and mixed solvents	—	manufacture of and trading in high molecular chemical products and mixed solvents
Paints	—	manufacture of and trading in paints
Raw solvents	—	manufacture of and trading in raw solvents and related products
Lubricants	—	manufacture of and trading in lubricants products
Inks	—	manufacture of and trading in inks and related products

3. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

(a) Business segments (Cont'd)

(i) An analysis of the Group's turnover and results by business segments is as follows:

	High molecular chemical products and mixed solvents HK\$'000	Paints HK\$'000	Raw solvents HK\$'000	Lubricants HK\$'000	Inks HK\$'000	Others HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Six months ended 30th September, 2003								
Segment revenue								
External sales	189,413	265,075	279,378	46,157	103,270	8,333	-	891,626
Inter-segment sales	1,852	5,951	12,682	27	3,599	2,178	(26,289)	-
Total	191,265	271,026	292,060	46,184	106,869	10,511	(26,289)	891,626
Results								
Segment result	26,402	20,704	15,825	(159)	9,816	2,671	(58)	75,201
Interest income								277
Unallocated corporate expenses								(1,981)
Profit from operations								73,497
Interest expenses								(1,801)
Profit before taxation								71,696
Taxation								(5,747)
Profit before minority interests								65,949
Minority interests								(5,735)
Net profit for the period								60,214
Six months ended 30th September, 2002								
Segment revenue								
External sales	174,071	235,426	192,263	51,998	73,073	8,169	-	735,000
Inter-segment sales	2,275	4,511	9,764	39	42	1,334	(17,965)	-
Total	176,346	239,937	202,027	52,037	73,115	9,503	(17,965)	735,000
Results								
Segment result	27,112	22,501	15,172	1,914	8,589	1,298	-	76,586
Interest income								400
Unallocated corporate expenses								(1,839)
Profit from operations								75,147
Interest expenses								(1,151)
Profit before taxation								73,996
Taxation								(5,365)
Profit before minority interests								68,631
Minority interests								(6,221)
Net profit for the period								62,410

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

3. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

(a) Business segments (Cont'd)

(ii) Other information

	High molecular chemical products and mixed solvents HK\$'000	Paints HK\$'000	Raw solvents HK\$'000	Lubricants HK\$'000	Inks HK\$'000	Others HK\$'000	Corporate level HK\$'000	Consolidated HK\$'000
Six months ended 30th September, 2003								
Capital additions	25,943	34,037	7,704	1,298	5,620	6	1,523	76,131
Depreciation and amortisation of property, plant and equipment	3,386	6,984	1,588	1,433	2,242	51	1,386	17,070
Amortisation of intangible asset	-	513	-	-	-	-	-	513
Six months ended 30th September, 2002								
Capital additions	4,343	6,085	1,799	1,740	3,688	4	2,777	20,436
Depreciation and amortisation of property, plant and equipment	3,341	6,912	964	1,201	1,594	2	1,429	15,443
Amortisation of intangible asset	-	-	-	-	-	-	-	-

(iii) An analysis of the Group's balance sheet by business segments is as follows:

	High molecular chemical products and mixed solvents HK\$'000	Paints HK\$'000	Raw solvents HK\$'000	Lubricants HK\$'000	Inks HK\$'000	Others HK\$'000	Consolidated HK\$'000
At 30th September, 2003							
Assets							
Segment assets	203,573	352,908	191,691	96,177	129,136	1,785	975,270
Taxation recoverable							1,991
Unallocated corporate assets							150,805
Consolidated total assets							1,128,066
Liabilities							
Segment liabilities	32,168	61,291	114,557	9,650	32,059	1,532	251,257
Taxation payable							8,901
Unallocated corporate liabilities							174,516
Consolidated total liabilities							434,674
At 31st March, 2003							
Assets							
Segment assets	138,625	296,647	152,600	89,922	110,275	1,985	790,054
Taxation recoverable							2,479
Unallocated corporate assets							165,332
Consolidated total assets							957,865
Liabilities							
Segment liabilities	26,938	59,037	92,325	10,307	19,104	1,909	209,620
Taxation payable							4,457
Unallocated corporate liabilities							99,838
Consolidated total liabilities							313,915

3. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)**(b) Geographical segments**

The Group's turnover and contribution to profit from operations were derived principally from the Mainland China.

4. PROFIT FROM OPERATIONS

	Six months ended 30th September,	
	2003	2002
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Depreciation and amortisation of property, plant and equipment	17,070	15,443
Amortisation of intangible asset	513	–
and after crediting:		
Interest income	277	400
	—————	—————

5. TAXATION

	Six months ended 30th September,	
	2003	2002
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax calculated at 17.5% (2002:16%) of the estimated assessable profit for the period	909	3,430
Underprovision in previous years	–	5
	—————	—————
	909	3,435
Enterprise income tax in the Mainland China calculated at the rates prevailing in the respective jurisdictions	4,838	1,930
	—————	—————
	5,747	5,365

Deferred taxation has not been provided for in the financial statements as the amounts involved are not significant.

6. INTERIM DIVIDEND

During the period, a final dividend of HK 5.0 cents per share in respect of the year ended 31st March, 2003 (*six months ended 30th September, 2002: HK 3.5 cents per share for the year ended 31st March, 2002*) was paid.

The directors resolved to declare an interim dividend of HK4.0 cents per share for the six months ended 30th September, 2003 (*six months ended 30th September, 2002: HK4.0 cents per share*). The interim dividend is payable on 22nd December, 2003 to the shareholders of the Company whose names appear on the Company's register of members on 17th December, 2003.

7. EARNINGS PER SHARE

The amounts presented for basic and diluted earnings per share have been calculated as follows:-

	Six months ended 30th September,	
	2003 HK\$'000	2002 HK\$'000
Net profit for the period and earnings for the purposes of calculating basic and diluted earnings per share	60,214	62,410
	Number of shares '000	Number of shares '000
Weighted average number of shares for the purpose of calculating basic earnings per share	461,645	501,232
Potential dilutive shares issuable under share options	3,597	2,880
Weighted average number of shares for the purpose of calculating diluted earnings per share	465,242	504,112

8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$76,131,000 (*six months ended 30th September, 2002: HK\$20,436,000*) on additions to manufacturing plant in the Mainland China to upgrade its manufacturing capacity.

9. TRADE DEBTORS

The aged analysis of trade debtors at the balance sheet date is as follow:

	At 30th September, 2003 HK\$'000	At 31st March, 2003 HK\$'000
0 – 3 months	360,660	240,180
4 – 6 months	47,403	42,754
Over 6 months	8,027	6,015
	416,090	288,949

The Group allows a credit period ranging from 30 to 90 days to its trade customers.

10. CREDITORS AND ACCRUED CHARGES

At the balance sheet date, the balance of creditors and accrued charges included trade creditors of HK\$195,113,000 (31st March, 2003: HK\$142,195,000). The aged analysis of trade creditors at the balance sheet date is as follows:

	At 30th September, 2003 HK\$'000	At 31st March, 2003 HK\$'000
0 – 3 months	178,104	125,807
4 – 6 months	15,591	15,221
Over 6 months	1,418	1,167
	195,113	142,195

11. BANK BORROWINGS

During the period, the Group drew down a medium term loan of HK\$145,000,000 with a bank in Hong Kong. The term loan bears interest at market rate. A portion of the term loan of HK\$70,000,000 is repayable by twelve quarterly installments and the balance is a two-year revolving loan. The loans were used to finance investments in new plants and operations in the Mainland China and repay revolving loans from other banks.

12. SHARE CAPITAL

	Authorised	Issued and fully paid	
	At 30th September, 2003 & 31st March, 2003 <i>HK\$'000</i>	At 30th September, 2003 <i>HK\$'000</i>	At 31st March, 2003 <i>HK\$'000</i>
Shares of HK\$0.10 each	<u>80,000</u>	<u>46,632</u>	<u>45,733</u>

Movements in the issued share capital of the Company during the period are as follows:

	Number of shares <i>'000</i>	Amount <i>HK\$'000</i>
At 1st April, 2003	457,325	45,733
Exercise of share options	<u>8,990</u>	<u>899</u>
At 30th September, 2003	<u>466,315</u>	<u>46,632</u>

During the six months ended 30th September, 2003, 8,990,000 option shares were exercised, resulting in the issue of 100,000 shares, 600,000 shares and 8,290,000 shares of HK\$0.10 each in the Company at a price of HK\$0.314, HK\$0.395 and HK\$1.190 per share respectively.

All shares issued rank pari passu with the then existing shares in issue in all respects.

13. RESERVES

	Share premium HK\$'000	Non- distributable reserve HK\$'000	Translation reserve HK\$'000	Legal reserve HK\$'000	Goodwill reserve HK\$'000	Capital redemption reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1st April, 2002	208,976	-	12,411	509	(37,726)	229	352,106	536,505
Issue of shares upon exercise of options	882	-	-	-	-	-	-	882
Capitalisation of accumulated profits by a subsidiary	-	1,524	-	-	-	-	(1,524)	-
Exchange differences arising on translation of financial statements of subsidiaries outside Hong Kong	-	-	990	-	-	-	-	990
Transfer to legal reserve	-	-	-	16	-	-	(16)	-
Net profit for the period	-	-	-	-	-	-	62,410	62,410
Final dividend paid for 2001/02	-	-	-	-	-	-	(17,601)	(17,601)
At 30th September, 2002 and 1st October, 2002	209,858	1,524	13,401	525	(37,726)	229	395,375	583,186
Issue of shares upon exercise of options	1,788	-	-	-	-	-	-	1,788
Exchange differences arising on translation of financial statements of subsidiaries outside Hong Kong	-	-	(1,945)	-	-	-	-	(1,945)
Premium and expenses paid on repurchase of own shares	-	-	-	-	-	-	(39,188)	(39,188)
Transfer to capital redemption reserve	-	-	-	-	-	4,809	(4,809)	-
Net profit for the period	-	-	-	-	-	-	40,807	40,807
Interim dividend paid for 2002/03	-	-	-	-	-	-	(18,265)	(18,265)
At 31st March, 2003 and 1st April, 2003	211,646	1,524	11,456	525	(37,726)	5,038	373,920	566,383
Issue of shares upon exercise of options	9,234	-	-	-	-	-	-	9,234
Exchange differences arising on translation of financial statements of subsidiaries outside Hong Kong	-	-	338	-	-	-	-	338
Net profit for the period	-	-	-	-	-	-	60,214	60,214
Final dividend paid for 2002/03	-	-	-	-	-	-	(23,300)	(23,300)
At 30th September, 2003	220,880	1,524	11,794	525	(37,726)	5,038	410,834	612,869

The non-distributable reserve of the Group arose as a result of capitalisation of accumulated profits of a subsidiary.

The legal reserve of the Group is non-distributable and represents the transfer of profit of a subsidiary outside Hong Kong pursuant to the legal requirements in the relevant place of registration.

14. PLEDGED BANK DEPOSITS

The amount represents deposits pledged to a bank to secure banking facilities granted to the Group.

15. CAPITAL COMMITMENTS

	At 30th September, 2003 HK\$'000	At 31st March, 2003 HK\$'000
Contracted for but not provided in the condensed financial statements in respect of the acquisition of property, plant and equipment	<u>33,972</u>	<u>29,481</u>

By Order of the Board
Ip Chi Shing, Tony
Chairman

Hong Kong, 26th November, 2003

INDEPENDENT REVIEW REPORT

To the Board of Directors of Yip's Chemical Holdings Limited

Introduction

We have been instructed by Yip's Chemical Holdings Limited (the "Company") to review the interim financial report set out on pages 11 to 23.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with the Statement of Auditing Standards 700 "Engagements to review interim financial reports" ("SAS 700") issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th September, 2003.

Without modifying our review conclusion, we draw to your attention that the comparative income statement, statement of changes in equity and cash flow statement for the six months ended 30th September, 2002 disclosed in the interim report has not been reviewed in accordance with SAS 700.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 26th November, 2003