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)

CONTINUING CONNECTED TRANSACTIONS

The Company wish to announce that parties to the Framework Supply Agreement have entered into the Supplementary Agreement to extend the term of the Framework Supply Agreement until 31 January 2018.

THE SUPPLEMENTARY AGREEMENT

Date : 25 January 2017

Parties : (1) the Company;
(2) Henkel BV.

SUBJECT MATTER

Pursuant to the Supplementary Agreement, the term of the Framework Supply Agreement was extended from 31 January 2017 to 31 January 2018. All other terms and conditions of the Framework Supply Agreement and its schedule remain unaltered and in full force and effect.

Principal business activities of the Group and Henkel BV

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. Henkel BV is owned by Henkel AG, which was established in the Netherlands for the purposes of globally centralising and integrating the supply chains of Henkel AG including purchasing across all its business units. It acts as the decision maker, and be responsible for all supply chains and purchasing activities.

PRICING BASIS

There have been no change to the pricing basis of the Products under the Framework Supply Agreement as a result of the Supplementary Agreement. After considering the fair market value at the time of entering into the Supplementary Agreement, the unit price is determined by reference to the price range of US$3.29 to US$3.56 per kg CIF for the year 2016 under the Price List.

ANNUAL CAPS FOR THE SUPPLY OF THE PRODUCTS

The annual caps for the supply of the Products under the Framework Supply Agreement as supplemented by the Supplementary Agreement were determined by reference to:

(a) previous sale transactions with the associated companies of Henkel AG, an associated company of Henkel BV;

(b) the price range of US$3.29 to US$3.56 per kg CIF for the year 2016 under the Price List;

(c) the expected quantity of the Products to be purchased by the associated companies of Henkel BV; and

(d) the economic climate and its effects on the fine chemical products industry.

Historical figures of the sale transactions with the associated companies of Henkel AG

Period	Transaction amount
31 January 2014 – 31 December 2014	US$4,147,000 (equivalent to approximately HK$32,264,000)
1 January 2015 – 31 December 2015	US$4,124,000 (equivalent to approximately HK$32,085,000)
1 January 2016 – 31 December 2016	US$4,517,000 (equivalent to approximately HK$35,142,000)

Based on the above, the annual caps for the supply of the Products under the Framework Supply Agreement as supplemented by the Supplementary Agreement are therefore as follows:

Period	Annual cap
1 January 2017 – 31 December 2017	US$5,000,000 (equivalent to approximately HK$38,900,000)
1 January 2018 – 31 January 2018	US$420,000 (equivalent to approximately HK$3,268,000)

The Directors (including the independent non-executive Directors) are of the view that the annual caps above for the Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFIT OF THE SUPPLEMENTARY AGREEMENT

The Company considers that the extension of the term of the Framework Supply Agreement under the Supplementary Agreement would continue to provide a steady contribution to the turnover of the Group from the sales of the Products under the Framework Supply Agreement.

INTERNAL CONTROL

Appropriate internal control measures are in place to monitor the continuing connected transactions contemplated under the Framework Supply Agreement and the Supplementary Agreement to ensure that such transactions are conducted on normal commercial terms. The Audit Committee, which comprises all the independent non-executive Directors, will monitor and review the continuing connected transactions of the Group from time to time and prepare a review report for incorporation into the annual report of the Company for each financial year. The Audit Committee will meet at least twice a year to review, among other things, the continuing connected transactions and consider the fees charged by similar Independent Third Party suppliers before determining the actual fee to be charged under the continuing connected transactions. It will also carefully consider whether the continuing connected transactions are entered into under ordinary and usual course of the Group's business, on normal commercial terms or, if applicable, on terms no less favourable to the Group than those provided by Independent Third Party suppliers, conducted in accordance with the terms of the Framework Supply Agreement and Supplementary Agreement, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

APPROVAL OF THE BOARD

The Directors (including the independent non-executive Directors) confirmed that the Transactions and the terms of the Framework Supply Agreement and the Supplementary Agreement are fair and reasonable and on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

The Board has approved the extension of the term of the Framework Supply Agreement under the Supplementary Agreement. None of the Directors has material interests in the Transactions contemplated under the Framework Supply Agreement or the Supplementary Agreement. Therefore, no Director is required to abstain from voting on the resolutions of the Board approving the extension of the term of the Framework Supply Agreement under the Supplementary Agreement.

LISTING RULES IMPLICATIONS

As Henkel Hong Kong is a substantial shareholder of the JV Company and Henkel BV is an associate of Henkel Hong Kong, Henkel BV is a connected person of the Company. The Transactions therefore constitute continuing connected transactions on the part of the Company under Chapter 14A of the Listing Rules. Since (1) Henkel BV is a connected person of the Company at subsidiary level, (2) the Board has approved the extension of the term of the Framework Supply Agreement under the Supplementary Agreement and (3) the independent non-executive Directors have confirmed the terms of the Transactions and the Supplementary Agreement are fair and reasonable and on normal commercial terms, the Transactions and the extension of the term of the Framework Supply Agreement under the Supplementary Agreement are exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules and will only be subject to announcement, reporting and annual review requirements under Chapter 14A of the Listing Rules.

The Company will comply with the continuing obligations under Chapter 14A of the Listing Rules and/or any other applicable requirements under the Listing Rules at the relevant time and will re-comply with the applicable Listing Rules in the event that any of the annual caps set out above is exceeded or when there is a material change to the terms of any of the Framework Supply Agreement pursuant to Rule 14A.54 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following respective meaning:

"**associate**"	has the meaning ascribed to this term under the Listing Rules;
"**Board**"	the board of Directors;
"**CIF**"	costs, insurance and freight;
"**Company**"	Tiande Chemical Holdings Limited, an exempted company with limited liability incorporated in the Cayman Islands whose Shares are listed and traded on the Main Board of the Stock Exchange (Stock code: 00609);
"**connected person**"	has the meaning ascribed to this term under the Listing Rules;
"**Directors**"	the directors of the Company;
"**Framework Supply Agreement**"	the agreement entered into between the Company and the Henkel AG in respect of the sale and purchase of the Products dated 6 December 2013, which was announced by the Company;
"**Group**"	the Company and its subsidiaries;
"Henkel AG"	Henkel AG & Co. KGaA, a company incorporated in Germany with limited liability and an associate of Henkel Hong Kong;
"**Henkel BV**"	Henkel Global Supply Chain B.V., a company incorporated in Netherlands with limited liability and successor and assignee of all rights and obligations of Henkel AG under the Framework Supply Agreement;
"**Henkel Hong Kong**"	Henkel Hong Kong Holding Limited, a company incorporated in Hong Kong with limited liability;
"**HK$**"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;

"Independent Third Party"	a person(s) or company(ies) who or which is or are independent of, and not connected with, any Director, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates;
"JV Company"	Dekel Investment Holdings Ltd., a company incorporated in Hong Kong with limited liability, which is owned as to 55% and 45% by the Company and Henkel Hong Kong respectively;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"**Price List**"	the list of prices for the Products as set out in the Framework Supply Agreement;
"Products"	ethylcyanoacetate, methylcyanoacetate, n-Butyl cyanoacetate and other chemical products supplied by the Weifang Parasia from time to time under the Framework Supply Agreement;
"Share(s)"	ordinary share(s) of HK$0.01 each in the issued share capital of the Company;
"Shareholder(s)"	holder(s) of the Share(s);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"subsidiary"	has the meaning ascribed to this term under the Listing Rules;
"**Supplementary Agreement**"	the agreement entered into between the Company and Henkel BV dated 25 January 2017 in respect of the extension of the term of the Framework Supply Agreement;
"Transactions"	the transactions contemplated under the Framework Supply Agreement;
"US$"	United States dollars, the lawful currency of the United States of America;
"Weifang Parasia"	Weifang Parasia Chem Co Limited, an entity established in the People's Republic of China and a wholly-owned subsidiary of the JV Company; and
"%"	per cent.

For the purpose of this announcement, amount denominated in US$ has been translated (for information only) into HK$ using the exchange rate of US$1.00 = HK$7.78.

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

Hong Kong, 22 February 2017

As at the date of this announcement, the Board comprises seven Directors, including four executive Directors, namely, Mr. Gao Feng, Mr. Guo Xitian, Mr. Sun Zhenmin, Mr. Wang Zijiang; and three independent non-executive Directors, namely, Mr. Gao Baoyu, Mr. Leung Kam Wan, and Mr. Liu Chenguang.