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 2018

RESULTS HIGHLIGHTS

- Revenue for the six months ended 30 June 2018 was approximately RMB562.0 million, representing a decrease of 25.1% as compared with that of the corresponding period last year.
- Gross profit decreased by 81.1% to approximately RMB34.9 million.
- Gross profit margin decreased to 6.2%, representing a decrease of 18.3 percentage points as compared with that of the corresponding period last year.
- Loss for the period attributable to owners of the Company was approximately RMB36.0 million (profit attributable to owners of the Company for six months ended 30 June 2017: RMB79.7 million).
- Basic loss per share was approximately RMB0.042 (basic earnings per share for the six months ended 30 June 2017: RMB0.094).
- The Board do not recommend the payment of any interim dividend for the six months ended 30 June 2018 (interim dividend for the six months ended 30 June 2017: HK$0.04 per share).

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 2018 together with the comparative figures for the corresponding period in 2017 and the selected notes as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2018	2017
	Notes	**RMB'000**	RMB'000
		(unaudited)	(unaudited)
Revenue	4	**562,011**	750,727
Cost of sales		**(527,147)**	(566,610)
Gross profit		**34,864**	184,117
Other income		**5,473**	4,352
Selling expenses		**(25,281)**	(22,983)
Administrative and other operating expenses		**(54,628)**	(38,219)
Finance costs	5	**(2,870)**	(1,454)
Fair value loss on derivative financial instruments		**-**	(2,993)
Share of loss of a joint venture		**-**	(2,949)
(Loss) / Profit before income tax	6	**(42,442)**	119,871
Income tax credit / (expense)	7	**1,266**	(40,445)
(Loss) / Profit for the period		**(41,176)**	79,426
(Loss) / Profit for the period attributable to :			
Owners of the Company		**(35,981)**	79,670
Non-controlling interests		**(5,195)**	(244)
		(41,176)	79,426
(Loss) / Earnings per share for (loss) / profit attributable to owners of the Company for the period	9		
– Basic		**RMB(0.042)**	RMB0.094
– Diluted		**RMB(0.042)**	RMB0.093

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
(Loss) / Profit for the period	**(41,176)**	79,426
Other comprehensive income		
Items that may be reclassified subsequently to income statement:		
– Exchange gain on translation of financial statements of foreign operations	**1,478**	249
Other comprehensive income for the period	**1,478**	249
Total comprehensive income for the period	**(39,698)**	79,675
Total comprehensive income attributable to:		
Owners of the Company	**(34,459)**	79,820
Non-controlling interests	**(5,239)**	(145)
	(39,698)	79,675

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2018 RMB'000 (unaudited)**	31 December 2017 RMB'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**992,213**	962,383
Prepaid land lease payments		**61,991**	62,831
Investment properties		**20,400**	20,400
Goodwill		**17,668**	17,668
Intangible assets		**16,684**	17,586
Deposits paid for acquisition of property, plant and equipment		**20,643**	42,544
Deferred tax assets		**31,927**	19,092
		1,161,526	1,142,504
Current assets			
Inventories		**200,825**	178,526
Trade and bills receivable	10	**212,059**	286,743
Prepayments and other receivables		**80,533**	88,425
Tax recoverable		**1,677**	-
Pledged bank deposits		**32,037**	34,218
Bank and cash balances		**121,091**	194,590
		648,222	782,502
Current liabilities			
Trade and bills payable	11	**82,977**	104,703
Accruals and other payables		**185,187**	205,377
Contract liabilities		**10,949**	-
Provision for a legal claim		**7,512**	7,085
Bank borrowings		**158,179**	194,105
Amount due to a non-controlling shareholder		**5,368**	5,272
Current tax liabilities		**2,453**	3,584
		452,625	520,126
Net current assets		**195,597**	262,376
Total assets less current liabilities		**1,357,123**	1,404,880
Non-current liabilities			
Deferred income		**8,425**	9,077
Deferred tax liabilities		**27,054**	27,278
		35,479	36,355
NET ASSETS		**1,321,644**	1,368,525

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
EQUITY		
Share capital	**7,831**	7,831
Reserves	**1,289,858**	1,331,500
Equity attributable to owners of the Company	**1,297,689**	1,339,331
Non-controlling interests	**23,955**	29,194
Total equity	**1,321,644**	1,368,525

SELECTED NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 2018 (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 2017 (the "**2017 Annual Financial Statements**").

The Unaudited Condensed Financial Information has been prepared in accordance with the same accounting policies adopted in the 2017 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, which are effective for the Group's financial year beginning 1 January 2018.

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. PRINCIPAL ACCOUNTING POLICIES

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("**new and revised HKFRSs**") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2018.

HKFRS 9	Financial Instruments
HKFRS15	Revenue from Contracts with Customers
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property

The impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2018 did not have any material impact on the Group's accounting policies.

HKFRS 9 - Financial Instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group in the Unaudited Condensed Financial Information.

(i) Classification and measurement of financial instruments

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade, bills and other receivables (that the trade, bills and other receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVTPL**"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("**amortised costs**"); (ii) financial assets at fair value through other comprehensive income ("**FVOCI**"); or (iii) FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

The following accounting policies would be applied to the Group's financial assets:

Amortised costs	Financial assets at amortised cost are subsequently measured using effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (debt instruments)	Debt instruments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt instrument is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

The following table summarises the original classification and measurement categories under HKAS 39 and the new classification and measurement categories under HKFRS 9 for each class of the Group’s financial assets as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 January 2018 under HKAS 39 RMB'000	Carrying amount as at 1 January 2018 under HKFRS 9 RMB'000
Trade receivables	Loans and receivables	Amortised cost (note 3 (ii))	196,707	196,707
Bills receivable	Loans and receivables	Debt instruments at FVOCI (note 3 (ii))	90,036	90,036
Deposits and other receivables	Loans and receivables	Amortised cost (note 3 (ii))	44,737	44,737
Pledged bank deposits	Loans and receivables	Amortised cost (note 3 (ii))	34,218	34,218
Bank and cash balances	Loans and receivables	Amortised cost (note 3 (ii))	194,590	194,590

Transfer of financial assets previously classified as loans and receivables

In managing the liquidity, the Group endorses part of the bills receivable before their maturity, and derecognises the endorsed bills receivable when the Group has transferred substantially all the risks and rewards to its supplier. The Group manages such bills receivable using the business model whose objective is achieved by both collecting contractual cash flows and selling such financial assets. Therefore, at 1 January 2018, bills receivable amounting to RMB90,036,000 is reclassified from loans and receivables to financial asset measured at FVOCI upon the adoption of HKFRS 9, with fair value gains or losses accumulated in reserve and reclassified to profit or loss when they are derecognised. However, the Directors assessed that the fair value of bills receivable approximated their carrying amounts given all bills receivable have a short maturity, and therefore no adjustment was made to the carrying amounts as at 1 January 2018.

As at 1 January 2018 and 30 June 2018, all financial assets except for the bills receivable which are measured at FVOCI, are at amortised cost. Other than that, there is no significant financial impact of the Group's Unaudited Condensed Financial Information resulting from the adoption of HKFRS on the classification and measurement of the Group's financial instruments.

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("**ECLs**") model". HKFRS 9 requires the Group to recognised ECL for financial assets at amortised cost (i.e. trade receivables and other receivables) and debt instruments at FVOCI (i.e. bills receivable) earlier than HKAS 39. Pledged bank deposits and bank and cash balances are subject to ECL model but impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

The Group's significant financial assets which are subject to the new expected credit loss model include trade and bills receivable and other receivables. The Group was required to revise its impairment methodology under HKFRS 9 for these classes of financial assets.

For other financial assets, they are measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group's debt instrument (i.e. bills receivable) at FVOCI are considered to have low credit risk since the issuers' credit rating are high.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is estimated by the Directors, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impact of ECLs model

The Group has assessed and concluded that impact of expected credit losses on trade receivables, bills receivable, other receivables and deposits of acquisition of property, plant and equipment which under current assets are insignificant as at 1 January 2018.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The general principle of HKFRS 9 is to apply the standard retrospectively in accordance with HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. For the new classification and measurement requirements, the Group has elected for the exception from the requirement to restate comparative information as set out in the transitional provisions. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

<u>HKFRS15 - Revenue from Contracts with Customers</u>
The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

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

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

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

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or services in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(a) when the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;

(b) when the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) when the entity's performance does not create an asset with an alternative use to the and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15, the entity recognise revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. The Group adopted HKFRs 15 using the modified retrospective approach which means that the cumulative impact of the adoption, if any, will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

The Group assessed the impacts of adopting HKFRS 15 on its Unaudited Condensed Financial Information and has no significant impact on the Group's revenue recognition. Revenue for sales of cyanide and its derivative products, alcohol products, chloroacetic acid and its derivative products; and other chemical products are recognised at point of time as when there is evidence that the control of goods has been transferred to the customer, the customer has adequate control over the goods and the Group has no unfulfilled obligations that affect customer accepting the goods.

Upon the adoption of the HKFRS 15, if there is any satisfied performance obligation but where the Group does not have an unconditional right to consideration, the Group should recognised a contract asset. No contract asset is recognised upon transition and at the end of the reporting period.

Following adjustments were made to the amounts recognised in the statement of financial position at the date of the initial application (1 January 2018):

	HKAS 18 – carrying amount at 31 December 2017	Reclassification	HKFRS 15 – carrying amount at 1 January 2018
	RMB'000	RMB'000	RMB'000
Accruals and other payables	205,377	(7,188)	198,189
Contract liabilities*	-	7,188	7,188

* Under HKFRS 15, a contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue, or when the Group receives consideration from a customer.

The application of these amendments in the current interim period has no material effect on the amounts reported and/or disclosures set out in these Unaudited Condensed Financial Information.

The following new and revised HKFRSs, potentially relevant to the Group's Unaudited Condensed Financial Information, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRS 16	Leases[1]
HK(IFRIC) 23	Uncertainty over Income Tax Treatments[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes and HKAS 23, Borrowing Costs[1]

[1] Effective for annual periods beginning on or after 1 January 2019

Total operating lease commitment of the Group in respect of land and buildings as at 30 June 2018 amounted to RMB2,388,000. The Directors do not expect the adoption of HKFRS 16 as compare with the current accounting policy would result in a significant impact on the Group's results though certain portion of these lease commitments will be required to be recognized in the form of an asset (for the right-of-use) and a financial liability (for the payment obligation) in the condensed consolidated statement of financial position under HKFRS 16. However, the amount involved would be insignificant to adjust.

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. Except as HKFRS 16 described above, the Directors anticipate that the application of other new and amendments to HKFRSs and an interpretation will have no material impact on the Group's financial performance and positions and/or the disclosures to these Unaudited Condensed Financial Information 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 2018, 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 other chemical products.

REVENUE

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of cyanide and its derivative products	**526,668**	691,894
Sales of alcohol products	**4,329**	1,690
Sales of chloroacetic acid and its derivative products	**18,718**	8,828
Sales of other chemical products	**12,296**	48,315
	562,011	750,727

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 2018				
	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	**526,668**	**4,329**	**18,718**	**12,296**	**562,011**
Inter-segment revenue	**50**	**5,895**	**86,286**	**8,005**	**100,236**
Reportable segment revenue	**526,718**	**10,224**	**105,004**	**20,301**	**662,247**
Reportable segment profit / (loss)	**266**	**833**	**19,712**	**(19,672)**	**1,139**
Reportable segment assets	**1,083,116**	**1,069**	**98,337**	**95,587**	**1,278,109**

	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

Revenue for sales of cyanide and its derivative products, alcohol products, chloroacetic acid and its derivative products; and other chemical products are recognised at point of time as when there is evidence that the control of goods has been transferred to the customer, the customer has adequate control over the goods and the Group has no unfulfilled obligations that affect customer accepting the goods.

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	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Reportable segment profit	**1,139**	213,465
Rental income	**347**	424
Finance costs	**(2,870)**	(1,454)
Equity-settled share-based payment expenses	**-**	(1,031)
Unallocated corporate income	**1,602**	2,070
Unallocated corporate expenses (Note)	**(25,854)**	(30,212)
Fair value loss on derivative financial instruments	**-**	(2,993)
Share of loss of a joint venture	**-**	(2,949)
Elimination of inter-segment profit	**(16,806)**	(57,449)
Consolidated (loss) / profit before income tax	**(42,442)**	119,871

Note: 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	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interests on bank loans, all of which contain a repayment on demand clause	**2,819**	1,422
Interests on loan from a non-controlling shareholder	**51**	32
	2,870	1,454

6. (LOSS) / PROFIT BEFORE INCOME TAX

	Six months ended 30 June **2018** **RMB'000** **(unaudited)**	2017 RMB'000 (unaudited)
(Loss) / Profit before income tax is arrived at after charging/(crediting):		
Directors' remuneration		
– Fees	**166**	179
– Salaries, discretionary bonus and other benefits	**2,026**	2,198
– Equity-settled share-based payment expenses	**-**	38
– Retirement benefit scheme contributions	**69**	59
	2,261	2,474
Other employee costs	**65,056**	54,689
Equity-settled share-based payment expenses	**-**	993
Retirement benefit scheme contributions	**4,611**	3,602
Total employee costs	**71,928**	61,758
Amortisation of prepaid land lease payments	**839**	786
Cost of inventories recognised as an expense (note i), including	**517,641**	555,914
– Reversal of write-down of inventories to net realisable value	**(2,024)**	(105)
– Write-down of inventories to net realisable value	**1,265**	97
Depreciation on property, plant and equipment	**50,389**	43,439
Write-off of property, plant and equipment	**18,261**	-
Exchange losses, net	**2,464**	3,488
Impairment losses on trade receivables	**1,373**	6,706
Minimum lease payments under operating leases in respect of leasehold land and buildings	**950**	875
Rental income less outgoings	**(344)**	(420)
Research costs (note ii)	**4,141**	2,055

Notes:

i. Cost of inventories recognised as an expense includes RMB48,417,000 (six months ended 30 June 2017: RMB41,777,000) relating to depreciation expenses and RMB55,984,000 (six months ended 30 June 2017: RMB44,695,000) relating to staff costs. These amounts are also included in the respective total amounts disclosed separately above.

   The write-down of inventories of RMB2,024,000 (six months ended 30 June 2017: RMB105,000) was reversed as the market price of these inventories was increased during the period.

ii. Research costs include RMB371,000 (six months ended 30 June 2017: RMB358,000) relating to depreciation expenses and RMB1,934,000 (six months ended 30 June 2017: RMB1,502,000) relating to staff costs. These amounts are also included in the respective total amounts disclosed separately above.

7. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax - PRC Enterprise Income Tax		
- Tax for the period	**5,112**	33,439
- PRC dividend withholding tax	**6,681**	6,464
	11,793	39,903
Deferred tax		
- (Credit) / Charge for the period	**(13,059)**	542
Income tax (credit) / expense	**(1,266)**	40,445

No provision for Hong Kong Profits Tax has been made as no assessable profit arising from Hong Kong (six months ended 30 June 2017: 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 2017: 25%).

The Group has adopted 10% withholding tax rate for PRC withholding tax purpose for the period ended 30 June 2018 (six months ended 30 June 2017: 10%).

8. DIVIDENDS

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Final dividend paid in respect of prior year		
HK$0.01 (2017: HK$0.08) per share	**7,183**	59,070

The Directors do not recommend the payment of interim dividend (six months ended 30 June 2017: HK$0.04 per share) in respect of the six months period ended 30 June 2018.

9. (LOSS) / EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
(Loss) / Profit for the period	**(35,981)**	79,670

	Number of ordinary shares Six months ended 30 June	
	2018	2017
	'000 shares	'000 shares
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of basic (loss) / earnings per share	**851,954**	849,600
Effect of dilutive potential ordinary shares - Share options	**-**	3,844
Weighted average number of ordinary shares for the purpose of diluted (loss) / earnings per share	**851,954**	853,444

For the six months ended 30 June 2018, 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 1 month to 6 months to its trade customers (31 December 2017: ranging from 1 month to 6 months). Bills receivable are non-interest bearing bank acceptance bills and are 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 of the Group.

Ageing analysis of trade and bills receivable (net of impairment losses) at the reporting date, based on the invoice date, is as follows:

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
0 to 90 days	**172,746**	237,232
91 to 180 days	**15,963**	31,372
181 to 365 days	**11,655**	10,889
Over 365 days	**11,695**	7,250
	212,059	286,743

Trade and bills receivable related to a large number of diversified customers that had a good track record of credit with the Group. A trade receivable of RMB11,695,000 (31 December 2017: RMB11,795,000) past due but not impaired are secured by a property owned by the debtor. 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 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 2017: ranging from 30 to 180 days). Bills payable are non-interest bearing bank acceptance bills and aged within 6 months upon issuance. Ageing analysis of trade and bills payable at the reporting date, based on the invoice date, is as follows:

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
0 to 90 days	**50,055**	81,739
91 to 180 days	**31,389**	21,291
181 to 365 days	**744**	784
Over 365 days	**789**	889
	82,977	104,703

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

During the period under review, the tough business environment of PRC chemical industry was due to the state policies to continue strengthening environmental governance, deepening structural reform of the supply-side and strictly tightening of new or additional production capacity. Due to the state's unabated tightening of regulatory supervisions in respect of safety and environmental protection of the chemical industry, the suppliers or customers of the Group had to stop production or reduce their scale of production if they did not meet the relevant regulations. As a result, the upstream supply and downstream demand of the Group have been tapered off. Furthermore, the Group is suffered from intensifying domestic market competition and resulted in notable decrease of both sales volume and selling prices. The revenue from domestic market declined by 30.2% as compared with the corresponding period of last year which accounted for 71.9% of the total revenue of the Group, while overseas revenue accounted for the remaining 28.1%. In addition, the persistent high raw material costs and the continuous spending in respect of safety and environmental protection facilities and optimisation of the production process of the Group led to increase in operation costs. Consequently, the gross profit of the Group decreased significantly as compared with the corresponding period of last year and recorded a net loss.

Despite the setback of financial results during the period under review, the Group has been proactively enhancing its competitiveness, especially in the aspect of production of safety and environmental protection. In accordance with the ever-increasing stringent regulatory requirements, the Group has been continuously investing in and improving its production facilities to achieve higher standards of safety and environmental protection. The two core manufacturing plants of the Group have met the ultra-low emission standards required by relevant PRC authorities. Against the current backdrop of tightening regulations on environmental protection, such leading safety and environmental protection technologies would enable the Group to retain competitive advantages in the process of industrial integration as well as laying down a solid foundation for the sustainable development of future business.

Along with the theme of comprehensive and tightening regulations imposed by the state on safety and environmental protection, the government of Jiangsu province issued the Work Plan for Rectification of Coastal Chemical Industry Parks (Concentrated Areas) in the Province (《全省沿海化工園區(集中區)整治工作方案》) (the "**Directive**") in June 2018 to deal with environmental pollution problems arising from the chemical industrial parks located in the coastal regions, namely Nantong, Lianyungang and Yancheng and all the chemical manufacturing enterprises located at these chemical industrial parks. The production site of Jiangsu Chunxiao Pharmaceutical and Chemical Technology Co., Ltd. ("**Jiangsu Chunxiao**"), an indirect wholly-owned subsidiary of the Company, is located at the chemical industrial park of Lianyungang which falls within the scope of the Directive and subject to stringent environmental improvement works according to the requirements of the Directive. Accordingly, certain property, plant and equipment of Jiangsu Chunxiao was written-off during the period under review. For further details, please refer to the announcement of the Company dated 10 August 2018. As at the date of this announcement, Jiangsu Chunxiao has temporarily suspended all its production and is carrying out environmental improvement and rectification works.

Performance of major product segments of the Group during the period under review is as follows:

Cyanide and its derivative products

Cyanide and its derivatives products are the core segment of products of the Group. The revenue from this segment accounted for 93.7% of the total revenue of the Group. During the period under review, due to (i) the intense market competition, (ii) the raw materials price remained high and (iii) higher production overheads, both of the revenue and profit of this segment dropped significantly as compared with the corresponding period of last year. This product segment is the core business of the Group. In order to face challenges ahead, the Group will reshape its marketing strategies and optimise its production costs. As there is still room for development of this segment in the long run, the Group will make every effort to drive the business development of this segment in foreseeable future.

Alcohol products and chloroacetic acid and its derivative products

The other two product segments of the Group are alcohol products and chloroacetic acid and its derivative products. The main function of these segments is to secure a stable and sufficient internal supply for improving the cost efficiency of cyanide and its derivative products, with the surplus to be sold externally. During the period under review, the revenue of the aforesaid two product segments recorded an increase as compared with the corresponding period of last year, totally accounting for 4.1% of the Group's total revenue. Such increase in revenue was mainly attributable to the relatively stable market demands and selling prices for these segments. The Group will continue to closely monitor the market conditions of these segments and take appropriate operational strategies accordingly.

Outlook

Looking ahead, stringent supervision and regulations in respect of safety and environmental protection implemented by the state will definitely bring operating pressure to the chemical manufacturing industry in short term. However, the enterprise with competitive advantages in environmental protection shall seize growing opportunities breed by well-regulated business environment eventually as well as contributing to a long-term health and sustainable development of chemical industry in the PRC. The Board anticipates the challenging business environment and the intense market competition will last for the rest of 2018 and bringing intense pressure on the Group's profitability. Nevertheless, the Group will strive to leverage on its competitive edges in circular economy production system and high-barrier technology platform, as well as implementing strictly on cost control to enhance production efficiency, reforming product development layout, and adopting effective sales and marketing strategies to deal with the keen market competition. In addition, the Group will keep focusing on investing in safety and environmental protection, which will not only safeguard the sustainable development of the Group, but also create business competitive advantages in the future.

In order to cope with the existing challenging business environment, the Board has reviewed its size and composition against the Group's current business needs. The changes in the Board composition and senior management were effective on 1 August 2018. The Board is confident that trimming the number of executive Directors will provide effective oversight, strategic input and strong support to management's execution of business objectives. Furthermore, in order to strengthen the strategic business planning of the Group, the re-appointment of two former Directors as non-executive Directors will definitely bring valuable operating, marketing and investment experience to the Board. The Board believes that their experience and insight are perfectly aligned with the future business development direction of the Group. The Group has now put in place the right leadership team to establish and execute the business strategies to address the upcoming challenges. The new leadership team is committed to build a better and stronger business and to enhance value for all the shareholders of the Company.

DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: HK$0.04 per ordinary share).

FINANCIAL REVIEW

Revenue and gross profit

Revenue of the Group for the six months ended 30 June 2018 was approximately RMB562.0 million, representing a decrease of approximately RMB188.7 million or 25.1% as compared with approximately RMB750.7 million recorded in the corresponding period last year. The decrease of revenue was mainly attributable to intense market competition in cyanide and its derivative products, which led to an obviously decrease in both selling prices and sales volume of such products during the period under review. The gross profit of the Group also dropped to approximately RMB34.9 million, representing a decrease of approximately RMB149.3 million or 81.1% as compared with approximately RMB184.1 million recorded in the corresponding period last year. The decrease of gross profit was due to higher raw material costs and higher production overheads which were caused by additional spending in optimising of production process and improving of production facilities to upgrade environmental standards of manufacturing plants. The gross profit margin for the six months ended 30 June 2018 decreased by 18.3 percentage points to 6.2% (six months ended 30 June 2017: 24.5%).

Operating expenses

Selling expenses increased by approximately RMB2.3 million from approximately RMB23.0 million in the corresponding period last year to approximately RMB25.3 million. Such increase was mainly due to the increase in transportation costs and sales commission expenses. The selling expenses accounted for 4.5% of the Group’s revenue (six months ended 30 June 2017: 3.1%).

Administrative and other operating expenses amounted to approximately RMB54.6 million, which was increased by approximately RMB16.4 million from approximately RMB38.2 million in the corresponding period in last year. The increase was principally due to the written off of property, plant and equipment of Jiangsu Chunxiao during the period under review. For further details, please refer to the announcement of the Company dated 10 August 2018. The administrative and other operating expenses accounted for 9.7% of the Group's revenue (six months ended 30 June 2017: 5.1%).

Finance costs represented interest on bank borrowings which were increased by approximately RMB1.4 million to approximately RMB2.9 million (six months ended 30 June 2017: RMB1.5 million) and was due to increase in both weighted average bank borrowing amounts and borrowing interest rate as compared with the corresponding period last year.

Loss for the period

In view of the above, the loss for the period attributable to owners of the Company amounted to approximately RMB36.0 million (profit for the period attributable to owners of the Company for the six months ended 30 June 2017: RMB79.7 million).

Trade and bills receivable

As at 30 June 2018, trade receivables decreased to approximately RMB156.8 million, representing a decrease of approximately RMB39.9 million or 20.3% as compared with approximately RMB196.7 million recorded as at 31 December 2017. About 77% of trade receivables were incurred in the second quarter of this year which are not yet due, 8% of trade receivables were incurred in the first quarter of this year and 15% of trade receivables are over 180 days. Up to the date of this announcement, over 53.0% 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 2018.

As at 30 June 2018, bills receivable amounted to approximately RMB55.2 million, decreased by approximately RMB34.8 million or 38.7% as compared with the balance of approximately RMB90.0 million recorded as at 31 December 2017. 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 2018, short term bank borrowings decreased to approximately RMB158.2 million, representing a net decrease of approximately RMB35.9 million or 18.5% as compared with the balance of an approximately RMB194.1 million as at 31 December 2017.

Liquidity and financial resources

For the six months ended 30 June 2018, the Group's primary sources of funding included the net cash inflow generated from operating activities of approximately RMB35.6 million (six months ended 30 June 2017: RMB252.9 million); newly raised bank borrowings of approximately RMB20.0 million (six months ended 30 June 2017: RMB114.1 million); no net proceeds from issue of shares under a share option scheme (six months ended 30 June 2017: RMB2.6 million); no government grants received (six months ended 30 June 2017: RMB2.7 million); no capital injection from a non-controlling shareholder (six months ended 30 June 2017: RMB10.3 million); and interest received of approximately RMB1.1 million (six months ended 30 June 2017: RMB0.9 million). With the financial resources generated by the Group's operations, the Group had spent approximately RMB68.0 million (six months ended 30 June 2017: RMB181.0 million) in the acquisition of the property, plant and equipment, bank borrowing repayments of approximately RMB54.7 million (six months ended 30 June 2017: RMB56.2 million); interest paid of approximately RMB2.8 million (six months ended 30 June 2017: RMB1.4 million) and dividend paid of approximately RMB7.2 million (six months ended 30 June 2017: RMB59.1 million).

As at 30 June 2018, the Group had pledged bank deposits and bank and cash balances of approximately RMB153.1 million (31 December 2017: RMB228.8 million). The total amount of outstanding borrowings was approximately RMB163.4 million (31 December 2017: RMB199.2 million). The gearing ratio (which is represented by the ratio of net debts (total borrowings net of bank and cash balances and pledged bank deposits) to total shareholders' equity) was 0.8% (31 December 2017: Nil). The net current assets decreased to approximately RMB195.6 million (31 December 2017: RMB262.4 million) as a result of the capital expenditure incurred to improve the production facilities and production process of the Group during the period under review.

By virtue of the Group's financial position with 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.

As announced by the Company on 1 August 2018, the Company has failed to fulfill an undertaking under three-year fixed term loans facilities (the "**Loans**") granted by The Hong Kong and Shanghai Corporation Bank Limited (the "**Lender**") for which Mr. Gao Feng shall remain as the Chairman of Board. Further to the application of a waiver of the aforesaid breach of undertaking to the Lender, the Company and the Lender have agreed on a new repayment schedule of the Loans under which all the outstanding Loans should be repaid on or before 31 December 2018. As at the date of this announcement, the aggregate outstanding principal amount of the Loans is HK$64.2 million.

Pledge of assets

As at 30 June 2018, a bank deposit approximately RMB30.0 million (31 December 2017: RMB30.0 million) and no bills receivables (31 December 2017: RMB6.0 million) were pledged for bank acceptance bills facilities, a bank deposit approximately RMB2.0 million (31 December 2017: RMB2.0 million) was a security deposit requested by the relevant local authority to assure compliance of local environmental and safety production practices and no bank deposit has been frozen to secure a pending litigation case under a PRC court order (31 December 2017: RMB2.2 million).

Contingent liabilities

As at 30 June 2018, the Group had no material contingent liabilities (31 December 2017: 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. However, 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 2018, the Group has 1,588 full-time employees (31 December 2017: 1,589 full time employees).

The Group has established its human resources policies and scheme with a view to deploying more motivating 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 foster 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 2018, 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 2018, 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 has confirmed that he has 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 2018.

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 of the Company (the "**Nomination Committee**") is chaired by Mr. Gao Feng, an executive Director (replaced by Mr. Liu Yang with effect from 1 August 2018), with Mr. Leung Kam Wan and Mr. Liu Chenguang, who are the independent non-executive Directors, as the two other members. During the period under review, no meeting has been held for the Nomination Committee. After the period under review, a meeting of Nomination Committee has been held to assess and recommend the appointments of the new Directors for the Board's approval.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") is chaired by Mr. Liu Chenguang, an independent non-executive Director, with Mr. Gao Baoyu, an independent non-executive Director, Mr. Leung Kam Wan, an independent non-executive Director, and Mr. Gao Feng (replaced by Mr. Liu Yang with effect from 1 August 2018), an executive Director, as the three other members. During the period under review, no meeting has been held for the Remuneration Committee. After the period under review, a meeting of Remuneration Committee has been held to review and assess the remuneration packages and appointment contracts of the newly appointed Directors and recommend to the Board for approval.

AUDIT COMMITTEE

Audit committee of the Company (the "**Audit Committee**") 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, the 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). The Audit Committee has reviewed the Unaudited Condensed Financial Information. 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
Liu Yang
Chairman

Hong Kong, 27 August 2018

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

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