Tiande Chemical Holdings Limited
天德化工控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 609)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

RESULTS HIGHLIGHTS

- Revenue for the six months ended 30 June 2016 was approximately RMB595.5 million, representing an increase of 1.9% as compared with that of the corresponding period last year.
- Gross profit increased by 24.8% to approximately RMB204.3 million.
- Gross profit margin reached 34.3%, representing an increase of 6.3 percentage points as compared with that of the corresponding period last year.
- Profit for the period increased by 25.2% to approximately RMB116.0 million.
- Basic earnings per share increased to approximately RMB0.137 (six months ended 30 June 2015: RMB0.109).
- The Board has declared an interim dividend of HK$0.04 per share (six months ended 30 June 2015: HK$0.025).

The board (the "**Board**") of directors (the "**Directors**") of Tiande Chemical Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2016 together with the comparative figures for the corresponding period in 2015 and the selected notes as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June **2016** **RMB'000** **(unaudited)**	 2015 RMB'000 (unaudited)
Revenue	4	**595,541**	584,237
Cost of sales		**(391,236)**	(420,577)
Gross profit		**204,305**	163,660
Other income		**6,291**	6,259
Selling expenses		**(22,140)**	(18,283)
Administrative and other operating expenses		**(21,985)**	(20,545)
Finance costs	5	**(382)**	(355)
Fair value gain on derivative financial instruments		**1,544**	511
Share of loss of a joint venture		**(2,307)**	(2,993)
Profit before income tax	6	**165,326**	128,254
Income tax expense	7	**(49,373)**	(35,640)
Profit for the period		**115,953**	92,614
Profit for the period attributable to:			
Owners of the Company		**115,953**	92,614
Non-controlling interests		**-**	-
		115,953	92,614
Earnings per share for profit attributable to owners of the Company for the period	9		
– Basic and diluted		**RMB0.137**	RMB0.109

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period	**115,953**	92,614
Other comprehensive income		
Items that may be reclassified subsequently to the income statement:		
– Exchange gain/(loss) on translation of financial statements of foreign operations	**243**	(1,090)
Other comprehensive income for the period	**243**	(1,090)
Total comprehensive income for the period	**116,196**	91,524
Total comprehensive income attributable to:		
Owners of the Company	**116,196**	91,524
Non-controlling interests	**-**	-
	116,196	91,524

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2016 RMB'000 (unaudited)**	31 December 2015 RMB'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**586,294**	601,933
Prepaid land lease payments		**49,475**	50,122
Investment properties		**15,730**	15,730
Deposits paid for acquisition of property, plant and equipment		**7,174**	3,876
Interests in a joint venture		**27,647**	31,576
Finance lease receivable		**13,015**	13,413
Deferred tax assets		**2,565**	2,422
		701,900	719,072
Current assets			
Inventories		**106,481**	96,301
Trade and bills receivable	10	**431,502**	394,631
Prepayments and other receivables		**15,208**	13,758
Amount due from a joint venture		**45,938**	40,546
Finance lease receivable		**797**	797
Pledged bank deposits		**3,043**	-
Bank and cash balances		**172,473**	117,661
		775,442	663,694
Current liabilities			
Trade payables	11	**34,454**	23,176
Accruals and other payables		**79,368**	102,556
Bank borrowings		**72,391**	32,072
Current tax liabilities		**23,499**	19,780
		209,712	177,584
Net current assets		**565,730**	486,110
Total assets less current liabilities		**1,267,630**	1,205,182
Non-current liabilities			
Deferred income		**10,541**	12,361
Deferred tax liabilities		**9,523**	7,496
Derivative financial instruments		**5,781**	7,325
		25,845	27,182
NET ASSETS		**1,241,785**	1,178,000
EQUITY			
Share capital		**7,786**	7,786
Reserves		**1,233,997**	1,170,214
Equity attributable to owners of the Company		**1,241,783**	1,178,000
Non-controlling interests		**2**	-
TOTAL EQUITY		**1,241,785**	1,178,000

SELECTED NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The principal activity of the Company is investment holding. The principal activities of the Group are research and development, manufacture and sale of fine chemical products.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2016 (the "**Unaudited Condensed Financial Information**") have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The Unaudited Condensed Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015 (the "**2015 Annual Financial Statements**").

The Unaudited Condensed Financial Information has been prepared in accordance with the same accounting policies adopted in the 2015 Annual Financial Statements, except for the adoption of the new or revised Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("**HKFRS**"), Hong Kong Accounting Standards and Interpretations issued by the HKICPA.

The functional currency of the Company is Hong Kong Dollars ("**HK$**"). The Unaudited Condensed Financial Information is presented in Renminbi ("**RMB**") because the main operations of the Group are located in the People's Republic of China (the "**PRC**"). All values are rounded to the nearest thousands except when otherwise stated.

3. ADOPTION OF NEW OR AMENDED HKFRSs

In the current period, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2016.

Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKAS 1 - Disclosure Initiative

The adoption of these new or amended HKFRSs did not change the Group's accounting policies as followed in the preparation of the 2015 Annual Financial Statements.

The Group has not early adopted the new or amended HKFRSs that have been issued but are not yet effective and is not yet in a position to state whether these new or amended HKFRSs will result in substantial changes to the Group's accounting policies and material impact on the results and the financial position of the Group.

4. REVENUE AND SEGMENT INFORMATION

The Group manages its businesses by product and service lines. For the six months ended 30 June 2016, the Group has identified the following four product and service lines as its operating segments:

(i) Cyanide and its derivative products: Research and development, manufacture and sale of cyanide and its derivative products;

(ii) Alcohol products: Research and development, manufacture and sale of alcohol products;

(iii) Chloroacetic acid and its derivative products: Research and development, manufacture and sale of chloroacetic acid and its derivative products; and

(iv) Other chemical products: Sale of other chemical products, e.g. steam and fine petrochemical products.

REVENUE

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of cyanide and its derivative products	**558,533**	510,623
Sales of alcohol products	**13,809**	49,977
Sales of chloroacetic acid and its derivative products	**9,305**	14,664
Sales of other chemical products	**13,894**	8,973
	595,541	584,237

SEGMENT INFORMATION

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results. Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. Inter-segment sales are priced with references to prices charged to external parties for similar orders.

Six months ended 30 June 2016	**Cyanide and its derivative products RMB'000 (unaudited)**	**Alcohol products RMB'000 (unaudited)**	**Chloroacetic acid and its derivative products RMB'000 (unaudited)**	**Other chemical products RMB'000 (unaudited)**	**Total RMB'000 (unaudited)**
Revenue:					
From external customers	**558,533**	**13,809**	**9,305**	**13,894**	**595,541**
Inter-segment revenue	**-**	**545**	**132,272**	**-**	**132,817**
Reportable segment revenue	**558,533**	**14,354**	**141,577**	**13,894**	**728,358**
Reportable segment profit	**182,714**	**1,265**	**66,850**	**5,693**	**256,522**
Reportable segment assets	**831,700**	**7,975**	**75,447**	**79,264**	**994,386**

Six months ended 30 June 2015	Cyanide and its derivative products RMB'000 (unaudited)	Alcohol products RMB'000 (unaudited)	Chloroacetic acid and its derivative products RMB'000 (unaudited)	Other chemical products RMB'000 (unaudited)	Total RMB'000 (unaudited)
Revenue:					
From external customers	510,623	49,977	14,664	8,973	584,237
Inter-segment revenue	-	8,492	88,666	405	97,563
Reportable segment revenue	510,623	58,469	103,330	9,378	681,800
Reportable segment profit	137,534	4,253	17,540	3,455	162,782
Reportable segment assets	723,929	18,058	87,798	80,777	910,562

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Reportable segment profit	**256,522**	162,782
Rental income	**388**	362
Finance costs	**(382)**	(355)
Equity-settled share-based payment expenses	**(1,880)**	-
Unallocated corporate income	**2,471**	3,506
Unallocated corporate expenses	**(23,196)**	(21,242)
Fair value gain on derivative financial instruments	**1,544**	511
Share of loss of a joint venture	**(2,307)**	(2,993)
Elimination of inter-segment profit	**(67,834)**	(14,317)
Consolidated profit before income tax	**165,326**	128,254

5. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on bank loans	**382**	355

6. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit before income tax is arrived at after charging/(crediting):		
Directors' remuneration		
– Fees	**159**	151
– Salaries, discretionary bonus and other benefits	**1,930**	1,882
– Retirement benefit scheme contributions	**54**	50
	2,143	2,083
Other employee costs	**43,645**	37,471
Equity-settled share-based payment expenses	**1,880**	-
Retirement benefit scheme contributions	**2,879**	2,491
Total employee costs	**50,547**	42,045
Amortisation of prepaid land lease payments	**647**	647
Cost of inventories recognised as an expense (note i), including	**382,652**	412,115
– Write-down of inventories to net realisable value	**794**	-
– Reversal of write-down of inventories to net realisable value	**(7)**	(41)
Depreciation on property, plant and equipment	**38,418**	33,604
Exchange gains, net	**(1,479)**	(2,470)
Impairment loss on trade receivables	**-**	1,500
Minimum lease payments under operating leases in respect of leasehold land and buildings	**456**	443
Rental income less outgoings	**(384)**	(358)
Research costs (note ii)	**942**	2,827

Notes:

i. Cost of inventories recognised as an expense includes RMB37,069,000 (six months ended 30 June 2015: RMB32,343,000) relating to depreciation expenses and RMB37,142,000 (six months ended 30 June 2015: RMB32,188,000) relating to staff costs. These amounts are also included in the respective total amounts disclosed separately above.

   The write-down of inventories of RMB7,000 (six months ended 30 June 2015: RMB41,000) was reversed as the market price of these inventories was increased during the period.

ii. Research costs include RMB345,000 (six months ended 30 June 2015: RMB240,000) relating to depreciation expenses and RMB238,000 (six months ended 30 June 2015: RMB2,379,000) relating to staff costs. These amounts are also included in the respective total amounts disclosed separately above.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax - PRC Enterprise Income Tax		
- Tax for the period	**45,193**	33,939
- PRC dividend withholding tax	**2,297**	1,800
	47,490	35,739
Deferred tax	**1,883**	(99)
	49,373	35,640

No provision for Hong Kong profits tax has been made as the Group's income neither arises in nor derives from Hong Kong (six months ended 30 June 2015: Nil).

The subsidiaries established in the PRC are subject to PRC Enterprise Income Tax at the rate of 25% for the period (six months ended 30 June 2015: 25%).

The Group has adopted the 10% withholding tax rate for PRC withholding tax purposes during the period ended 30 June 2016.

A government grant obtained by Weifang Binhai Petro-Chem Co., Ltd. for subsidising the construction of production lines and ancillary facilities for manufacturing of high purity isobutylene, polyisobutylene and chloroacetic acid was recognised as a deferred income in 2006. As the construction was completed as at 31 December 2007, deferred income commenced to release to profit or loss over the useful lives of the relevant assets. Such income is taxable for the period in which it is released to profit or loss.

The government grant obtained by Weifang Parasia Chem Co., Ltd. ("**Weifang Parasia**")for subsidising the construction of production lines was recognised as deferred income in both 2014 and 2015. As the construction was completed as at 31 December 2015, deferred income commenced to release to profit or loss over the useful lives of the relevant assets. The whole income is taxable when Weifang Parasia received the government grants in 2014 and 2015.

8. DIVIDENDS

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Final dividend paid in respect of prior year HK$0.075 (2015: HK$0.045) per share	**54,293**	30,160

At a meeting held on 25 August 2016, the Directors recommended an interim dividend HK$0.04 per ordinary share. The proposed dividend is not reflected as a dividend payable in these Unaudited Condensed Financial Information.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period	**115,953**	92,614

	Number of ordinary shares Six months ended 30 June	
	2016	2015
	'000 shares	'000 shares
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**846,878**	846,878

For the six months ended 30 June 2016, diluted earnings per share attributable to owners of the Company were not presented because the exercise price of the Company's share options was higher than the average market price for shares. There were no dilutive potential ordinary shares for the six months ended 30 June 2015.

10. TRADE AND BILLS RECEIVABLE

The Group allows a credit period normally ranging from one month to six months to its trade customers (31 December 2015: one month to six months). Bills receivable are non-interest bearing bank acceptance bills and aged within a year upon issuance. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management.

Ageing analysis of trade and bills receivable at the reporting date, based on the invoice date, is as follows:

	30 June	31 December
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(audited)
0 to 90 days	**308,730**	286,100
91 to 180 days	**115,702**	99,479
181 to 365 days	**5,956**	8,643
Over 365 days	**1,114**	409
	431,502	394,631

Trade and bills receivable related to a large number of diversified customers for whom there was no recent history of default. Based on past credit policy, management believes that no further impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of trade receivables past due but not impaired.

The Directors considered that the fair values of trade and bills receivable are not materially different from their carrying amounts because these amounts have short maturity periods.

11. TRADE PAYABLES

The Group was granted by its suppliers credit periods ranging from 30 to 180 days (31 December 2015: 30 to 180 days). Ageing analysis of trade payable at the reporting date, based on the invoice date, is as follows:

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
0 to 90 days	**32,115**	21,659
91 to 180 days	**1,481**	199
181 to 365 days	**103**	831
Over 365 days	**755**	487
	34,454	23,176

All amounts are short term and hence the carrying amounts of trade payables are considered to be a reasonable approximation of fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2016, affected by the increasing uncertainties of the global economy, the recovery paces varied and commodity prices were still at the low level. China's industrial structure continued to improve with its stepped up effort on the "Supply-Side Reform", and industrial output became stable and even rose slightly in the first half of the year. According to the data of National Statistics Bureau of China, China's manufacturing industry grew by 6.9% as compared to the corresponding period last year. The value added by sizeable industrial corporations across the country increased by 6.0% in terms of comparable prices as comparable in the corresponding period in last year, which is 0.2 percentage points higher than that of the first quarter. However, downward pressure exerted on the economy remains strong, thus undermining the recovery of manufacturing industry and the real economy.

The Group's results for the period under review once again demonstrated its excellent profitability and effective deployment of established strategies. The Group overcame a number of economic uncertainties and marketed a selected product mix according to market conditions for the purpose of capturing the market share. Fortunately, satisfactory results have been recorded. Thanks to the strengthened sales force and the sustained competitive edges of its products, the Group's revenue increased by 1.9%, reaching approximately RMB595.5 million. Domestic revenue represented 80.1% of the total revenue of the Group, whereas overseas revenue represented the remaining 19.9%. In addition, commodity (e.g. raw materials for production) prices remained low, leading to a significant reduction in costs of raw materials for the Group's production activities. With a remarkable growth rate of 24.8% as comparable in the corresponding period in last year, the gross profit reached approximately RMB204.3 million, while the gross profit margin increased by 6.3 percentage point, reaching 34.3%. The Group's net profit for the first half of the year was approximately RMB116.0 million, representing an increase of 25.2% as comparable in the corresponding period in last year.

During the period under review, the Group continued to leverage on the established advantages arising from the vertical integration of the fine chemical industry chain, improved the internal allocation of resources alongside the industrial chain and further advanced automated production, thus enhancing its production efficiency, reducing waste emission and lowering production costs. All these accomplished the growth of its gross profit and gross profit margin for the period.

With respect to its product mix and segmentation, the Group still managed its productivity allocation in a flexible and prudent way, strategically introduced key products to the market and promoted new products. The Group will put its new products with higher sales volume into a new segment in due course and detailed announcements will also be made then. The performance of each segment is analysed below.

Cyanide and its derivative products

Cyanide, esters derived from cyanide and other derivative products from the production chain illustrated the core competence of the Group. Given the effective marketing campaigns launched by the sales team and the expansion of the customer base of the Group, this segment performed remarkably during the period under review, boosting the revenue to approximately RMB558.5 million, representing an increase of 9.4% as comparable in the corresponding period in last year.

Key products in this segment included cyanoacetic acid esters (e.g. cyanoacetate series and malonate series) derived from sodium cyanide, a kind of base chemical product, produced by the Group's industry chain. They were the most competitive and profitable products of the Group. These products are widely used in the production of adhesives, medicines, dyes, flavour, fragrance, pesticides, fertilisers and as other fine chemical intermediates. They could be applied in a wide range of industries, and are of low substitutability. Since these products are mainly based on sodium cyanide (the production of which is featured with a high entry barrier), the self-owned industry chain with adequate supply and reliable technologies has always supported the Group to stay in the leading position of the cyanoacetic acid ester industry. Thanks to the economy of scale of the Group's vertical industry chain and the lowered cost of raw materials, these products manifested outstanding profitability during the period under review.

Sodium cyanide and cyanoacetic acid, key base products of the Group's industry chain, are important industrial raw materials. They were widely used in metallurgical industry (e.g. precious metal smelting), food and pharmaceutical industries (e.g. synthesis of caffeine) and other fields. During the period under review, the Group further increased the productivity of such products to meet the external demand of the enlarged customer base as well as the internal demand since such products were important raw materials for the Group's derivative products.

Furthermore, during the period under review, the Group focused on the strategic allocation of EDTA, a chelating agent. The potential for further development of this product has been great. The Group has not only set up a specific product division for EDTA, but also increased its input in this product by various means, such as improving production procedures, enhancing sales effort and exploring new markets. EDTA and its derivative products were essential additives for industrial production, commonly known as "MSG for the manufacturing industry", and were used in various fields, such as household chemical products (e.g. detergents), food and beverage, pesticides and compound fertilisers and industrial cleaning. The demand for such products is steady and strong. The Group is confident in promoting such products as a new driver of its growth in the future.

The Group's key development strategies include: (i) fully capitalising on the vertical industry chain and the demanding technological platform of its existing products; and (ii) continuously developing fine chemical derivatives towards end products. Currently, various derivative adhesive products based on cyanide have been launched to the market in succession, aiming to meet different end users' demands with products varying in formulae and applications. The Group's management believes that the contribution from the adhesive products to the Group's profitability will play a more important role in the future.

Alcohol products

The business of Group's alcohol products mainly consists of the production and sales of ethanol and the trading of tert-Butanol products. These products are mainly used as one of the raw materials for the Group's vertical integration chain to enhance the cost efficiency of derivative products, thereby strengthening the Group's competitive advantages. Due to the sluggish market prices and intense competition in recent years, the external sales of these products decreased, representing only 2% of the Group's revenue. The main reason is that the Group has strategically adjusted the production output and sales of these products with references to market conditions.

Chloroacetic acid and its derivative products

Chloroacetic acid products are mainly used as intermediates for the production of dyes, medicines and pesticides. They are also one of the key raw materials for the Group's vertical integration industry chain. Accordingly, the Group put the steady and adequate internal supply of such products in the first place. In addition, due to the intense competition in the market of chemical materials over the recent years, the selling prices of chloroacetic acid and relevant products decreased continuously, weakening the profitability of such products. The Group will continue to increase its productivity by advancing automated procedures and enhancing the production efficiency so as to ensure that these products can play a crucial role in supporting the Group's overall industry chain.

Joint venture company (the "JV")
During the period under review, the JV still endeavoured to expand the marketing channels for adhesive monomers and to develop both the domestic and overseas markets, resulting in promising market feedback. Certain potential customers started to acknowledge the product upon completion of long term performance testings, and positive opinions on product quality and technological specifications were received. The JV recorded growth in sales as comparable in the corresponding period in last year, and the base of domestic and overseas customers expanded gradually. More orders are expected in the future. The management is confident in the JV's prospect, and the Group will timely adjust its business strategies according to prevailing market conditions to unleash the economy scale brought about by the business development of the JV.

Outlook
Looking ahead, although China's economy is expected to stay steady in the second half of the year, the business environment for the manufacturing industry in China remains challenging. With the impact of low commodity prices, the demand of both the domestic and overseas trade is still sluggish and the capacity of the industry sector is still at the low side. However, thanks to the low raw material prices, the Group will benefit from the lowered costs, and its unique position in the industry and continued improvement in technologies will also facilitate the Group to maintain its market share and advantages in pricing, thus supporting the profitability of its products.

As the concept of sustainable development has become prominent over the recent years, China's supervision and administration of environmental protection and production safety get increasingly stringent and these measures are largely focused on the industry where the Group operates. Given the industry's increasingly demanding requirements and tightened regulations on environmental protection and technology application, the chemical industry has started a process of integration and restructuring. Small and medium enterprises that are unable to meet the required standards or those that cannot afford substantial investment in environmental protection will be phased out gradually, giving enterprises equipped with strong core competence, like Tiande Chemical, plenty room for further development. The Group will capture the market share left behind by unqualified enterprises that had been forced to quit the market by upgrading its productivity. The Group's technical competence has always been at the top of the national standards on environmental protection and safety, ensuring that the Group can maintain a steady position in a longer term competition for its sustainable development.

The established development strategies of the Group are as follows: (i) strengthening existing advantages, (ii) continuously expanding its product mix; (iii) vertically developing derivative products with the help of the traditional advantages of sodium cyanide and its derivative products; (iv) identifying companies that are able to meet its business standards for merger, acquisition and cooperation for the purpose of expanding the business scope of derivative industries. The Group is confident that it can enhance its profitability on an on-going basis.

The year of 2016 marks the 10th anniversary of the Group's listing in Hong Kong, and also celebrates the beginning of its new decade for development. With the experience accumulated from the business operations of the last ten-year, the management of the Group is able to formulate well-defined and feasible development strategies for the future, after taking into account its market knowledge and practical know-how in the fine chemical industry earned over the years. Currently, with the effort of its strengthened and integrated sales force, the Group is launching new products in a well-planned manner, and is able to gradually expand the market share. The Group also offers a variety of bespoke end-products with different functions and features to meet customers' specific demands, thereby boosting the influence of the Group's products and brand name. The Group also emphasises the training of research and development personnel and the investment of equipment in this regard. Innovation is what the Group is in pursuit of. The Group's strict control on safety, environmental protection and emission reduction is also unparalleled in the industry. The Board believes that, as the Group remains dedicated to carrying on its excellent established business, the Group is well motivated and capable of maintaining its steady and sustainable development, providing its shareholders with continuous and steady returns.

DIVIDEND

The Board has declared an interim dividend of HK$0.04 per ordinary share for the six months ended 30 June 2016 (six months ended 30 June 2015: HK$0.025). The interim dividend will be payable on 20 October 2016 to the Shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on 6 October 2016.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining Shareholders' entitlement to the interim dividend, the Register of Members will be closed from 4 October 2016 to 6 October 2016, both days inclusive, during which no transfer of shares of the Company will be registered. In order to qualify for the interim dividend for the six months ended 30 June 2016, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716 on the 17th Floor of Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 3 October 2016.

FINANCIAL REVIEW

Revenue and gross profit

Revenue and gross profit of the Group for the six months ended 30 June 2016 amounted to approximately RMB595.5 million and approximately RMB204.3 million respectively, representing an increase of approximately RMB11.3 million and approximately RMB40.6 million or 1.9% and 24.8% as compared with approximately RMB584.2 million and approximately RMB163.7 million recorded in the corresponding period in last year. The Group still consistently delivered a growth in revenue which was mainly attributable to the Group implemented effective sales and marketing strategy stimulating the growth of sales quantity despite the slowdown in the PRC economic and the decrease of average selling price during the period under review. In addition, the gross profit of the Group achieved a fair growth. The gross profit margin increased by 6.3 percentage points to 34.3% (six months ended 30 June 2015: 28.0%). Such satisfactory growth was primarily attributable to (i) the decrease in prices of raw materials, which outpaced the decrease in average selling prices of products sold and (ii) the advanced automation production process introduced in previous years has strengthened the overall productivity.

Operating expenses

Selling expenses increased by approximately RMB3.8 million from approximately RMB18.3 million in the corresponding period in last year to approximately RMB22.1 million. Such increase was mainly due to the increase in transportation costs (which was in line with the increased in sales quantity) and the staff costs. The selling expenses as a percentage of the Group's revenue was 3.7% (six months ended 30 June 2015: 3.1%).

Administrative and other operating expenses amounted to approximately RMB22.0 million, which was increased by approximately RMB1.5 million from approximately RMB20.5 million in the corresponding period in last year. Such increase was principally due to the increase in staff costs during the period under review. The administrative and other operating expenses accounted for 3.7% of the Group's revenue, which was slightly higher than 3.5% from the corresponding period last year.

Finance costs represented interest on bank borrowings which were flat at approximately RMB0.4 million (six months ended 30 June 2015: RMB0.4 million) due to the similar level of the weighted average bank borrowing amount as compared with the corresponding period last year.

Fair value gain on derivative financial instruments

In 2011, the Company entered into a joint venture agreement (the "**JV Agreement**") with Henkel Hong Kong Limited ("**Henkel**") to set up a joint venture company. Under the JV Agreement, (i) the Company was granted with a call option to require Henkel to sell or cause the sale of all of the equities of the JV Company held by Henkel and/or its affiliates to the Company at the call option price; and (ii) Henkel was granted with a put option to require the Company to purchase or cause the purchase of all of the equities of the JV Company held by Henkel and/or its affiliates at the put option price. Such options can only be exercised during the option period which set on a specified future dates (please refer to the announcement of the Company dated 3 July 2011 for details.) Thus, the JV Agreement deemed to contain derivatives financial instruments which are required to be carried at fair value under relevant Hong Kong financial reporting standards. For the six months ended 30 June 2016, the fair value gain on the derivative financial instruments was, being determined by an independent valuer by the adoption of a binomial lattice model, approximately RMB1.5 million.

Profit for the period

In view of the growth of revenue and gross profit and the improved operational efficiency, net profit amounted to approximately RMB116.0 million, representing an increase of approximately RMB23.4 million or 25.2% as compared with approximately RMB92.6 million recorded in the corresponding period in last year.

Trade and bills receivable

As at 30 June 2016, trade receivables increased to approximately RMB195.1 million, representing an increase of approximately RMB35.3 million or 22.1% as compared with approximately RMB159.8 million recorded as at 31 December 2015. About 78% of trade receivables were incurred in the second quarter of this year which are not yet due and 19% of trade receivables were incurred in the first quarter of this year. Only 3% of trade receivables are over 180 days. Up to the date of announcement of these condensed financial statements, over 48% of trade receivables have been subsequently settled. After assessing the creditworthiness of these customers, the Directors considered that no indication of bad debt allowance is required.

As at 30 June 2016, bills receivable amount of approximately RMB236.4 million, slightly increased by approximately RMB1.6 million or 0.7% as compared with the balance of approximately RMB234.8 million as at 31 December 2015. Since all bills receivable are bank acceptance bills, which are non-interest bearing and most of them have a maximum maturity period of six months, the payments of which were made by the licensed banks in the PRC with the lowest default risk. Accordingly, the Directors considered that no allowance for doubtful debt is required.

Short term bank borrowings

All short term bank borrowings were arised in Hong Kong at floating interest rates and are denominated in Hong Kong dollars to finance the dividend payments of the Company. As at 30 June 2016, short term bank borrowings increased to approximately RMB72.4 million, representing a net increase of approximately RMB40.3 million or 125.7% as compared with the balance of an approximately RMB32.1 million as at 31 December 2015. Such an increase is mainly attributable to the financing the payment of final dividend of 2015 payable in June 2016.

Liquidity and financial resources

For the six months ended 30 June 2016, the Group's primary sources of funding included the net cash inflow generated from operating activities of approximately RMB117.4 million (six months ended 30 June 2015: RMB91.0 million); newly raised bank borrowings of approximately RMB54.3 million (six months ended 30 June 2015: RMB30.5 million); repayment of loan from a JV of approximately RMB0.4 million (six months ended 30 June 2015: nil); capital injection from non-controlling interests amount of approximately RMB2,000 (six months ended 30 June 2015: nil); and interest received of approximately RMB0.7 million (six months ended 30 June 2015: RMB0.9 million). With the financial resources obtained from the Group's operations, the Group had spent approximately RMB46.4 million (six months ended 30 June 2015: RMB54.9 million) in the acquisition of the property, plant and equipment, bank borrowing repayments of approximately RMB14.5 million (six months ended 30 June 2015: nil); interest paid of approximately RMB0.4 million (six months ended 30 June 2015: RMB0.3 million) and dividend paid of approximately RMB54.3 million (six months ended 30 June 2015: RMB30.6 million).

As at 30 June 2016, the Group had pledged bank deposits and bank and cash balances of approximately RMB175.5 million (31 December 2015: RMB117.7 million). The total amount of outstanding borrowings was approximately RMB72.4 million (31 December 2015: RMB32.1 million). The Group committed to maintain a sound and sustainable financial position, the net pledged bank deposit and bank and cash balance of approximately RMB103.1 million (31 December 2015: RMB85.6 million) (total cash and cash equivalent net of total borrowings) as at 30 June 2016. The net current assets also increased to approximately RMB565.7 million (31 December 2015: RMB486.1 million) as a result of the continuous positive operating results during the period under review.

The Group will continue to expand its business scale through enhancing productivity, optimise the products portfolio and seeking suitable investment opportunities that will add momentum to the long term growth of the Group. By virtue of the Group's healthy financial position with promising cash inflow generated from the operating activities and available banking facilities obtained from banks, the Group is capable to meet its foreseeable capital commitments and working capital requirements. Nevertheless, the Group will continue to manage its working capital closely and cautiously, and dedicate to keep a sound liquidity position to support future business expansion.

During the period under review, the Group did not use any financial instruments for any hedging purposes.

Pledge of assets
As at 30 June 2016, bank deposits of approximately RMB3.0 million (31 December 2015: Nil) was pledged for bills and letter of credit facilities.

Contingent liabilities
As at 30 June 2016, the Group had no material contingent liabilities.

Exposure to fluctuations in exchange rate
The Group's operations are mainly in the PRC and its assets, liabilities, revenues and transactions are mainly denominated in RMB, Hong Kong dollars and United States dollars.

The Group's foremost exposure to the foreign exchange risk was caused by the fluctuation of RMB during the period under review. Most of the Group's income and expenses are denominated in RMB except for the Group's export sales which are, in majority, denominated in United States dollars. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of the fluctuations in currency exchange rates during the period under review. Besides, the Group will consider cost efficient hedging methods to cope with future foreign currency transactions when appropriate.

HUMAN RESOURCES

As at 30 June 2016, the Group has 1,144 full-time employees (31 December 2015: 1,180 full time employees). The decrease in the number of employees was mainly due to the advanced automation production process which reduced the workforce requirement during the period under review.

The Group has established its human resources policies and scheme with a view to deploying more motivated incentives and rewards of the remuneration system which includes a wide range of training and personal development programs to the employees. The remuneration package offered to each staff member was in line with his or her duties and the prevailing market trends. Staff benefits, including medical coverage and provident funds, have also been provided to the employees of the Group.

Employees of the Group would receive discretionary bonuses and monetary rewards based on their ratings in annual performance appraisals. The Group also offered rewards or other incentives to the employees in order to motivate their personal growth and career development, such as ongoing training to enhance their technical and product knowledge as well as their knowledge of industry quality standards. All new employees of the Group are required to attend an introduction course and there are also various types of training courses available to all the Group's employees.

The Group has also adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. No share option of the Company has been granted during the period under review.

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

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries had redeemed, purchased or sold any of the Company's listed shares.

CORPORATE GOVERNANCE PRACTICES

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not during the six months ended 30 June 2016, in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct with standards no less than those prescribed under the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules for securities transactions by Directors. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards as set out in the Model Code and the Company's code of conduct regarding securities transactions by Directors throughout the six months ended 30 June 2016.

The senior management, who, because of their offices in the Company, are likely to be in possession of unpublished price sensitive information, have been requested to comply with the provisions of the Model Code and the Company's code of conduct regarding securities transactions by Directors.

NOMINATION COMMITTEE

The Nomination Committee currently comprises an executive Director, namely, Mr. Liu Hongliang (chairman of the Nomination Committee) (has been replaced by Mr. Gao Feng with effect from 1 July 2016) and the two independent non-executive Directors, namely, Mr. Leung Kam Wan and Mr. Liu Chenguang. During the period under review, the Nomination Committee has (i) reviewed the structure, size and diversity (including but not limited to the skills, knowledge and experience) of the Board; (ii) reviewed the diversity policy of the Company; (iii) assessed the independence of independent non-executive Directors of the Company; (iv) reviewed the Director succession plan of the Company; and (v) reviewed and assessed the retiring Directors and made recommendation to the Board on the re-appointment.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises three independent non-executive Directors, namely, Mr. Liu Chenguang (chairman of the Remuneration Committee), Mr. Gao Baoyu, Mr.

Leung Kam Wan and an executive Director Mr. Liu Hongliang (has been replaced by Mr. Gao Feng with effect from 1 July 2016). During the period under review, the Remuneration Committee has (i) reviewed the terms of services contracts with executive Directors and independent non-executive Directors; (ii) reviewed and approved the remuneration policy of Director and senior management of the Company; and (iii) reviewed and assessed the remuneration package for the all Directors and senior management of the Company by reference to the scope of duties and responsibilities of the Directors, corporate goals and objectives of the Group, after taking into account also the comparable market conditions and made recommendation to the Board for approval. No Director shall participate in any discussion and decision about his own remuneration.

AUDIT COMMITTEE

The Audit Committee of the Company comprises the three independent nonexecutive Directors, namely, Mr. Leung Kam Wan (chairman of the Audit Committee), Mr. Gao Baoyu and Mr. Liu Chenguang. During the period under review, the Audit Committee has (i) reviewed the accounting principles and practices, listing rules, internal controls and statutory compliance, and financial reporting matters adopted by the Company; (ii) reviewed the independence and objectivity of the independent auditor of the Company; (iii) reviewed and approved the continuing connected transactions of the Company; (iv) reviewed with the independent auditor of the Company on the nature and scope of the audit and reporting obligations; and (v) reviewed the independent auditor's management letter and made recommendations to the Board for improvement (if any). Audit Committee has discussed internal controls and financial reporting matters with the management and the independent auditor of the Company relating to the preparation of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2016. There is no disagreement raised by the Audit Committee on the accounting treatment adopted by the Company during the period under review.

By order of the Board
Tiande Chemical Holdings Limited
Gao Feng
Chairman

Hong Kong, 25 August 2016

As at the date of this announcement, the executive Directors are Mr. Gao Feng, Mr. Guo Xitian, Mr. Liu Hongliang and Mr. Wang Zijiang; whilst the independent non-executive Directors are Mr. Gao Baoyu, Mr. Leung Kam Wan and Mr. Liu Chenguang.