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 2016

RESULTS HIGHLIGHTS

- Revenue increased by 12.6% to approximately RMB1,265.4 million (2015: RMB1,123.4 million).
- Gross profit increased by 25.1% to approximately RMB396.3 million (2015: RMB316.9 million).
- Gross profit margin reached 31.3% (2015: 28.2%), representing an increase of 3.1 percentage points.
- Profit for the year ended 31 December 2016 increased by 27.3% to approximately RMB219.5 million (2015: RMB172.4 million).
- EBITDA increased by 27.9% to approximately RMB407.7 million (2015: RMB318.8 million).
- Basic earnings per share increased to approximately RMB0.259 (2015: RMB0.204).
- The Directors recommend a final dividend of HK$0.08 per share, including the interim dividend paid of HK$0.04 per share, total dividends for the year ended 31 December 2016 were HK$0.12 (2015: HK$0.1) per share.

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 2016 together with the comparative figures for the corresponding period in 2015 with the selected notes as follows:

CONSOLIDATED INCOME STATEMENT

		FOR THE YEAR ENDED 31 DECEMBER	
		2016	2015
	Notes	**RMB'000**	RMB'000
Revenue	3	**1,265,389**	1,123,408
Cost of sales		**(869,088)**	(806,519)
Gross profit		**396,301**	316,889
Other income		**16,867**	13,897
Revaluation gain on investment properties		**3,090**	1,220
Selling expenses		**(43,694)**	(35,408)
Administrative and other operating expenses		**(50,258)**	(44,698)
Finance costs		**(1,212)**	(1,063)
Fair value gain on derivative financial instruments		**10,318**	3,161
Share of loss of a joint venture		**(6,734)**	(6,961)
Profit before income tax	4	**324,678**	247,037
Income tax expense	5	**(105,219)**	(74,666)
Profit for the year		**219,459**	172,371
Profit / (Loss) for the year attributable to:			
Owners of the Company		**219,603**	172,371
Non-controlling interests		**(144)**	-
		219,459	172,371
Earnings per share for profit attributable to owners of the Company for the year	7		
- Basic		**RMB0.259**	RMB0.204
- Diluted		**RMB0.259**	RMB0.204

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	FOR THE YEAR ENDED 31 DECEMBER	
	2016	2015
	RMB'000	RMB'000
Profit for the year	**219,459**	172,371
Other comprehensive income		
Items that may be reclassified subsequently to the income statement:		
Exchange losses on translation of financial statements of foreign operations	**(123)**	(1,885)
Share of other comprehensive income of a joint venture	**(1,866)**	(1,625)
Other comprehensive income for the year	**(1,989)**	(3,510)
Total comprehensive income for the year	**217,470**	168,861
Total comprehensive income for the year attributable to :		
Owners of the Company	**217,615**	168,861
Non-controlling interests	**(145)**	-
	217,470	168,861

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	AS AT 31 DECEMBER **2016** **RMB'000**	 2015 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**652,475**	601,933
Prepaid land lease payments		**59,858**	50,122
Investment properties		**18,820**	15,730
Goodwill		**17,668**	-
Deposits paid for acquisition of property, plant and equipment		**11,183**	3,876
Interests in a joint venture		**22,607**	31,576
Derivative financial assets		**2,993**	-
Finance lease receivable		**12,617**	13,413
Deferred tax assets		**2,180**	2,422
		800,401	719,072
Current assets			
Inventories		**130,707**	96,301
Trade and bills receivable	8	**432,012**	394,631
Prepayments and other receivables		**19,440**	13,758
Amount due from a joint venture		**52,883**	40,546
Finance lease receivable		**797**	797
Bank and cash balances		**184,320**	117,661
		820,159	663,694
Current liabilities			
Trade payables	9	**39,053**	23,176
Accruals and other payables		**140,107**	102,556
Bank borrowings		**56,816**	32,072
Amount due to a related company		**1,191**	-
Amount due to a non-controlling shareholder		**3,376**	-
Current tax liabilities		**30,570**	19,780
		271,113	177,584
Net current assets		**549,046**	486,110
Total assets less current liabilities		**1,349,447**	1,205,182
Non-current liabilities			
Deferred income		**9,918**	12,361
Deferred tax liabilities		**21,902**	7,496
Derivative financial liabilities		**-**	7,325
		31,820	27,182
NET ASSETS		**1,317,627**	1,178,000
EQUITY			
Share capital		**7,802**	7,786
Reserves		**1,309,968**	1,170,214
Equity attributable to the Company's owners		**1,317,770**	1,178,000
Non-controlling interests		**(143)**	-
TOTAL EQUITY		**1,317,627**	1,178,000

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.

In September 2016, the Group completed the acquisition of 100% equity interests in Jiangsu Chunxiao Pharmaceutical & Chemical Company Limited 江蘇春曉醫葯化工科技有限公司（"**Jiangsu Chunxiao**"）, a company established in the People's Republic of China (the "**PRC**"), which is engaged in research and development, manufacture and sales of fine chemical products. Details of the acquisition have been set out in the Company's announcements dated 30 August 2016 and 15 December 2016, respectively. Other than this acquisition, there were no changes in the Group's operations during the year.

The functional currency of the Company is Hong Kong Dollars ("**HK$**"). The consolidated financial statements are presented in Renminbi ("**RMB**") because the main operations of the Group are located in 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 2016. Other than as noted below, the adoption of these new or amended HKFRSs has no material impact on the consolidated financial statements.

Amendments to HKAS 1 - Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

Included in the clarifications is that an entity's share of other comprehensive income from equity accounted interests in associates and joint ventures is split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

The adoption of the amendments has no impact on these financial statements.

Amendments to HKAS 16 and HKAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Group has not previously used revenue-based depreciation methods.

Amendments to HKAS 27 - Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are applied retrospectively in accordance with HKAS 8.

The adoption of the amendments has no impact on these financial statements as the Company has not elected to apply the equity method in its separate financial statement.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 – Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a subsidiary of an investment entity (including investment entities that account for their subsidiaries at fair value rather than consolidating them). An investment entity parent will consolidate a subsidiary only when the subsidiary is not itself an investment entity and the subsidiary's main purpose is to provide services that relate to the investment entity's investment activities. A non-investment entity applying the equity method to an associate or joint venture that is an investment entity may retain the fair value measurements that associate or joint venture used for its subsidiaries. An investment entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss should provide the disclosures related to investment entities as required by HKFRS 12. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Company is neither an intermediate parent entity nor an investment entity.

(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 these financial statements. Information on new or amended HKFRSs that are expected to have an impact on the Group's accounting policies is provided below.

Amendments to HKAS 7 – Disclosure Initiative

This standard is effective for accounting periods beginning on or after 1 January 2017. The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

This standard is effective for accounting periods beginning on or after 1 January 2017. The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured at fair value.

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

This standard is effective for accounting periods beginning on or after 1 January 2018. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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 ("**FVTOCI**") 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 FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("**FVTPL**").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL 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 FVTPL, 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 2018. 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-step 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.

Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

This standard is effective for accounting periods beginning on or after 1 January 2018. The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 – Leases

This standard is effective for accounting periods beginning on or after 1 January 2019. HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Amendments to HKFRS 10 and HKAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

3. REVENUE 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.

REVENUE

	FOR THE YEAR ENDED 31 DECEMBER	
	2016	2015
	RMB'000	RMB'000
Sales of cyanide and its derivative products	**1,194,336**	1,015,791
Sales of alcohol products	**19,479**	64,398
Sales of chloroacetic acid and its derivative products	**20,527**	28,550
Sales of other chemical products	**31,047**	14,669
	1,265,389	1,123,408

SEGMENT INFORMATION

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

	2016				
	Cyanide and its derivative products RMB'000	**Alcohol products RMB'000**	**Chloroacetic acid and its derivative products RMB'000**	**Other chemical products RMB'000**	**Total RMB'000**
Revenue:					
From external customers	**1,194,336**	**19,479**	**20,527**	**31,047**	**1,265,389**
Inter-segment revenue	**-**	**1,073**	**229,114**	**146**	**230,333**
Reportable segment revenue	**1,194,336**	**20,552**	**249,641**	**31,193**	**1,495,722**
Reportable segment profit	**355,613**	**1,913**	**113,989**	**6,864**	**478,379**
Depreciation of property, plant and equipment	**50,815**	**107**	**14,207**	**12,419**	**77,548**
Write-down of inventories to net realisable value	**1,743**	**-**	**-**	**-**	**1,743**
Reportable segment assets	**855,813**	**3,579**	**72,605**	**139,884**	**1,071,881**
Additions to non-current segment assets	**39,065**	**-**	**2,581**	**15,975**	**57,621**
Reportable segment liabilities	**65,165**	**884**	**6,412**	**29,872**	**102,333**

	2015				
	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	1,015,791	64,398	28,550	14,669	1,123,408
Inter-segment revenue	-	8,937	188,853	416	198,206
Reportable segment revenue	1,015,791	73,335	217,403	15,085	1,321,614
Reportable segment profit	276,943	5,616	59,042	5,701	347,302
Depreciation of property, plant and equipment	42,583	259	13,410	10,565	66,817
Reversal of write-down of inventories to net realisable value	(43)	-	-	-	(43)
Reportable segment assets	772,880	5,897	89,969	80,599	949,345
Additions to non-current segment assets	73,621	-	4,232	11,700	89,553
Reportable segment liabilities	50,622	963	8,532	23,968	84,085

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	
	2016	2015
	RMB'000	RMB'000
Reportable segment revenue	**1,495,722**	1,321,614
Elimination of inter-segment revenue	**(230,333)**	(198,206)
Consolidated revenue	**1,265,389**	1,123,408

	FOR THE YEAR ENDED 31 DECEMBER	
	2016	2015
	RMB'000	RMB'000
Reportable segment profit	**478,379**	347,302
Rental income	**792**	727
Revaluation gain on investment properties	**3,090**	1,220
Equity-settled share-based payment expenses	**(3,793)**	(2,736)
Finance costs	**(1,212)**	(1,063)
Fair value gain on derivative financial instruments	**10,318**	3,161
Unallocated corporate income	**12,187**	3,958
Unallocated corporate expenses	**(52,553)**	(43,398)
Share of loss of a joint venture	**(6,734)**	(6,961)
Elimination of inter-segment profit	**(115,796)**	(55,173)
Consolidated profit before income tax	**324,678**	247,037

	AS AT 31 DECEMBER	
	2016	2015
	RMB'000	RMB'000
Reportable segment assets	**1,071,881**	949,345
Interests in a joint venture	**22,607**	31,576
Amount due from a joint venture	**52,883**	40,546
Prepaid land lease payments	**61,429**	51,415
Investment properties	**18,820**	15,730
Deferred tax assets	**2,180**	2,422
Finance lease receivable	**13,414**	14,210
Bank and cash balances	**184,320**	117,661
Property, plant and equipment	**165,421**	151,867
Derivative financial assets	**2,993**	-
Other corporate assets	**24,612**	7,994
Consolidated total assets	**1,620,560**	1,382,766

	AS AT 31 DECEMBER	
	2016	2015
	RMB'000	RMB'000
Reportable segment liabilities	**102,333**	84,085
Bank borrowings	**56,816**	32,072
Deferred tax liabilities	**21,902**	7,496
Current tax liabilities	**30,570**	19,780
Derivative financial liabilities	-	7,325
Other corporate liabilities	**91,312**	54,008
Consolidated total liabilities	**302,933**	204,766

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

	FOR THE YEAR ENDED 31 DECEMBER	
	2016	2015
	RMB'000	RMB'000
The PRC (domicile)	**1,038,684**	928,193
United States of America	**58,832**	60,661
India	**56,805**	34,350
Ireland	**18,774**	16,973
Taiwan	**15,300**	13,347
Others	**76,994**	69,884
	1,265,389	1,123,408

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 that contributed to 10% or more of the Group's revenue for the year ended 31 December 2016 (2015: Nil).

4. PROFIT BEFORE INCOME TAX

	FOR THE YEAR ENDED 31 DECEMBER	
	2016	2015
	RMB'000	RMB'000
Profit before income tax is arrived at after charging/(crediting):		
Directors' remuneration		
- Fees	**326**	310
- Salaries, discretionary bonus and other benefits	**3,809**	3,766
- Retirement benefit scheme contributions	**104**	107
	4,239	4,183
Other employee costs	**90,038**	77,298
Equity-settled share-based payment expenses	**3,793**	2,736
Retirement benefit scheme contributions	**6,509**	5,354
Total employee costs	**104,579**	89,571
Auditors' remuneration	**791**	602
Amortisation of prepaid land lease payments	**1,386**	1,293
Cost of inventories recognised as an expense (note i), including	**852,606**	791,433
- Write-down of inventories to net realisable value	**1,743**	-
- Reversal of write-down of inventories to net realisable value	-	(43)
Depreciation on property, plant and equipment	**80,419**	69,359
Impairment loss on trade receivables	**4**	3,232
Impairment loss on trade receivables written back	**(247)**	-
(Gain) / Loss on disposals of property, plant and equipment	**(110)**	7
Minimum lease payments under operating leases in respect of leasehold land and buildings	**1,698**	892
Research costs (note ii)	**3,326**	4,950

Notes:

(i) Cost of inventories recognised as an expenses includes approximately RMB77,548,000 (2015: RMB66,817,000) relating to depreciation expenses and approximately RMB76,992,000 (2015: RMB67,038,000) relating to employee costs. These amounts are also included in the respective total amounts disclosed separately above.

During the year ended 31 December 2015, write-down of inventories of approximately RMB43,000 was reversed as the market price of these inventories was increased in 2015.

(ii) Research costs include approximately RMB705,000 (2015: RMB539,000) relating to depreciation expenses and approximately RMB1,090,000 (2015: RMB3,756,000) relating to employee costs. These amounts are also included in the respective total amounts disclosed separately above.

5. INCOME TAX EXPENSE

	FOR THE YEAR ENDED 31 DECEMBER	
	2016	2015
	RMB'000	RMB'000
Current tax - PRC Enterprise Income Tax		
- Tax for the year	**83,414**	66,321
- Under / (Over)-provision in prior year	**349**	(777)
- PRC dividend withholding tax	**8,919**	5,936
	92,682	71,480
Deferred tax	**12,537**	3,186
Income tax expense	**105,219**	74,666

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 2016 (2015: 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 purpose during the year ended 31 December 2016.

6. DIVIDENDS

	FOR THE YEAR ENDED 31 DECEMBER	
	2016	2015
	RMB'000	RMB'000
Final dividend paid in respect of prior year HK$0.075 (2015: HK$0.045) per share	**54,293**	30,610
Interim dividend paid in respect of current year HK$0.04 (2015: HK$0.025) per share	**29,611**	17,404
	83,904	48,014

The Directors recommend a final dividend of HK$0.08 (2015: HK$0.075) per ordinary share.

7. EARNINGS PER SHARE

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

	FOR THE YEAR ENDED 31 DECEMBER	
	2016	2015
	RMB'000	RMB'000
Profit for the year attributable to owners of the Company	**219,603**	172,371

	NUMBER OF ORDINARY SHARES	
	2016	2015
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**847,575**	846,878
Effect of dilutive potential ordinary shares - share options	**1,162**	99
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**848,737**	846,977

8. TRADE AND BILLS RECEIVABLE

The Group allows credit periods normally ranging from one month to six months to its trade customers (2015: ranging from one month to six months). Bills receivable are non-interest bearing bank acceptance bills and aged within a year (2015: 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 stated as follows:

	AS AT 31 DECEMBER	
	2016	2015
	RMB'000	RMB'000
0 to 90 days	**338,371**	286,100
91 to 180 days	**87,606**	99,479
181 to 365 days	**5,358**	8,643
Over 365 days	**677**	409
	432,012	394,631

9. TRADE PAYABLES

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

	AS AT 31 DECEMBER	
	2016	2015
	RMB'000	RMB'000
0 to 90 days	**35,948**	21,659
91 to 180 days	**1,169**	199
181 to 365 days	**1,351**	831
Over 365 days	**585**	487
	39,053	23,176

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.

DIVIDEND

The Directors recommended a final dividend of HK$0.08 (2015: HK$0.075) per share in respect of the year ended 31 December 2016. Together with the interim dividend paid of HK$0.04 (2015: HK$0.025) per share, total dividends for the year amounted to HK$0.12 (2015: HK$0.1) per share. The proposed final dividend is subject to approval by the shareholders of the Company (the "**Shareholders**") in its forthcoming annual general meeting (the "**2017 AGM**"). The proposed final dividend is expected to be paid to Shareholders on or about Thursday, 29 June 2017.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the Shareholders who are entitled to attend and vote at the 2017 AGM, the register of members of the Company will be closed from Monday, 29 May 2017 to Friday, 2 June 2017, both days inclusive. In order to qualify for the right to attend and vote at the 2017 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 Friday, 26 May 2017.

For the purpose of ascertaining the Shareholders who qualify for the proposed final dividend in respect of the year ended 31 December 2016, the register of members of the Company will be closed from Wednesday, 14 June 2017 to Friday, 16 June 2017, 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, 13 June 2017.

BUSINESS REVIEW

In 2016, in order to ensure the economic stability of the manufacturing sector and the steady operation of industrial activities, a "supply-side" reform remained the main theme of the economic transformation in China on an on-going basis. The industrial economy of China was characterised by a continuous rebound in prices of industrial products, a continuous cut of excessive industrial capacity and a de-stocking in industries like steel and coal. According to data of the National Bureau of Statistics, the value added by industrial corporations with nationwide operations increased by 6% in 2016, which is 0.1 percentage point lower than that of the year earlier, reflecting the struggle between pulling and pushing factors seen in the reform of economic structure.

During the year under review, the Group effectively resisted a number of challenges amidst the economic environment. The Group kept on strengthening and expanding the basis of advantageous products, upholding the established strategy of expanding downstream business along the industry chain, focusing on the enhancement of production efficiency and reducing costs, which led to significant growth in operating results. The revenue of the Group increased by 12.6% to approximately RMB1,265.4 million as compared with last year thanks to the modest growth in downstream demand for the Group's major products and the revenue contribution from Jiangsu Chunxiao during the year under review. In respect of gross profit and gross profit margin, despite the significant price rebound in the third quarter of 2016 of certain commodities that were used as raw materials in the Group's production activities, the average price of such materials for the year was still lower than previous years given their lowered prices recorded in the first half of 2016, which contributed to the profitability of the Group's products. Gross profit of the Group during the year reached approximately RMB396.3 million and increased by 25.1% as compared with last year. Gross profit margin for the year was 31.3% and increased by 3.1 percentage points as compared with 28.2% of last year.

Performance of major product segments of the Group during the year is discussed as follows:

Cyanide and its derivative products

The Group boasted cyanide and its derivative products as the most important and advantageous products in its business. During the year under review, this segment remained to be the core income source of the Group and recorded revenue of approximately RMB1,194.3 million, representing an increase of 17.6%, which accounted for 94.4% of the total revenue of the Group. The growth of this segment mainly benefitted from the Group's sales force strengthened during the year. Thanks to the improved production efficiency and the decreased costs of raw materials, profit of the segment reached approximately RMB355.6 million, with a year-on-year increase of 28.4%.

During the year under review, products from cyanoacetic ester series and malonic ester series were still the biggest contributors to the Group's income. They are extensively used in the production of adhesives, medicines, dyes, flavour, fragrance, pesticides, fertilisers and other fine chemicals intermediates, and can be applied in a wide range of industries with very low substitutability. Since these products are mainly based on sodium cyanide (the production of which is featured with a high entry barrier), our 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 effective enhancement of production efficiency, these products manifested outstanding profitability during the year under review.

The core development strategy of the Group is to take full advantages of the vertical industry chain of existing products and the highly demanding technological platform in the development of refined downstream products and even end products. Currently, a number of derivative adhesive products based on cyanide have been launched to the market, aiming to meet different end users' demands with customised products varying in formulae and applications. In addition, the profit of downstream cyanide products of Jiangsu Chunxiao has also been included in this segment, which will continue to create synergy effect and bring about positive contribution to the Group in the future. With the enriching and extending product chain, the Group's competitiveness in the cyanide market becomes stronger, and is on its path to the leader of the industry.

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 for the sake of satisfying its own demand, enhancing the cost efficiency of derivative products and strengthening the Group's competitive advantages. Due to the sluggish market prices of alcohol products, which are actually lower than the cost incurred by self-production, the Group has strategically controlled the production output and sales of these products, and turned to purchase from other suppliers in the market. During the year under review, the revenue from external customers of alcohol products only accounted for 1.5% of the total revenue of the Group. The Group will closely monitor the change of market conditions in the future and adjust the operating strategy of this segment in a flexible way.

Chloroacetic acid and its derivative products

Chloroacetic acid products are mainly use as intermediates for the production of dyes, medicines and pesticides, and 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. During the year under review, plagued by the intense market competition of certain chemical raw materials, the selling prices of chloroacetic acid and relevant products dropped continuously, thus weakening the profitability of such products. As such, the Group put this category of products for internal supply mainly, with the balance for external sales. During the year under review, the revenue from external customers of chloroacetic acid and its derivative products was approximately RMB20.5 million, accounting for 1.6% of the Group's total revenue. The Group will continue to reduce costs of such products through continuous advancement of production technologies to ensure that these products can play a crucial role in supporting the Group's industry chain as a whole.

Joint venture company (the "JV Company")

During the year under review, the Group continued to attach importance to the development and operating strategy of the JV Company. As the market competition of similar products intensified, the Group adjusted the sales strategy of products of the JV Company in the second half of 2016 as appropriate, bringing about an effective increase in sales and output of products. The quantity of orders received by the JV Company increased steadily, and positive feedback has been received from customers upon completion of preliminary performance test on products. During the year under review, the Group did not record positive profit, but the loss decreased further. In light of the intensive competition in the market, the management of the JV Company keeping a close eye on its development conditions, and will timely adjust its operating strategy to accommodate to changes in the market so as to unleash the competitive advantages of the JV Company and the economy of scale of its business as soon as possible.

Prospect

Looking ahead, against the backdrop of the prevailing State policy of implementing the "supply-side" reform, the operating environment for industrial enterprises in China is expected to be experiencing numerous challenges in the course of reformation. With our stable cash inflow and healthy balance sheet, the Group will make every endeavor to adhere to the established strategy and to manage risks in a flexible and controllable manner for the purpose of reinforcing its advantageous status in the industry of cyanide and its derivative products. Firstly, the Group considers research and development and follow-up initiatives for industrial production of new products to be important, and will support them as a long-term and crucial task. In 2017, the Group will introduce new products to enrich the established product chain and its coverage, and will also extend the business scope to the more extensive downstream application area which has higher market potential. All these efforts will be able to further strengthen our profitability and anti-risk capability. Secondly, the Group will continue to focus on consolidating its advantages in terms of costs, price negotiation and stable clientele brought about by the vertically integrated industry chain of its own, to monitor closely the sales volume and market demand of derivative products and to make self-adjustment with reference to the output of base upstream raw materials. Given the effort in market surveys and the close communication with customers, the Group has formulated clear plans for the increase of production capacity and the transformation for the year to come.

The Group has comprehensive understanding on the market by accumulating years of practical experience in the refined chemical industry, enabling it to lay a solid foundation for the future development in terms of product R&D, technological innovation, transformation of current production capability, strategy making and coordination of resources in light of sales of end products. Our ability in this regard provides sustainable driving force for the long-term development of the Group. The Board will make use of the current market conditions in a prudent way, spare no effort in optimising its operations and ensure stable and sustainable development of the Group so as to create value for Shareholders.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the year ended 31 December 2016 increased by 12.6% to approximately RMB1,265.4 million, as compared with approximately RMB1,123.4 million in 2015. Such healthy growth was mainly attributable to (i) the contribution from a newly acquired subsidiary in the second half of 2016; and (ii) embracing an effective sales and marketing strategy promoted the growth of sales volume of the Group even though the overall weighted average selling price recorded a decrease under challenging market conditions.

Gross profit

The gross profit of the Group reached approximately RMB396.3 million, representing an increase of 25.1% as compared with approximately RMB316.9 million in 2015 while the gross profit margin also improved to 31.3% when compared with 28.2% in 2015. The satisfactory improvements were mainly attributable to (i) the magnitude of decrease in material costs outpaced the decline of selling prices; (ii) more automated production process achieved lower production costs; and (iii) continuous production process advancement and optimisation enhancing the overall production effectiveness during the year under review.

Operating income and expenses

The other income was mainly comprised of (i) exchange net gain; (ii) release of deferred income; (iii) bank interest income; (iv) government grants; and (v) other miscellaneous income during the year under review.

The selling expenses increased by approximately RMB8.3 million to approximately RMB43.7 million (2015: RMB35.4 million) during the year under review. Such increase was mainly due to the increase in transportation costs in respond to the increased in sales volume and the increase in staff costs. The selling expenses as a percentage of the Group's revenue was 3.5% (2015: 3.2%).

During the year under review, the administrative and other operating expenses increased by approximately RMB5.6 million from approximately RMB44.7 million in 2015 to approximately RMB50.3 million. The increase was mainly due to the increase in staff costs. Administrative and other operating expenses expressed as a percentage of the Group's revenue was 4.0% (2015: 4.0%).

Finance costs

Finance costs mainly represented bank borrowings interest, which increased by approximately RMB0.1 million from approximately RMB1.1 million in 2015 to approximately RMB1.2 million in 2016. The increase was mainly due to an increase in average bank borrowings and interest borrowings rate during the year under review.

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 2016, the fair value gain on the embedded derivative financial instruments was, determined by an independent valuer adopting a binomial lattice model at, approximately RMB10.3 million (2015: RMB3.2 million).

Profit for the year

The profit of the Group for the year has increased by approximately RMB47.1 million to approximately RMB219.5 million, representing an increase of 27.3% as compared with that of approximately RMB172.4 million in 2015.

Trade and bills receivable

As at 31 December 2016, trade receivables increased to approximately RMB184.0 million, representing an increase of approximately RMB24.2 million or 15.1% as compared with approximately RMB159.8 million recorded as at 31 December 2015. About 86.3% of trade receivables were incurred in the last quarter of 2016 and most of them are not yet due and 12.1% of trade receivables were incurred in the third quarter of 2016. Only 1.6% of trade receivables are over due 180 days. Up to the date of announcement of these financial statements, over 79% of trade receivables have been settled. Thus, the Directors considered that no further bad debt allowance is required on the balance of trade receivables as at 31 December 2016.

As at 31 December 2016, bills receivable amount of approximately RMB248.0 million, slightly increased by approximately RMB13.2 million or 5.6% 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 guaranteed 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 arose in Hong Kong at floating interest rates and are denominated in Hong Kong dollars to finance the dividend payments of the Company in Hong Kong. As at 31 December 2016, short term bank borrowings increased to approximately RMB56.8 million, representing a net increase of approximately RMB24.7 million or 77.2% 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.

Liquidity and financial resources

The Group's primary source of funding included the net cash inflow generated from operating activities of approximately RMB241.1 million (2015: RMB199.4 million); newly raised bank borrowings of approximately RMB56.8 million (2015: RMB49.7 million); loan from a non-controlling shareholder of approximately RMB3.4 million (2015: Nil); net proceed of issue of shares of approximately RMB2.3 million (2015: Nil); bank interest received of approximately RMB1.8 million (2015: RMB1.7 million); government grants received of approximately RMB1.3 million (2015: RMB4.0 million); loan repayment from joint venture of approximately RMB0.4 million (2015: Nil); proceeds on disposals of property, plant and equipment of approximately RMB0.1 million (2015: RMB1,000); and capital injection from a non-controlling shareholder of approximately RMB3,000 (2015: Nil). With the financial resources obtained from the Group's operations, the Group had spent approximately RMB82.0 million (2015: RMB99.1 million) in the acquisition of property, plant and equipment; acquisition of a subsidiary of approximately RMB39.1 million (2015: Nil); repayments of bank borrowings of approximately RMB33.0 million (2015: RMB49.5 million); interest paid of approximately RMB1.2 million (2015: RMB1.1 million) and dividend paid of approximately RMB83.9 million (2015: RMB48.0 million) during the year under review. As at 31 December 2016, the Group had bank and cash balances of approximately RMB184.3 million (2015: RMB117.7 million), of which 47.3% was held in Renminbi, 44.9% 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 2016, the Group had recorded net current assets of approximately RMB549.0 million (2015: RMB486.1 million), the current ratio of the Group was approximately 3.0 times (2015: 3.7 times), and total borrowings of approximately RMB60.2

million (2015: RMB32.1 million). The Group retains its strong financial position and attained a net cash balance of approximately RMB124.1 million (total cash and cash equivalent net of total borrowings) as at 31 December 2016 (2015: RMB85.6 million).

With continuous positive net cash inflow generated from its operations and the available cash resources on hand and undrawn banking facilities from its banks, the Group has sufficient financial resources to meet its present 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
There was no pledge on the Group's assets as at 31 December 2016 (2015: Nil).

Contingent liabilities
As at 31 December 2016, the Group had no material contingent liabilities (2015: Nil)..

Commitments
As at 31 December 2016, the Group had commitments which has been contracted but not yet been provided for in the aggregate amount of approximately RMB80.0 million (2015: RMB69.3 million), among which approximately RMB60.7 million (2015: RMB58.9 million) relates to the loan commitment for the joint venture project with Henkel and the rest for purchases of property, plant and equipment as well as construction in progress, while the capital commitment for authorised but not contracted for in an aggregate amount of approximately RMB246.6 million (2015: RMB88.9 million) related to the acquisition 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 policies, which aims to maintain an optimal financial position and minimize the Group's financial risks. The Group regularly reviews its 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 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 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 2016, the Group had 1,420 (2015: 1,180) full-time employees. The increase in the number of employees was mainly due to the acquisition of a subsidiary and to meet the expansion in business activities of the Group during the year under review.

For the year under review, the total staff costs incurred including directors' remuneration increased to approximately RMB104.6 million (2015: RMB89.6 million).

The Group has established its human resources policies and scheme with a view to deploying 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 employees 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 (2015: 17,000,000 share options 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 2016. 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 2016. 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
Gao Feng
Chairman

Hong Kong, 27 March 2017

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