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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

RESULTS HIGHLIGHTS

- Turnover decreased by 6.2% to approximately RMB1,121.1 million (2013: RMB1,195.2 million).
- Gross profit decreased by 17.1% to approximately RMB284.2 million (2013: RMB342.9 million).
- Gross profit margin reached 25.3% (2013: 28.7%), representing a decrease of 3.4 percentage points.
- Profit for the year ended 31 December 2014 decreased by 17.9% to approximately RMB154.5 million (2013: RMB188.1 million).
- EBITDA decreased by 13.0% to approximately RMB279.0 million (2013: RMB320.6 million).
- Basic earnings per share decreased to approximately RMB0.182 (2013: RMB0.222).
- The Directors recommend a final dividend of 4.5 HKcents (2013: final dividend of 4.5 HKcents) per share in respect of the year ended 31 December 2014.

The board (the "**Board**") of directors (the "**Directors**") of Tiande Chemical Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2014 together with the comparative figures for the corresponding period in 2013 with the selected notes as follows:

CONSOLIDATED INCOME STATEMENT

		FOR THE YEAR ENDED 31 DECEMBER	
		2014	2013
	Notes	**RMB'000**	RMB'000
Turnover	3	**1,121,127**	1,195,178
Cost of sales		**(836,955)**	(852,290)
Gross profit		**284,172**	342,888
Other income		**12,394**	4,457
Revaluation gain on investment properties		**310**	1,170
Selling expenses		**(35,233)**	(27,361)
Administrative and other operating expenses		**(45,444)**	(48,086)
Finance costs		**(627)**	(5,643)
Fair value gain/(loss) on derivative financial instruments		**2,110**	(5,606)
Share of loss of a joint venture		**(5,034)**	(2,690)
Profit before income tax	4	**212,648**	259,129
Income tax expense	5	**(58,143)**	(71,043)
Profit for the year		**154,505**	188,086
Profit for the year attributable to owners of the Company		**154,505**	188,086
Proposed dividend	6	**30,610**	30,342
Earnings per share for profit attributable to owners of the Company for the year	7		
- Basic and diluted		**RMB0.182**	RMB0.222

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	FOR THE YEAR ENDED 31 DECEMBER	
	2014	2013
	RMB'000	RMB'000
Profit for the year	**154,505**	188,086
Other comprehensive income		
Items that may be reclassified subsequent to the income statement:		
Exchange gain/(loss) on translation of financial statements of foreign operations	**172**	(45)
Other comprehensive income for the year	**172**	(45)
Total comprehensive income for the year	**154,677**	188,041
Total comprehensive income for the year attributable to owners of the Company	**154,677**	188,041

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	AS AT 31 DECEMBER **2014** **RMB'000**	2013 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**552,114**	537,269
Prepaid land lease payments		**51,415**	52,708
Investment properties		**14,510**	14,200
Deposits paid for acquisition of property, plant and equipment		**4,156**	2,514
Interests in a joint venture		**40,104**	45,824
Finance lease receivable		**14,210**	16,085
Deferred tax assets		**1,250**	1,488
		677,759	670,088
Current assets			
Inventories		**88,898**	82,477
Trade and bills receivable	8	**338,037**	280,379
Prepayments and other receivables		**25,006**	21,594
Amount due from a joint venture		**37,543**	522
Finance lease receivable		**797**	854
Bank and cash balances		**62,942**	49,551
		553,223	435,377
Current liabilities			
Trade payables	9	**16,002**	25,072
Accruals and other payables		**85,212**	77,607
Bank borrowings		**30,571**	33,297
Current tax liabilities		**18,945**	13,352
		150,730	149,328
Net current assets		**402,493**	286,049
Total assets less current liabilities		**1,080,252**	956,137
Non-current liabilities			
Deferred income		**12,211**	10,451
Deferred tax liabilities		**3,138**	3,008
Derivative financial instruments		**10,486**	12,596
		25,835	26,055
NET ASSETS		**1,054,417**	930,082
EQUITY			
Equity attributable to the Company's owners			
Share capital		**7,786**	7,786
Reserves		**1,046,631**	922,296
TOTAL EQUITY		**1,054,417**	930,082

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("**HKFRS**"), Hong Kong Accounting Standards ("**HKAS**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited.

The functional currency of the Company is Hong Kong Dollars. The consolidated financial statements are presented in Renminbi ("**RMB**") because the main operations of the Group are located in the People's Republic of China (the "**PRC**") and all values are rounded to the nearest thousand except when otherwise stated.

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of investment properties and derivative financial instruments which are stated at fair values.

2. ADOPTION OF NEW OR AMENDED HKFRSs

(a) New or amended standards adopted by the Group

In the current year, 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 2014:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets

Other than as noted below, the adoption of these new or amended HKFRSs has no material impact on the consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the consolidated financial statements as the Company does not qualify to be an investment entity.

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the consolidated financial statements as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired assets or the cash-generating unit whose recoverable amount is based on fair value less costs of disposal. These amendments do not have an impact on the consolidated financial statements.

(b) New or amended HKFRSs that have been issued but are not yet effective

At the date of this announcement, certain new or amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The Directors are currently assessing the impact of the new or amended HKFRSs upon initial application. So far, the Directors have preliminarily concluded that the initial application of these HKFRSs will not result in material financial impact on the consolidated financial statements. Information on new or amended HKFRSs that are expected to have an impact on the Group's accounting policies is provided below.

HKFRS 9 - Financial instruments

This standard is effective for accounting periods beginning on or after 1 January 2018. HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 - Revenue from contracts with customers

This standard is effective for accounting periods beginning on or after 1 January 2017. The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

3. TURNOVER AND SEGMENT INFORMATION

The Group has identified the following reportable 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.

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 reference to prices charged to external parties for similar orders.

TURNOVER

	FOR THE YEAR ENDED 31 DECEMBER	
	2014	2013
	RMB'000	RMB'000
Sales of cyanide and its derivative products	**994,200**	1,036,127
Sales of alcohol products	**74,787**	71,923
Sales of chloroacetic acid and its derivative products	**33,089**	16,244
Sales of other chemical products	**19,051**	70,884
	1,121,127	1,195,178

SEGMENT INFORMATION

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

2014

	Cyanide and its derivative products	Alcohol products	Chloroacetic acid and its derivative products	Other chemical products	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue:					
From external customers	994,200	74,787	33,089	19,051	1,121,127
Inter-segment revenue	-	51,931	271,940	1,219	325,090
Reportable segment revenue	994,200	126,718	305,029	20,270	1,446,217
Reportable segment profit	219,254	14,964	109,653	11,911	355,782
Depreciation of property, plant and equipment	39,011	316	13,350	9,279	61,956
Reversal of write-down of inventories to net realisable value	(4)	-	-	-	(4)
Reportable segment assets	651,073	31,919	95,476	83,722	862,190
Additions to non-current segment assets	54,693	-	3,251	14,782	72,726
Reportable segment liabilities	39,932	5,804	5,502	14,689	65,927

2013

	Cyanide and its derivative products RMB'000 (Restated)	Alcohol products RMB'000 (Restated)	Chloroacetic acid and its derivative products RMB'000 (Restated)	Other chemical products RMB'000 (Restated)	Total RMB'000 (Restated)
Revenue:					
From external customers	1,036,127	71,923	16,244	70,884	1,195,178
Inter-segment revenue	-	115,448	303,454	19,762	438,664
Reportable segment revenue	1,036,127	187,371	319,698	90,646	1,633,842
Reportable segment profit	308,817	19,781	159,157	1,566	489,321
Depreciation of property, plant and equipment	30,531	548	11,618	9,416	52,113
Reversal of write-down of inventories to net realisable value	(128)	-	-	(81)	(209)
Write-down of inventories to net realisable value	42	-	-	-	42
Reportable segment assets	563,298	18,972	93,210	88,608	764,088
Additions to non-current segment assets	65,078	-	5,083	5,151	75,312
Reportable segment liabilities	36,175	4,216	7,694	19,869	67,954

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

	FOR THE YEAR ENDED 31 DECEMBER	
	2014	2013
	RMB'000	RMB'000
Reportable segment revenue	**1,446,217**	1,633,842
Elimination of inter-segment revenue	**(325,090)**	(438,664)
Consolidated revenue	**1,121,127**	1,195,178

	FOR THE YEAR ENDED 31 DECEMBER	
	2014	2013
	RMB'000	RMB'000
Reportable segment profit	**355,782**	489,321
Rental income	**785**	861
Revaluation gain on investment properties	**310**	1,170
Finance costs	**(627)**	(5,643)
Fair value gain/(loss) on derivative financial instruments	**2,110**	(5,606)
Corporate unallocated income	**6,725**	768
Corporate unallocated expenses	**(37,500)**	(48,805)
Share of loss of a joint venture	**(5,034)**	(2,690)
Elimination of inter-segment profit	**(109,903)**	(170,247)
Consolidated profit before income tax	**212,648**	259,129

	AS AT 31 DECEMBER	
	2014	2013
	RMB'000	RMB'000
Reportable segment assets	**862,190**	764,088
Interests in a joint venture	**40,104**	45,824
Amount due from a joint venture	**37,543**	522
Prepaid land lease payments	**52,708**	54,001
Investment properties	**14,510**	14,200
Deferred tax assets	**1,250**	1,488
Finance lease receivable	**15,007**	16,939
Bank and cash balances	**62,942**	49,551
Property, plant and equipment	**132,940**	144,807
Other corporate assets	**11,788**	14,045
Consolidated total assets	**1,230,982**	1,105,465

	AS AT 31 DECEMBER	
	2014	2013
	RMB'000	RMB'000
Reportable segment liabilities	**65,927**	67,954
Bank borrowings	**30,571**	33,297
Deferred income	**5,000**	-
Deferred tax liabilities	**3,138**	3,008
Current tax liabilities	**18,945**	13,352
Derivative financial instruments	**10,486**	12,596
Other corporate liabilities	**42,498**	45,176
Consolidated total liabilities	**176,565**	175,383

The Group's revenues from external customers are divided into the following geographical areas:

	FOR THE YEAR ENDED 31 DECEMBER	
	2014	2013
	RMB'000	RMB'000
The PRC (domicile)	**912,332**	1,030,147
United States of America	**67,662**	40,255
India	**29,796**	28,423
Taiwan	**26,399**	17,736
Ireland	**14,922**	13,525
Others	**70,016**	65,092
	1,121,127	1,195,178

The geographical location of customers is based on the location at which the goods are delivered. No geographical location of the non-current assets is presented as the substantial non-current assets are physically based in the PRC.

There was no single customer who contributed to 10% or more of the Group's revenue for the year ended 31 December 2014 (2013: Nil).

Certain comparative figures in the segment information for the year ended 31 December 2013 has been reclassified. Previously, the segments of "fine petrochemical products" and "other by-products" were reported as the two separate segments. For the year ended 31 December 2014, they were reported under the new segment of "other chemical products" as a result of the change in information reported internally for the purposes of resources allocation and assessment of business performance. Comparative figures have been reclassified accordingly.

4. PROFIT BEFORE INCOME TAX

	FOR THE YEAR ENDED 31 DECEMBER	
	2014	2013
	RMB'000	RMB'000
Profit before income tax is arrived at after charging/(crediting):		
Directors' remuneration		
- Fees	**301**	301
- Salaries, discretionary bonus and other benefits	**3,649**	3,684
- Retirement benefit scheme contributions	**96**	88
	4,046	4,073
Other staff costs	**67,097**	62,108
Retirement benefit scheme contributions	**4,655**	3,880
Total staff costs	**75,798**	70,061
Auditors' remuneration	**561**	564
Amortisation of prepaid land lease payments	**1,293**	1,293
Cost of inventories recognised as an expense (note i), including	**824,918**	839,605
- Write-down of inventories to net realisable value	**-**	42
- Reversal of write-down of inventories to net realisable value	**(4)**	(209)
Depreciation on property, plant and equipment	**64,439**	54,498
Exchange (gain)/loss, net	**(1,240)**	2,348
Minimum lease payments under operating leases in respect of leasehold land and buildings	**535**	575
Rental income less outgoings	**(779)**	(854)
Direct operating expenses arising from investment properties that generated rental income	**6**	7
Research costs (note ii)	**16,736**	12,251

Notes:

(i) Cost of inventories recognised as an expense includes approximately RMB61,956,000 (2013: RMB52,113,000) relating to depreciation expenses and approximately RMB56,417,000 (2013: RMB53,831,000) relating to staff costs. These amounts are also included in the respective total amounts disclosed separately above.

The write-down of inventories of approximately RMB4,000 (2013: RMB209,000) was reversed as the market price of these inventories increased in 2014.

(ii) Research costs include approximately RMB403,000 (2013: RMB231,000) relating to depreciation expenses and approximately RMB6,047,000 (2013: RMB1,279,000) relating to staff costs. These amounts are also included in the respective total amounts disclosed separately above.

5. INCOME TAX EXPENSE

	FOR THE YEAR ENDED 31 DECEMBER	
	2014	2013
	RMB'000	RMB'000
Current tax - PRC Enterprise Income Tax		
- Tax for the year	**54,417**	71,989
- Under-provision in prior year	**-**	197
- PRC dividend withholding tax	**3,358**	-
	57,775	72,186
Deferred tax	**368**	(1,143)
Income tax expense	**58,143**	71,043

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in nor is derived from Hong Kong.

The subsidiaries established in the PRC are subject to the PRC Enterprise Income Tax at the rate of 25% for 2014 (2013: 25%).

Pursuant to the PRC Corporate Income Tax Law and its related regulations, non-PRC-resident enterprises are levied withholding tax at 10% (unless reduced by tax treaties/arrangements) on dividends receivable from PRC enterprises for profits earned since 1 January 2008. The Group has adopted the 10% withholding tax rate for PRC withholding tax purposes during the year ended 31 December 2014.

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

A government grant obtained by Weifang Parasia Chem Co., Ltd ("**Weifang Parasia**") for subsidising the construction of production lines which was recognised as a deferred income in 2014. As the construction has not yet completed as at 31 December 2014, no 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 grant in 2014.

6. DIVIDENDS PER SHARE

A final dividend for 2013 amounting to RMB30,342,000 (dividend per share: 4.5 HKcents) was approved at the annual general meeting of the Company held on 23 May 2014 and paid during the year ended 31 December 2014. The Directors recommend the payment of a final dividend amounting to RMB30,610,000 (dividend per share: 4.5 HKcents) in respect of the year ended 31 December 2014, which is subject to approval by the shareholders of the Company (the "**Shareholders**") in its forthcoming annual general meeting (the "**2015 AGM**").

7. EARNINGS PER SHARE

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

	FOR THE YEAR ENDED 31 DECEMBER	
	2014	2013
	RMB'000	RMB'000
Profit for the year	**154,505**	188,086

	NUMBER OF ORDINARY SHARES	
	2014	2013
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**846,878,000**	846,878,000

The calculation of basic and diluted earnings per share for the year ended 31 December 2014 was based on the profit attributable to owners of the Company of RMB154,505,000 (2013: RMB188,086,000) and on the weighted average of 846,878,000 (2013: 846,878,000) ordinary shares in issue during the year.

There were no dilutive potential ordinary shares for the years ended 31 December 2014 and 2013.

8. TRADE AND BILLS RECEIVABLE

The Group grants a credit period normally ranging from one month to six months to its trade customers (2013: ranging from one month to six months). The bills receivable are non-interest bearing bank acceptance bills and aged within six months at both reporting dates. 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.

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

	AS AT 31 DECEMBER	
	2014	2013
	RMB'000	RMB'000
0 to 90 days	**254,082**	206,678
91 to 180 days	**75,616**	70,032
181 to 365 days	**7,093**	3,630
Over 365 days	**1,246**	39
	338,037	280,379

9. TRADE PAYABLES

The Group was granted by its suppliers credit periods ranging from 30 to 365 days (2013: 30 to 365 days). The ageing analysis of trade payables as at the reporting date, based on the invoice date, is as follows:

	AS AT 31 DECEMBER	
	2014	2013
	RMB'000	RMB'000
0 to 90 days	**15,150**	22,491
91 to 180 days	**320**	1,503
181 to 365 days	**269**	868
Over 365 days	**263**	210
	16,002	25,072

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

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the Shareholders who are entitled to attend and vote at the 2015 AGM, the register of members of the Company will be closed from Wednesday, 20 May 2015 to Friday, 22 May 2015, both days inclusive. In order to qualify for the right to attend and vote at the 2015 AGM, all transfers accompanied by the relevant share certificates should 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 not later than 4:30 p.m. on Tuesday, 19 May 2015.

For the purpose of ascertaining Shareholders who qualify for the proposed final dividend in respect of the year ended 31 December 2014, the register of members of the Company will be closed from Wednesday, 3 June 2015 to Friday, 5 June 2015, both days inclusive. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates should 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 not later than 4:30 p.m. on Tuesday, 2 June 2015. The proposed final dividend is expected to be paid to Shareholders on or about Friday, 26 June 2015.

BUSINESS REVIEW

The PRC government imposed a series of measures to prevent the PRC economy from overheating. Consequentially, the Chinese manufacturing sector is facing a slowdown. The customers of the Group adopted a defensive approach to keep a low inventory level and thus dragged down the demand and drove down the selling price. The Group has undertaken appropriate measures to mitigate the adverse impacts amid the difficult business environment, such as taking proactive ways to generate sales lead and promoting newly launched products. Consequently, the overall turnover of the Group experienced a small decline only as compared to last year. On the other hand, the Group has also aggressively improved the production process and upgraded production technology to enhance production efficiency as a whole and realigned its production layout to respond rapidly to ever changing market conditions. It has partially alleviated the adverse impacts, however, the Group still recorded a decline in net profit.

Despite a decline in financial performance, it did not deter the enhancement of intrinsic value of the Group. During the year under review, the Group has stayed put with its business strategy, the production layout has been strengthened in order to free up production capacity for products with higher profit margin and to fuel the next stage of business development. The expansion of production capacity for newly launched products has been completed. It is expected that the additional capacity will expand the revenue base in the forthcoming year. Besides, the Group has started to further intensify the automation of production processing aiming to achieve production efficiency enhancement effectively and costs saving substantially in coming future. Lastly, the Group has continuously maintained a sound financial position to cater for the investments in viable new business opportunities (if any) in the future. The Group will align with its business development strategy to continuously uplift the overall layout of production lines in response to market conditions as and when appropriate.

Cyanide and its derivative products

Cyanide and its derivative products is still the major contributor to the Group's performance. The turnover of this category of products accounted for 88.7% (2013: 86.7%) of the Group's total turnover. The sales performance remained stable because new products launched during the year under review gave impetus to the turnover growth so as to mitigate the adverse effects of decrease in market demand. However, weakened selling price resulted in a decrease in profit within this category of products. Aiming to improve results under this challenging business environment, the Group has expanded and improved the production facility's performance and built a well production layout leading to further automated production process in the next phase. Besides, the Group has dedicated to enrich new products variety in order to tap the potential business development opportunity via its research and development. The production capacity for new products has been expanded. Turnover growth in the next financial year is anticipated due to a widely earned market recognition and expanded production capacity in such new products. The Group will continuously capitalise its competitive edge to derive growth momentum through continuously expanding the production capacity of the market-relevant product and its portfolio in the future. The growth momentum of the existing major products should have brought the Group along a path of success in the last few years and should deliver consistent results in the foreseeable future, the newer products will realise its market potential and generate new revenue growth to the Group. Thus, the Board remains optimistic about perpetuating steady growth of this category of products in the long run.

Alcohol products

The turnover from external customers of alcohol products recorded slight growth under a relatively steady market. The decrease in profit was mainly due to increase in the transportation cost during the year under review. As usual, the Group regards this category of products as a means to provide stable internal supply and external sale will be made if there is an excess. In addition, the Group will focus on strengthening procurement strategies to improve the profit margin of this category of products in midst of the market with limited growth.

Chloroacetic acid and its derivative products

The turnover from external customers of this category of products recorded healthy growth but the profit decreased obviously. It was mainly attributable to the substantial increase in raw material costs during the year under review. This category of products plays a pivotal supportive role within the production chain of the Group and is one of the essential elements of the competitive advantage of the Group. Hence, additional focus has been placed on advancing production facilities, process and technology to improve productivity of this category of products during the year under review. The Group will continuously improve the productivity of this category of products in the near future in order to contribute better margins to the Group as a whole.

Joint venture company (the "JV Company")

Trial production commenced only in the fourth quarter of this year and hence the turnover of the JV Company was insignificant. Also, at a preliminary business startup stage, the JV Company did not provide positive contribution to the Group during the year under review. Nevertheless, the JV Company has commenced trial production and launched a series of proactive sales and marketing activities. The JV Company is gearing up to start the commercial production the short run as at the date of this announcement. The forward plan is to commission the expansion of production capacity to cater for the expected market demand in coming future. It is believed that the JV Company will provide positive contribution to the Group in the foreseeable future.

Prospect

Looking forward, the PRC remains a critical market to the Group. The future governmental policies of the PRC will have a direct impact on market direction. The PRC's economic growth still tends to slowdown. Operating environment in the PRC remains challenging for all manufacturing industries. Nevertheless, the Group will move forward steadily along its path of business development plan. A key focus of the Group in the short run will be on upgrading the existing production facilities and advancing the production process in order to further automate and streamline the operations with an aim to keep strengthening the Group's core competitive edge of productivity. Besides, the Group will continue to leverage its research and development expertise to develop new products to sustain business growth over the long term. Apart from that, with a sound financial position, the Group will stay alert to seize any business opportunities so as to broaden the revenue base of the Group. Based on the current economic climate, barring any unforeseen negative economic or other events, the Board is optimistic regarding the prospects of Group in the coming year. The Board remains confident that the development strategies of the Group could drive the business growth of the Group and maximise the return to the Shareholders.

FINANCIAL REVIEW

Turnover

The turnover of the Group for the year ended 31 December 2014 decreased by 6.2% to approximately RMB1,121.1 million, as compared with approximately RMB1,195.2 million in 2013. The decrease in turnover was mainly due to the adjustment of selling price downwards in response to the sluggish demand in particular the PRC market.

Gross profit

The gross profit of the Group trimmed to approximately RMB284.2 million, representing a decrease of 17.1% as compared with approximately RMB342.9 million in 2013 while the gross profit margin also dropped to 25.3% when compared with 28.7% in 2013. The decrease was mainly attributable to the decrease of selling price during the year under review.

Operating income and expenses

The other income was mainly comprised of (i) government grants; (ii) release of deferred income; (iii) gain on disposals of property, plant and equipment; (iv) exchange gain, net; (v) interest income from finance lease; and (vi) other miscellaneous income during the year under review.

The selling expenses increased by approximately RMB7.8 million to approximately RMB35.2 million (2013: RMB27.4 million) during the year under review. The increase was principally attributable to the increase of overseas sales resulting in the increase of overseas transportation costs. The selling expense as a percentage of the Group's turnover was 3.1% (2013: 2.3%).

During the year under review, the administrative and other operating expenses decreased by approximately RMB2.7 million from approximately RMB48.1 million in 2013 to approximately RMB45.4 million. The decrease was mainly due to the decrease of staff cost and other local taxes. Administrative and other operating expenses expressed as a percentage of the Group's turnover was 4.1% (2013: 4.0%).

Finance costs

Finance costs mainly represented bank borrowings interest, which decreased by approximately RMB5.0 million from approximately RMB5.6 million in 2013 to approximately RMB0.6 million in 2014. The decrease was mainly due to a decrease in bank borrowings during the year under review in light of the Group's sound financial position.

Fair value gain on derivative financial instruments

On 30 June 2011, the Company entered into a joint venture agreement (the "**JV Agreement**") with Henkel Hong Kong Limited ("**Henkel**") to set up a JV Company for developing a specialty chemical for an industrial use product and the JV Agreement became effective from 23 February 2012. 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 set on specified future dates (please refer to the announcement of the Company dated 3 July 2011 for details). Thus, the JV Agreement is deemed to contain embedded derivative which is required to be carried at fair value under HKFRSs. For the year ended 31 December 2014, the fair value gain on the embedded derivative financial instruments was, determined by an independent valuer adopting a binomial lattice model at, approximately RMB2.1 million (2013: loss of RMB5.6 million).

Profit for the year

The profit of the Group for the year has decreased by approximately RMB33.6 million to approximately RMB154.5 million, representing a decrease of 17.9% as compared with that of approximately RMB188.1 million in 2013.

Liquidity and financial resources

The Group's primary source of funding included the net cash inflow generated from operating activities of approximately RMB152.6 million (2013: RMB174.7 million); newly raised bank borrowings of approximately RMB30.6 million (2013: RMB16.3 million); interest received of approximately RMB0.2 million (2013: RMB0.1 million); proceeds on disposals of property, plant and equipment of approximately RMB2.6 million (2013: RMB0.4 million). With the financial resources obtained from the Group's operations, the Group had spent approximately RMB85.5 million (2013: RMB103.4 million) in the acquisition of property, plant and equipment; loan made to the JV Company of approximately RMB28.1 million (2013: Nil); repayments of bank borrowings of approximately RMB33.3 million (2013: RMB57.0 million); interest paid of approximately RMB0.7 million (2013: RMB5.7 million) and dividend paid of approximately RMB30.3 million (2013: RMB25.8 million) during the year under review. As at 31 December 2014, the Group had bank and cash balances of approximately RMB62.9 million (2013: RMB49.6 million), of which 75.4% was held in Renminbi, 20.3% was held in United States dollars and the remaining balances were held in Hong Kong dollars and EUROs. During the year under review, the Group did not use any financial instruments for any hedging purposes.

As at 31 December 2014, the Group had recorded net current assets of approximately RMB402.5 million (2013: RMB286.0 million), the current ratio of the Group was approximately 3.7 times (2013: 2.9 times), and bank borrowings of approximately RMB30.6 million (2013: RMB33.3 million). The Group retains its strong financial position and attained a net cash balance of approximately RMB32.4 million (total cash and cash equivalent net of total borrowings) as at 31 December 2014 (2013: RMB16.3 million).

With a continuous positive net cash inflow generated from its operations and its cash resources on hand and undrawn banking facilities obtained from its banks, the Group has sufficient financial resources to meet its commitments and working capital requirements. The Group will continuously monitor its cash outflow closely and cautiously in the coming years and dedicate to maintain a sound financial position and improve the equity return to the Shareholders.

Pledge of assets
As at 31 December 2014, no prepaid land lease payments (2013: RMB29.6 million) were pledged to secure the Group's bank borrowings.

Contingent liabilities
As at 31 December 2014, the Group had no material contingent liabilities.

Commitments
As at 31 December 2014, the Group had commitments which has been contracted but not yet been provided for in the aggregate amount of approximately RMB72.0 million (2013: RMB104.6 million), among of that approximately RMB61.9 million (2013: RMB100.0 million) relating to the loan commitment for the joint venture project and the rest for purchases of property, plant and equipment as well as construction in progress, while the capital commitment for authorised but not yet been contracted for in the aggregate amount of approximately RMB150.8 million (2013: RMB115.8 million) is relating to the purchase of property, plant and equipment as well as construction in progress.

FUNDING AND TREASURY POLICY

The Group adopts a prudent approach on its funding and treasury policy, which aims to maintain an optimal financial position and minimise the Group's financial risks. The Group regularly reviews the funding requirements to ensure adequate financial resources to support its business operations and future investments as and when needed.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's operation is 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 fluctuations was caused by the impact of Renminbi exchange rate movements during the year under review. Most of the Group's income and expenses are denominated in RMB except for export sales which were, in majority, denominated in United States dollars. However, 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 year under review. Besides, the Group will consider adoption of cost-efficient hedging methods in future foreign currency transactions as and when appropriate.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2014, the Group has 1,009 (2013: 997) full-time employees. The increase in the number of employees was in line with the expansion in business activities during the year under review.

For the year under review, the total staff costs incurred including directors' remuneration increased to approximately RMB75.8 million (2013: RMB70.1million).

The Group has established its human resources policies and scheme with a view to deploy the 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 the staff was in line with the duties and the prevailing market terms. Staff benefits, including medical coverage and provident funds, have also been provided to the employees of the Group.

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

The Company 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. During the year under review, no share option of the Company has been granted.

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

During the year under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with the requirements set out in the "Corporate Governance Code and Corporate Governance Report" contained in Appendix 14 of the Listing Rules during the year under review.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code governing securities transactions of the Directors. Each of the Directors has confirmed his compliance with the Model Code for the financial year ended 31 December 2014. The Company has also adopted written guidelines on no less exacting terms than the Model Code for the relevant employees. The senior management, who, because of their office in the Company, is likely to be in possession of inside information, has been requested to comply with the provisions of the Model Code and the Company's code of conduct regarding securities transactions by Directors. No incidence of non-compliance of the employees' written guidelines by the relevant employees was noted by the Company during the year under review.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises the three independent non-executive Directors, namely, Mr. Leung Kam Wan, Mr. Liu Chenguang and Mr. Gao Baoyu. Mr. Leung is the chairman of the Audit Committee and he possesses recognised professional qualifications in accounting required by the Listing Rules.

The Audit Committee has reviewed the full year financial statements and reports of the Group for the year ended 31 December 2014. The Audit Committee was satisfied that the accounting policies and methods of computation adopted by the Group are in accordance with the current best practices in Hong Kong. The Audit Committee found no unusual items that were omitted from the financial statements and was satisfied with the disclosures of data and explanations shown in the financial statements. The Audit Committee also reviewed the internal control measures adopted by the Group during the year under review.

By order of the Board
Liu Hongliang
Chairman

Hong Kong, 23 March 2015

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