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

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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

RESULTS HIGHLIGHTS

- Revenue for the six months ended 30 June 2017 was approximately RMB750.7 million, representing an increase of 26.1% as compared with that of the corresponding period last year.
- Gross profit decreased by 9.9% to approximately RMB184.1 million.
- Gross profit margin decreased to 24.5%, representing a decrease of 9.8 percentage points as compared with that of the corresponding period last year.
- Profit for the period attributable to owners of the Company decreased by 31.3% to approximately RMB79.7 million.
- Basic earnings per share decreased to approximately RMB0.094 (six months ended 30 June 2016: RMB0.137).
- The Board has declared an interim dividend of HK$0.04 per share (six months ended 30 June 2016: HK$0.04).

The board (the "**Board**") of directors (the "**Directors**") of Tiande Chemical Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2017 together with the comparative figures for the corresponding period in 2016 and the selected notes as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June **2017** **RMB'000** **(unaudited)**	 2016 RMB'000 (unaudited)
Revenue	4	**750,727**	595,541
Cost of sales		**(566,610)**	(391,236)
Gross profit		**184,117**	204,305
Other income		**4,352**	6,291
Selling expenses		**(22,983)**	(22,140)
Administrative and other operating expenses		**(38,219)**	(21,985)
Finance costs	5	**(1,454)**	(382)
Fair value (loss) / gain on derivative financial instruments		**(2,993)**	1,544
Share of loss of a joint venture		**(2,949)**	(2,307)
Profit before income tax	6	**119,871**	165,326
Income tax expense	7	**(40,445)**	(49,373)
Profit for the period		**79,426**	115,953
Profit / (Loss) for the period attributable to :			
Owners of the Company		**79,670**	115,953
Non-controlling interests		**(244)**	-
		79,426	115,953
Earnings per share for profit attributable to owners of the Company for the period	9		
– Basic		**RMB0.094**	RMB0.137
– Diluted		**RMB0.093**	RMB0.137

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period	**79,426**	115,953
Other comprehensive income		
Items that may be reclassified subsequently to the income statement:		
– Exchange gain on translation of financial statements of foreign operations	**249**	243
Other comprehensive income for the period	**249**	243
Total comprehensive income for the period	**79,675**	116,196
Total comprehensive income attributable to:		
Owners of the Company	**79,820**	116,196
Non-controlling interests	**(145)**	-
	79,675	116,196

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2017 RMB'000 (unaudited)**	31 December 2016 RMB'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**732,793**	652,475
Prepaid land lease payments		**59,072**	59,858
Investment properties		**18,820**	18,820
Goodwill		**17,668**	17,668
Deposits paid for acquisition of property, plant and equipment		**101,987**	11,183
Interests in a joint venture		**18,399**	22,607
Derivative financial assets		**-**	2,993
Finance lease receivable		**12,218**	12,617
Deferred tax assets		**2,724**	2,180
		963,681	800,401
Current assets			
Inventories		**127,098**	130,707
Trade and bills receivable	10	**279,343**	432,012
Prepayments and other receivables		**21,272**	19,440
Amount due from a joint venture		**82,182**	52,883
Finance lease receivable		**797**	797
Restricted bank deposit		**2,000**	-
Pledged bank deposit		**24,000**	-
Bank and cash balances		**243,535**	184,320
		780,227	820,159
Current liabilities			
Trade and bills payable	11	**70,970**	39,053
Accruals and other payables		**145,227**	140,107
Provision for legal claim		**5,000**	-
Bank borrowings		**114,070**	56,816
Amount due to a related company		**-**	1,191
Amount due to a non-controlling shareholder		**3,308**	3,376
Current tax liabilities		**20,764**	30,570
		359,339	271,113
Net current assets		**420,888**	549,046
Total assets less current liabilities		**1,384,569**	1,349,447
Non-current liabilities			
Deferred income		**10,494**	9,918
Deferred tax liabilities		**21,902**	21,902
		32,396	31,820
NET ASSETS		**1,352,173**	1,317,627

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
EQUITY		
Share capital	**7,820**	7,802
Reserves	**1,334,351**	1,309,968
Equity attributable to owners of the Company	**1,342,171**	1,317,770
Non-controlling interests	**10,002**	(143)
Total equity	**1,352,173**	1,317,627

SELECTED NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

1. GENERAL INFORMATION

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2017 (the "**Unaudited Condensed Financial Information**") have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The Unaudited Condensed Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016 (the "**2016 Annual Financial Statements**").

The Unaudited Condensed Financial Information has been prepared in accordance with the same accounting policies adopted in the 2016 Annual Financial Statements, except for the adoption of the new or revised Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("**HKFRS**"), Hong Kong Accounting Standards and Interpretations issued by the HKICPA.

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

3. ADOPTION OF NEW OR AMENDED HKFRSs

In the current period, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2017.

Amendments to HKAS 7	–	Statement of Cash Flows: Disclosure Initiative
Amendments to HKAS 12	–	Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses
Annual Improvements Cycle	–	2014-2016

The adoption of these new or amended HKFRSs did not change the Group's accounting policies as followed in the preparation of the 2016 Annual Financial Statements.

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

4. REVENUE AND SEGMENT INFORMATION

The Group manages its businesses by product and service lines. For the six months ended 30 June 2017, the Group has identified the following four product and service lines as its operating segments:

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

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

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

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

REVENUE

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of cyanide and its derivative products	**691,894**	558,533
Sales of alcohol products	**1,690**	13,809
Sales of chloroacetic acid and its derivative products	**8,828**	9,305
Sales of other chemical products	**48,315**	13,894
	750,727	595,541

SEGMENT INFORMATION

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

	Six months ended 30 June 2017				
	Cyanide and its derivative products RMB'000 (unaudited)	**Alcohol products RMB'000 (unaudited)**	**Chloroacetic acid and its derivative products RMB'000 (unaudited)**	**Other chemical products RMB'000 (unaudited)**	**Total RMB'000 (unaudited)**
Revenue:					
From external customers	**691,894**	**1,690**	**8,828**	**48,315**	**750,727**
Inter-segment revenue	**-**	**6,275**	**111,521**	**-**	**117,796**
Reportable segment revenue	**691,894**	**7,965**	**120,349**	**48,315**	**868,523**
Reportable segment profit / (loss)	**154,940**	**1,824**	**57,020**	**(319)**	**213,465**
Reportable segment assets	**809,876**	**975**	**84,374**	**180,873**	**1,076,098**

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

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Reportable segment profit	**213,465**	256,522
Rental income	**424**	388
Finance costs	**(1,454)**	(382)
Equity-settled share-based payment expenses	**(1,031)**	(1,880)
Unallocated corporate income	**2,070**	2,471
Unallocated corporate expenses (Note a)	**(30,212)**	(23,196)
Fair value (loss) / gain on derivative financial instruments	**(2,993)**	1,544
Share of loss of a joint venture	**(2,949)**	(2,307)
Elimination of inter-segment profit	**(57,449)**	(67,834)
Consolidated profit before income tax	**119,871**	165,326

Note a: Unallocated corporate expenses mainly included unallocated staff costs, unallocated depreciation and amortisation, unallocated other local taxes expenses and unallocated research and development costs.

5. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interests on bank loans, all of which contain a repayment on demand clause	**1,422**	382
Interests on loan from a non-controlling shareholder	**32**	-
	1,454	382

6. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit before income tax is arrived at after charging/(crediting):		
Directors' remuneration		
– Fees	**179**	159
– Salaries, discretionary bonus and other benefits	**2,198**	1,930
– Equity-settled share-based payment expenses	**38**	-
– Retirement benefit scheme contributions	**59**	54
	2,474	2,143
Other employee costs	**54,689**	43,645
Equity-settled share-based payment expenses	**993**	1,880
Retirement benefit scheme contributions	**3,602**	2,879
Total employee costs	**61,758**	50,547
Amortisation of prepaid land lease payments	**786**	647
Cost of inventories recognised as an expense (note i), including	**555,914**	382,652
– Write-down of inventories to net realisable value	**97**	794
– Reversal of write-down of inventories to net realisable value	**(105)**	(7)
Depreciation on property, plant and equipment	**43,439**	38,418
Impairment loss on trade receivables	**6,706**	-
Exchange loss / (gains), net	**3,488**	(1,479)
Minimum lease payments under operating leases in respect of leasehold land and buildings	**875**	456
Rental income less outgoings	**(420)**	(384)
Research costs (note ii)	**2,055**	942

Notes:

i. Cost of inventories recognised as an expense includes RMB41,777,000 (six months ended 30 June 2016: RMB37,069,000) relating to depreciation expenses and RMB44,695,000 (six months ended 30 June 2016: RMB37,142,000) relating to employee costs. These amounts are also included in the respective total amounts disclosed separately above.

   The write-down of inventories of RMB105,000 (six months ended 30 June 2016: RMB7,000) was reversed as the market price of these inventories was increased during the period.

ii. Research costs include RMB358,000 (six months ended 30 June 2016: RMB345,000) relating to depreciation expenses and RMB1,502,000 (six months ended 30 June 2016: RMB238,000) relating to employee costs. These amounts are also included in the respective total amounts disclosed separately above.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax - PRC Enterprise Income Tax		
- Tax for the period	**33,439**	45,193
- PRC dividend withholding tax	**6,464**	2,297
	39,903	47,490
Deferred tax	**542**	1,883
	40,445	49,373

No provision for Hong Kong profits tax has been made as the Group's income neither arises in nor derives from Hong Kong (six months ended 30 June 2016: Nil).

The subsidiaries established in the PRC are subject to PRC Enterprise Income Tax at the rate of 25% for the period (six months ended 30 June 2016: 25%).

The Group has adopted the 10% withholding tax rate for PRC withholding tax on dividend purposes during the period ended 30 June 2017 (six months ended 30 June 2016: 10%).

8. DIVIDENDS

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Final dividend paid in respect of prior year HK$0.08 (2016: HK$0.075) per share	**59,070**	54,293

At a meeting held on 28 August 2017, the Directors recommended an interim dividend of HK$0.04 per ordinary share. The proposed dividend is not reflected as a dividend payable in the Unaudited Condensed Financial Information.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period	**79,670**	115,953

	Number of ordinary shares Six months ended 30 June	
	2017	2016
	'000 shares	'000 shares
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**849,600**	846,878
Effect of dilutive potential ordinary shares - Share options	**3,844**	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**853,444**	846,878

For the six months ended 30 June 2016, there were no dilutive potential ordinary shares because the exercise price of the share options was higher than the average market price for the Company's shares.

10. TRADE AND BILLS RECEIVABLE

The Group allows a credit period normally ranging from one month to six months to its trade customers (31 December 2016: ranging from one month to six months). Bills receivable are non-interest bearing bank acceptance bills and aged within a year upon issuance. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management.

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

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
0 to 90 days	**217,764**	338,371
91 to 180 days	**55,296**	87,606
181 to 365 days	**6,279**	5,358
Over 365 days	**4**	677
	279,343	432,012

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

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

11. TRADE AND BILLS PAYABLE

The Group was granted by its suppliers credit periods ranging from 30 to 180 days (31 December 2016: ranging from 30 to 180 days). Bills payable are non-interest bearing bank acceptance bills and aged within six months upon issuance. Ageing analysis of trade and bills payable at the reporting date, based on the invoice date, is as follows:

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
0 to 90 days	**69,591**	35,948
91 to 180 days	**418**	1,169
181 to 365 days	**469**	1,351
Over 365 days	**492**	585
	70,970	39,053

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

China's economy grew steadily in the first half of 2017. Given this "New Norm" and the continuous "Supply-Side Reform" of China, the chemical industry has been led to work on sustainable development, structural improvement, the curb of the expansion of production capacity and the shutdown of low-end and outdated capacity, forming a new competition environment. The changes in government policies and supply-demand market equilibrium have led to an increase in the prices of raw materials used by the Group, and the price has remained high during the period.

During the period under review, although challenges caused by external factors affected the Group's production and operation to a certain extent, the Group still managed to keep abreast of the changes in the market supply and demand and the competition. By staying ahead of the change in direction of the extension of industrial chain, the Group allocated resources and adjusted the layout of production accordingly. The Group achieved satisfactory revenue growth during the period as the Group's revenue reached approximately RMB750.7 million, representing a year-on-year increase of 26.1%. Domestic revenue accounted for 77.1% of the Group's revenue, while overseas revenue accounted for the remaining 22.9%. During the period under review, the Group kept improving its capacity utilisation and automation to enhance production efficiency, helping alleviate the impact of the rising price of raw materials. Compared to the same period last year, when prices of raw materials were at a record-low level, the Group recorded a drop in gross profit of only 9.9% notwithstanding the adversity experienced during the period. In addition, administrative expenses of the Group rose as a result of the Group's expansion in its business scale, bringing the profit for the period attributable to owners of the Company down by 31.3% year-on-year to approximately RMB79.7 million for the period.

During the period under review, the Group managed to maintain a sound operation, accommodate to changing market conditions and conclude a clear plan for its future development. Thanks to our continuous effort and detailed deployment in the past two years, the development progress of the Group's two new product series has been well on track. Production is set to start in the second half of 2017, followed by the product launch. With our advantages of the strong vertical integration ability of the industrial chain and self-sufficiency in raw materials, two new products are going to help expand the downstream business of the Group, enlarge the downstream market share of the Group's cyanide compound and earn competitive edges. The Group's leading position in the industry is going to be strengthened as a result. In addition, the Group acquired Jiangsu Chunxiao Pharmaceutical & Chemical Co., Ltd.（江蘇春曉醫葯化工科技有限公司） ("**Jiangsu Chunxiao**") in the second half of last year, which created greater synergy during the period under review, bringing further contribution to the Group's profit.

Cyanide and its derivative products

During the period under review, cyanide and its derivative esters formed the biggest business segment of the Group and accounted for the highest percentage of revenue. The Group's major products are classified into this segment. During the period, the revenue generated by this segment reached approximately RMB691.9 million, accounting for 92.2% of the Group's total revenue and representing a growth of 23.9% as compared to the same period last year.

The main reasons for the increase are as follows: 1) products sales of Jiangsu Chunxiao were better than expected; 2) the expansion of production capacity for some of the products with good potential drove the growth of the revenue; 3) given the rising prices of raw materials, the Group raised the selling price of its products moderately in the second quarter, which served to increase the revenue to a certain extent.

However, the Group's operation faced various challenges in the industry during the period under review, especially the rising prices of major raw materials. Affected by the implementation of adjustment policies in China, namely cutting overcapacity, optimising economic structure and curbing capacity, the prices of various raw materials raised sharply during the period, following changes in supply and demand situations. The prices have stabilised at a high level since the second quarter. The rise of our product selling prices was slower than that of raw material prices, resulting in an obvious decline in the profit of this segment as compared to the highest point seen in the same period of last year. The profit of this segment for the period under review was approximately RMB154.9 million, representing a decline of 15.2%.

Although the profit level was undermined by the fluctuation of raw material prices, the Group was still able to maintain its leading position in the cyanide industry. During the period under review, the Group kept on extending its cyanide industrial chain and developing new products, and placed a focus on designing and constructing production facilities and equipment for the new products, which will satisfy the demand from downstream market and be in line with the direction of the long term development of the industry. The Group planned to launch two new product series in the second half of 2017. Such products will both benefit from the Group's advantage in the supply of cyanide as their raw materials and the technical know-how of the Group. The new products are expected to increase the Group's revenue noticeably. The two new products are a manifestation of the development trend of cyanide market to penetrate further downstream. The Group's upstream resources, client bases and technological know-how accumulated for years are the reasons why the Group is confident that the two new products will strengthen its competitive edge and reinforce its leading position in the cyanide market.

Alcohol products

The Group's alcohol products were mainly for its own use, with the purpose of enhancing the cost efficiency of its cyanide products and helping improve the Group's overall competitiveness. The Group continued to adjust the production of alcohol products strategically in response to the change in market prices. During the period under review, revenue from external sales of alcohol products accounted for 0.2% of the Group's total revenue. In the future, the Group will keep on monitoring the market environment and adjust its strategies for this segment in a flexible manner.

Chloroacetic acid and its derivative products

Chloroacetic acid and its derivative products are one of the key raw materials for the Group's vertical integration in the industry chain. Accordingly, the Group attached top priority to the stable and sufficient internal supply of such products, with the remaining being sold externally. During the period under review, the revenue from external sales of chloroacetic acid and its derivative products was approximately RMB8.8 million, accounting for 1.2% of the Group's total revenue. The Group will continue to closely monitor the production costs of the segment to ensure that these products will be able to play a crucial role in supporting the

Group’s industry chain as a whole.

Joint venture company (the “JV Company”)
According to the Group’s announcement dated 30 June 2017, the Group entered into an agreement to acquire the remaining 45% interests of the JV Company during the period under review. The main reason for the acquisition of the JV Company is that, based on the market trend registering the gradual shift of downstream manufacturers’ demand for derivative adhesive products from raw materials to bulk cyanoacrylate monomer (“**CA Monomer**”), acquiring the JV Company is in line with the long term continuous development plan of the Group. As ethyl cyanoacetate, the key raw material used in the manufacturing of CA Monomer by the JV Company, is solely supplied by the Group, the acquisition ensured the sustainable business development of the Group. The Group will also be able to rapidly expand the production business of CA Monomer building on the existing clientele of the JV Company.

The Group will strictly monitor the sales strategy and product prices of the JV Company while focusing on improving the efficiency in the production process. Despite the facts that positive earnings are yet to be registered by the JV Company during the period under review, the Group's management remains confident in the business prospects of the JV Company.

Outlook
Looking ahead, facing existing challenges of the market competition in the industry and the soaring price of raw materials, the Group's management will make efforts against the adverse impacts caused by the negative external factors through adjusting the Group’s marketing strategies and continuously improving its production efficiency. Meanwhile, the Group will prudently act in response to downstream direction and market opportunities, develop relevant products which will make full use of the advantages of sodium cyanide and relevant industrial chain of the Group. On the one hand, the Group will continue to devote efforts to consolidating the market position and profitability of existing products. On the other hand, the Group will expand its business scale and the capability of risk resistance by launching new products and enriching its product chain. In addition to the two series of new products to be launched in due course in the second half of this year, the Group will continue to focus on the support and investment of the research and development team and select products that can make full use of the advantages of the Group’s upstream resources, such as sodium cyanide, thus selectively and purposefully exploring more refined downstream sub-segments and potential market of cyanides, and will continue to launch new products. Since the price of raw materials remains high, the Board expects pressure on profitability of the Group in the second half of this year. However, the Board believes that the existing development strategies and direction as well as the launches of new products will inject a steady stream of momentum for the Group's long-term development, thereby creating higher value for the shareholders of the Company (“**Shareholders**”).

DIVIDEND

The Board has declared an interim dividend of HK$0.04 per ordinary share for the six months ended 30 June 2017 (six months ended 30 June 2016: HK$0.04). The interim dividend will be payable on 30 October 2017 to the Shareholders whose names appear on the register of members of the Company (the “**Register of Members**”) on 20 October 2017.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining Shareholders' entitlement to the interim dividend, the Register of Members will be closed from 18 October 2017 to 20 October 2017, both days inclusive, during which no transfer of shares of the Company will be registered. In order to qualify for the interim dividend for the six months ended 30 June 2017, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716 on the 17th Floor of Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 17 October 2017.

FINANCIAL REVIEW

Revenue and gross profit

Revenue of the Group for the six months ended 30 June 2017 was approximately RMB750.7 million, representing an increase of approximately RMB155.2 million or 26.1% as compared with approximately RMB595.5 million recorded in the corresponding period in last year. The satisfactory growth in revenue was mainly attributable to the following factors: (i) a subsidiary newly acquired in last year had made considerable contribution to the revenue of the Group; (ii) the Group adopted effective sales and marketing strategy stimulating the growth of sales volume; and (iii) the production capacity of certain good potential products which were expanded in the past had supported the enlargement of the market share and revenue as well during the period under review. However, the gross profit of the Group for the six months ended 30 June 2017 dropped to approximately RMB184.1 million, representing a decrease of approximately RMB20.2 million or 9.9% as compared with approximately RMB204.3 million recorded in the corresponding period in last year. The decrease of gross profit was solely due to the substantial increase in raw material prices although the Group has further improved the efficiency of its overall productivity to mitigate the adverse impact induced by such higher prices of raw materials during the period under review. The gross profit margin eventually decreased by 9.8 percentage points to 24.5% (six months ended 30 June 2016: 34.3%).

Operating expenses

Selling expenses slightly increased by approximately RMB0.9 million from approximately RMB22.1 million in the corresponding period in last year to approximately RMB23.0 million. Such increase was mainly due to the increase in sales volume drove additional transportation costs. The selling expenses as a percentage of the Group's revenue was 3.1% (six months ended 30 June 2016: 3.7%).

Administrative and other operating expenses amounted to approximately RMB38.2 million, which was increased by approximately RMB16.2 million from approximately RMB22.0 million in the corresponding period in last year. The increase was principally due to the increases in (i) impairment loss on trade receivables; (ii) exchange loss; (iii) employee costs; and (iv) research costs during the period under review. The administrative and other operating expenses accounted for 5.1% of the Group's revenue (six months ended 30 June 2016: 3.7%).

Finance costs represented interest on bank borrowings which were increased by approximately RMB1.1 million to approximately RMB1.5 million (six months ended 30 June 2016: RMB0.4 million) due to a higher weighted average bank borrowing amounts as compared with the corresponding period last year.

Fair value loss on derivative financial instruments

On 30 June 2017, the Company entered into a sales and purchase agreement with Henkel Hong Kong Limited ("**Henkel**") to acquire all of the equities of the JV Company held by Henkel (please refer to the announcement of the Company dated 30 June 2017 for details). According to the non-default termination provision clauses under the joint venture agreement (which was entered between the Company and Henkel in June 2011), the derivative financial instruments were no longer applicable. Therefore, the fair value carried forward for the derivative financial instruments of approximately RMB3.0 million was written-off to the income statement during the period under review.

Profit for the period

In view of the above, the profit for the period attributable to owners of the Company amounted to approximately RMB79.7 million, representing a decrease of approximately RMB36.3 million or 31.3% as compared with approximately RMB116.0 million recorded in the corresponding period in last year.

Trade and bills receivable

As at 30 June 2017, trade receivables increased to approximately RMB189.0 million, representing an increase of approximately RMB5.0 million or 2.7% as compared with approximately RMB184.0 million recorded as at 31 December 2016. About 83% of trade receivables were incurred in the second quarter of this year which are not yet due and 14% of trade receivables were incurred in the first quarter of this year. Only 3% of trade receivables are over 180 days. Up to the date of this announcement, over 49.0% of trade receivables have been subsequently settled. After assessing the creditworthiness of these customers, the Directors considered that no further bad debt allowance is made on the balance of trade receivables as at 30 June 2017.

As at 30 June 2017, bills receivable amounted to approximately RMB90.3 million, decreased by approximately RMB157.7 million or 63.6% as compared with the balance of approximately RMB248.0 million recorded as at 31 December 2016. 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. Accordingly, the Directors considered that no allowance for doubtful debt is required because of the associated low default risk.

Short term bank borrowings

Short term bank borrowings were raised in the PRC and Hong Kong at floating interest rates and are denominated either in Renminbi or Hong Kong dollars. As at 30 June 2017, short term bank borrowings increased to approximately RMB114.1 million, representing a net increase of approximately RMB57.3 million or 100.9% as compared with the balance of an approximately RMB56.8 million as at 31 December 2016. Such an increase is mainly attributable to meet the working capital requirement of the Group.

Liquidity and financial resources
For the six months ended 30 June 2017, the Group's primary sources of funding included the net cash inflow generated from operating activities of approximately RMB252.9 million (six months ended 30 June 2016: RMB117.4 million); newly raised bank borrowings of approximately RMB114.1 million (six months ended 30 June 2016: RMB54.3 million); net proceeds from issue of shares under a share option scheme amounting to approximately RMB2.6 million (six months ended 30 June 2016: Nil); government grants received of approximately RMB2.7 million (six months ended 30 June 2016: Nil); none of loan repayment from a JV (six months ended 30 June 2016: RMB0.4 million); capital injection from a non-controlling shareholder amounting to approximately RMB10.3 million (six months ended 30 June 2016: RMB2,000); and interest received of approximately RMB0.9 million (six months ended 30 June 2016: RMB0.7 million). With the financial resources obtained from the Group's operations, the Group had spent approximately RMB181.0 million (six months ended 30 June 2016: RMB46.4 million) in the acquisition of the property, plant and equipment, bank borrowing repayments of approximately RMB56.2 million (six months ended 30 June 2016: RMB14.5 million); interest paid of approximately RMB1.4 million (six months ended 30 June 2016: RMB0.4 million) and dividend paid of approximately RMB59.1 million (six months ended 30 June 2016: RMB54.3 million).

As at 30 June 2017, the Group had pledged or restricted deposits and bank and cash balances of approximately RMB269.5 million (31 December 2016: RMB184.3 million). The total amount of outstanding borrowings was approximately RMB117.4 million (31 December 2016: RMB60.2 million). The Group is committed to maintaining a sound and sustainable financial position, the net pledged deposits and bank and cash balance of approximately RMB152.1 million (31 December 2016: RMB124.1 million) (total cash and cash equivalent net of total borrowings) as at 30 June 2017. The net current assets decreased to approximately RMB420.9 million (31 December 2016: RMB549.0 million) as a result of the substantial investment in capital expenditure to further enlarge the business scale of the Group during the period under review.

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

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

Pledge of assets
As at 30 June 2017, a bank deposit approximately RMB24.0 million (31 December 2016: Nil) was pledged for bank acceptance bills facilities and a restricted bank deposit approximately RMB2.0 million (31 December 2016: Nil) was a security deposit requested by the relevant local authority to assure compliance of local environmental and safety production practices.

Contingent liabilities
As at 30 June 2017, the Group had no material contingent liabilities (31 December 2016: Nil).

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

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

HUMAN RESOURCES

As at 30 June 2017, the Group has 1,433 full-time employees (31 December 2016: 1,420 full time employees). Even though the business scale kept to expand, the Group's workforce was maintained at similar level due to the further advancement of automation production process during the period under review.

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

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

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

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

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

CORPORATE GOVERNANCE PRACTICES

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not during the six months ended 30 June 2017, in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct with standards no less than those prescribed under the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules for securities transactions by Directors. Upon enquiry by the Company, each of the Directors have confirmed that they have complied with the required standards as set out in the Model Code and the Company's code of conduct regarding securities transactions by Directors throughout the six months ended 30 June 2017.

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

NOMINATION COMMITTEE

The Nomination Committee currently comprises an executive Director, namely, Mr. Gao Feng (chairman of the Nomination Committee) and two independent non-executive Directors, namely, Mr. Leung Kam Wan and Mr. Liu Chenguang. During the period under review, no meeting has been held for the Nomination Committee.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises three independent non-executive Directors, namely, Mr. Liu Chenguang (chairman of the Remuneration Committee), Mr. Gao Baoyu, Mr. Leung Kam Wan and an executive Director Mr. Gao Feng. During the period under review, no meeting has been held for the Remuneration Committee.

AUDIT COMMITTEE

Audit Committee of the Company comprises the three independent non-executive Directors, namely, Mr. Leung Kam Wan (chairman of the Audit Committee), Mr. Gao Baoyu and Mr. Liu Chenguang. During the period under review, the Audit Committee had (i) reviewed the accounting principles and practices, listing rules, internal controls and statutory compliance, and financial reporting matters adopted by the Company; (ii) reviewed the independence and objectivity of the independent auditor of the Company; (iii) reviewed and approved the continuing connected transactions of the Company; (iv) reviewed with the independent auditor of the Company on the nature and scope of the audit and reporting obligations; and (v) reviewed the independent auditor's management letter and made recommendations to the Board for improvement (if any). Audit Committee had discussed internal controls and financial reporting matters with the management and the independent auditor of the Company relating to preparation of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2017. There is no disagreement raised by the Audit

Committee on the accounting treatment adopted by the Company during the period under review.

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

Hong Kong, 28 August 2017

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