TIANDE CHEMICAL HOLDINGS LIMITED
天 德 化 工 控 股 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 609)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

ANNUAL RESULTS

The board of directors (the "Board") of Tiande Chemical Holdings Limited (the "**Company**") is pleased to announce the audited annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2006, together with the comparative figures for 2005, as follows:

CONSOLIDATED INCOME STATEMENT

		FOR THE YEAR ENDED 31 DECEMBER	
		2006	2005
	Notes	***RMB'000***	*RMB'000*
Turnover	*3*	**504,187**	430,817
Cost of goods sold		**(405,620)**	(358,594)
Gross profit		**98,567**	72,223
Other income		**3,969**	1,910
Selling expenses		**(12,963)**	(12,712)
Administrative expenses		**(23,436)**	(10,152)
Finance costs	*4*	**(3,744)**	(3,344)
Profit before taxation	*5*	**62,393**	47,925
Taxation	*6*	**(4,375)**	(6,214)
Profit attributable to equity holders of the Company		**58,018**	41,711
Dividend	*7*	**–**	1,924
Earnings per share – basic	*8*	**RMB0.182**	RMB0.139

CONSOLIDATED BALANCE SHEET

	Notes	AS AT 31 DECEMBER 2006 RMB'000	2005 RMB'000
Non-current assets			
Prepaid lease payments		**66,601**	23,019
Property, plant and equipment		**267,593**	176,974
Deposit for acquisition of property, plant and equipment		**5,194**	–
Investment property		**2,894**	3,062
Deferred tax assets		**524**	336
		342,806	203,391
Current assets			
Inventories		**28,612**	21,937
Trade and other receivables	*9*	**92,455**	59,038
Pledged bank deposits		**1,777**	15,700
Bank balances and cash		**36,899**	13,111
		159,743	109,786
Current liabilities			
Trade and other payables	*10*	**86,841**	94,258
Tax payable		**1,869**	3,227
Borrowings – due within one year		**20,140**	65,230
		108,850	162,715
Net current assets (liabilities)		**50,893**	(52,929)
Total assets less current liabilities		**393,699**	150,462
Non-current liabilities			
Borrowings – due after one year		**62,160**	–
Deferred income		**30,115**	–
		92,275	–
Net assets		**301,424**	150,462
Capital and reserves			
Share capital		**4,031**	413
Reserves		**297,393**	150,049
Total equity		**301,424**	150,462

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND CORPORATE REORGANISATION

The Company acts as an investment holding company and, together with its subsidiaries, is principally engaged in manufacturing, research and development, selling and distribution of fine chemical products.

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 7 December 2004 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation (the "Group Reorganisation") in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group comprising the Company and its subsidiaries since 30 December 2004. Further details of the Group Reorganisation are set out in the Company's prospectus dated 17 October 2006.

The shares of the Company have been listed on the Main Board of the Stock Exchange since 27 October 2006.

The Group's books and records are maintained in Renminbi ("RMB"), the currency in which the majority of the Group's transactions is denominated. The consolidated financial statements are presented in RMB which is the functional currency of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Companies Ordinance (Chapter 32 of the laws of Hong Kong). The consolidated financial statements have been prepared on the historical cost basis as explained in the accounting policies set out below.

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the new standards, interpretations and amendments that have been issued but are not yet effective as at 31 December 2006. The directors of the Company (the "Directors") anticipate that the application of these new standards, interpretations and amendments will have no material impact on the results and financial position of the Group.

- HKAS 1 Amendment – Capital disclosures (effective for annual periods beginning on or after 1 January 2007)
- HKFRS 7 – Financial instruments: Disclosures (effective for annual periods beginning on or after 1 January 2007)
- HKFRS 8 – Operating segments (effective for annual periods beginning on or after 1 January 2009)
- HK(IFRIC)–INT 7 – Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 1 March 2006)
- HK(IFRIC)–INT 8 – Scope of HKFRS 2 (effective for annual periods beginning on or after 1 May 2006)
- HK(IFRIC)–INT 9 – Reassessment of embedded derivatives (effective for annual periods beginning on or after 1 June 2006)
- HK(IFRIC)–INT 10 – Interim financial reporting and impairment (effective for annual periods beginning on or after 1 November 2006)
- HK(IFRIC)–INT 11 – HKFRS 2 – Group and treasury share transactions (effective for annual periods beginning on or after 1 March 2007)
- HK (IFRIC)–INT 12 – Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008)

3. **TURNOVER AND SEGMENT INFORMATION**

Segment information regarding the Group's turnover by location of customers, irrespective of the origin of the services, being the primary format for reporting segment information of the Group, is presented below.

INCOME STATEMENT

	2006	2005
	RMB'000	*RMB'000*
Turnover		
People's Republic of China ("PRC")	**384,055**	343,449
Taiwan	**46,863**	29,947
United Kingdom	**15,094**	12,764
Japan	**12,836**	14,340
Others	**45,339**	30,317
	504,187	430,817
Segment result		
PRC	**77,183**	58,015
Taiwan	**7,314**	2,915
United Kingdom	**2,042**	995
Japan	**2,524**	2,557
Others	**7,045**	4,787
	96,108	69,269
Unallocated other corporate revenue	**3,969**	1,910
Unallocated corporate expenses	**(33,940)**	(19,910)
Finance costs	**(3,744)**	(3,344)
Profit before taxation	**62,393**	47,925
Taxation	**(4,375)**	(6,214)
Profit attributable to equity holders of the Company	**58,018**	41,711

ASSETS AND LIABILITIES

	2006	2005
	RMB'000	*RMB'000*
Segment assets		
PRC	**72,655**	41,256
Taiwan	**5,227**	2,785
United Kingdom	**3,327**	2,485
Japan	**487**	957
Others	**5,479**	4,262
	87,175	51,745
Unallocated assets	**415,374**	261,432
Consolidated total assets	**502,549**	313,177
Unallocated liabilities and consolidated total liabilities	**201,125**	162,715

The Group's turnover and profit attributable to equity holders of the Company are entirely derived from the manufacture and trading of fine chemical products. The Directors consider that these activities constitute one business segment since these activities are related and are subject to common risks and returns.

4. FINANCE COSTS

	2006	2005
	RMB'000	*RMB'000*
Interest on:		
Bank loans wholly repayable within five years	**3,437**	3,181
Discounted bills	**307**	163
	3,744	3,344

5. PROFIT BEFORE TAXATION

	2006	2005
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Directors' remuneration	**1,378**	343
Other staff costs (excluding Directors' remuneration)	**14,094**	7,151
Auditors' remuneration	**1,122**	17
Depreciation – property, plant and equipment	**15,143**	6,060
Depreciation – investment property	**168**	168
Prepaid lease payments charged to income statement	**736**	141
Allowance for bad and doubtful debts	**216**	46
Allowance for inventories	**90**	–
Minimum lease payment under operating lease in respect of leasehold land and building	**363**	191
Cost of inventories recognised as expenses	**401,043**	355,137
Research expenses	**941**	–
Loss on disposal of property plant and equipment	**102**	–
Listing fees	**5,642**	662

6. TAXATION

The amount of income tax charged to the consolidated income statement represents:

	2006	2005
	RMB'000	*RMB'000*
Current tax:		
PRC enterprise income tax	**4,563**	6,550
Deferred tax	**(188)**	(336)
	4,375	6,214

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

The provision for PRC Enterprise Income Tax is based on the estimated taxable income for PRC taxation purposes at the rate of taxation applicable for the year. The applicable income tax rate of 24% is the preferential tax rate for foreign invested production enterprise in Weifang City, Shandong Province, the PRC where the operations of the Group are substantially based.

The deferred tax assets represent the tax effect of temporary differences arising from deferred pre-operating expenses.

7. DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2006. During the year ended 31 December 2005, the Company declared dividend of HK$1,815,380 equivalent to RMB1,924,000 to its shareholders.

8. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the Group's profit attributable to shareholders of approximately RMB58,018,000 (2005: RMB41,711,000) and the weighted average number of 318,082,192 (2005: 300,000,000) ordinary shares in issue during the year. There was no diluted earnings per share for the years 2006 and 2005 as there were no potential dilutive shares.

9. **TRADE AND OTHER RECEIVABLES**

	2006	2005
	RMB'000	*RMB'000*
Trade receivables	**65,948**	40,997
Bills receivables	**21,227**	10,748
	87,175	51,745
Other receivables, deposits and prepayments	**3,872**	6,883
Prepaid lease payments	**1,408**	410
	92,455	59,038

The Group allows a credit period normally ranging from one month to six months to its trade customers. The bills receivables are of the age within six months at both balance sheet dates. An aged analysis of the Group's trade and bills receivables as at the balance sheet date was as follows:

	2006	2005
	RMB'000	*RMB'000*
0-90 days	**81,651**	49,697
91-180 days	**5,191**	1,137
181-365 days	**333**	791
Over 365 days	**–**	120
	87,175	51,745

The Directors consider that the carrying amount of trade and other receivables approximates to its fair value.

10. **TRADE AND OTHER PAYABLES**

	2006	2005
	RMB'000	*RMB'000*
Trade payables	**38,903**	46,535
Bills payables	**1,724**	29,270
	40,627	75,805
Other payables and accrued charges	**45,503**	18,453
Deferred income	**711**	–
	86,841	94,258

An aged analysis of the Group's trade and bills payables as at the balance sheet date was as follows:

	2006	2005
	RMB'000	*RMB'000*
0-90 days	**31,648**	68,541
91-180 days	**8,751**	7,038
181-365 days	**212**	129
Over 365 days	**16**	97
	40,627	75,805

The Directors consider that the carrying amount of trade and other payables approximates to its fair value.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

In light of the increasing demand of the Group's products and the Group's continuous enhancement of its production capabilities, the Group achieved an appreciable growth for the year ended 31 December 2006. Turnover and profit attributable to equity holders for the financial year 2006 amounted to approximately RMB504.2 million and RMB58.0 million respectively, representing a year-on-year increase of 17.0% and 39.1% respectively as compared with that of approximately RMB430.8 million and RMB41.7 million respectively in 2005. The increase in profit attributable to equity holders of the Group was mainly attributable to the continued expansion of the Group's business and the increase of sales of the Group's fine chemical products.

The gross profit of the Group in 2006 amounted to approximately RMB98.6 million, representing a year-on-year increase of 36.5% as compared with that of approximately RMB72.2 million in 2005. The gross profit margin of the Group increased from 16.8% in 2005 to 19.5% in 2006. The improvement of the Group's gross profit margin was mainly attributable to the reduction of production cost arising from self-supplying of core raw materials. The Group will continue to enhance the production cost effectiveness in order to improve its profitability.

Other income recorded in 2006 mainly comprised (i) government grants; (ii) rental income; (iii) interest income from bank deposits; and (iv) scrap sales and others. Selling and distribution costs were maintained at similar level as for 2005 whilst administrative expenses increased as a result of the enlarged operation and increase in listing and audit fees. The increase in finance costs was mainly due to the increase in the interest expenses on additional bank borrowings obtained during the year under review.

Business review
During the year under review, the Group has continued to focus on its growth strategies by:

(i) strengthening research and development capabilities;

(ii) reinforcing sales channels and distribution network;

(iii) advancement of production facilities for better efficiency; and

(iv) expansion of product range.

Research and development
During the period under review, the Group was committed to advance and upgrade the facilities and equipment of research and development center located in Weifang City of Shandong Province, China, by recruiting more professional and qualified staff and acquiring more sophisticated equipment for chemical laboratory.

Besides, the Group has made a great progress in collaborating with a domestic reputable institution, namely The University of Petroleum (East China), to advance the production process of ethyl cyanoacetate this year. In results, the new production process can save the cost of production and upgrade the product's performance.

In December 2006, Weifang Common Chem Company Limited, a wholly-owned subsidiary of the Company, has spent approximately RMB8.0 million to acquire a piece of land and property located in Shandong Weifang Economic Development Zone for the development of a highly competent research and development professional centre of the Group.

The Group will continue its research and development efforts to strengthen new products development in order to wider product range and to strengthen its market position in the industry.

Marketing strategy
To prepare the launching of new products of the Group to the market, the Group takes initiatives to identify potential customers, and carries out the promotion and advertisement activities in selected appropriated markets and brings more new customers to the Group. To be in line with the Group's efforts in expanding its market share, the Group planned to participate in fine chemical fairs to be held in Shanghai, Nanjing of the PRC and Europe so as to extend its overseas market by such promotion.

To further reinforce the good relationship built up with its existing customers, the Group actively developed strategic trading partnership with its major customers and believed that both the Group and its customers were able to achieve win-win situation and on-going development. During the year under review, the number of customers increased with the enhancement of production capability and the launch of new products. The number of the Group's customers was over 600 until now.

Production strategy
During the year under review, the Group has expanded the production capability of methyl cyanoacetate from 2,000 tons per year to 5,000 tons per year in order to cope with coming growth demand. Meanwhile, it has launched the production of two core raw materials, namely steam and sodium cyanide. As a result, the gross profit of the Group was improved by overall 2.7% over the previous year and new revenue was generated through direct sale of such core raw materials.

To maintain the competitiveness of the Group's products in the market, more resources will be given in the production of cyanoacetate products rather than alcoholic products, since the selling prices and profit margins in the production of cyanoacetate products are higher than the production alcoholic products as the production technology of the latter become common.

In order to expand the Group's products range, the Group has also acquired a right to use a piece of land with an area of approximately 569,581 s.q. m. located at Weifang City, Shandong Province, China during the year under review. As disclosed in the prospectus of the Company, the piece of land would be used for the construction of new plant and installation of machinery and equipment for producing high purity isobutylene, polyisobutylene and tert-butyl acetate. Among of which high purity isobutylene had been put in the production and was expected to generate new revenue in near future.

Prospect
During the year under review, the Group has expanded its production capabilities by establishing Weifang Parasia Chem Co. Ltd. ("Weifang Parasia") for improving its profitability and moving toward a vertical integration production by producing the core raw materials of its products such as sodium cyanide and steam, for which it had successfully commenced the production in February 2006. The Group will continue to dedicate in the development of other core raw materials such as mono chloro acetic acid in near future in order to better control its overall cost of production and to further enhance the profitability of the Group.

Apart from that, the Group has been endeavouring to develop other fine chemical products in order to widen its product range as the management of the Group recognises that product diversification can minimize the adverse impact from over concentration on specific customers and mitigate the risk of reliance on the specific downstream industries. The Group has commenced the construction of a new production plant, namely Weifang Binhai Petrochem Co. Ltd. ("Weifang Binhai") which is principally engaged in the production of petrochemical products such as high purity isobutylene, polyisobutylene and tert-butyl acetate. The production of high purity isobutylene has been commenced in March 2007 whilst that of polyisobutylene is expected to be commenced at the end of 2007. The Group is mapping out new sales and marketing strategies for these products. It is expected that the sales of these products may generate a steady growth in revenue and profit for the Group according to the foreseeable market demand in such products.

The Group will continue to provide premium quality products and stable supply in order to assure the customers. The Group will also continue to grasp on new business opportunities, further strengthen its foundation and maintain its leading edge, in order to maintain an attractive return to the shareholders.

Liquidity and financial resources
During the year under review, the Group's primary source of funding included the net proceeds of approximately RMB92.6 million received from the public offering and placing of new shares of the Company, the cash generated from operating activities of approximately RMB4.6 million (2005: RMB61.1 million), new raised borrowings of approximately RMB156.6 million (2005: RMB75.2 million) and interest income received of approximately RMB1.1 million (2005: RMB0.1 million). As at 31 December 2006, the Group had cash and bank deposits of approximately RMB38.7 million (2005: RMB28.8 million).

The Group's financial position remains healthy during the year under review. As at 31 December 2006, the net current assets and the current ratio of the Group were approximately RMB50.9 million (2005: net current liabilities of RMB52.9 million) and 1.5 times (2005: 0.7 times), respectively.

As at 31 December 2006, the Group had bank borrowings of approximately RMB82.3 million (2005: RMB65.2 million) and the Group's gearing ratio which is represented by the ratio of total borrowings to total shareholders' equity, was approximately 27.3% (2005: 43.4%).

With the positive cash inflow from the Group's operations, its available banking facilities, its existing cash resources, and the proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange on 27 October 2006, the Group has sufficient financial resources to meet its commitments, working capital requirements and future investments for expansion.

Pledge of Assets

As at 31 December 2006, bank deposit of approximately RMB1.8 million (2005: RMB15.7 million), was pledged for bills facilities. Certain building, plant and equipment of the Group with an aggregate net book value of about RMB63.6 million (2005: RMB33.8 million) and prepaid lease payments of approximately RMB59.0 million (2005: RMB18.0 million) were pledged to secure the Group's bank borrowings.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 2006.

Capital Commitment

As at 31 December 2006, the Group had capital commitments of approximately RMB16.4 million (2005: RMB6.5 million) in respect of purchases of property, plant and equipment, construction-in-progress and product development projects.

Exposure to Fluctuations in Exchange Rates

The Group's assets, liabilities, revenues and transactions are mainly denominated in Renminbi, Hong Kong dollars and United States dollars with its operation mainly in the PRC. The Group's foremost exposure to the foreign exchange fluctuations was caused by the revaluation of Renminbi during the year under review. The Group's export sales were, in majority, denominated in United States dollars. Nevertheless, the Group has not experienced any material difficulties or effects on its operations or liquidity as a result of the fluctuations in currency exchange rates during the year. Besides, the Group will conduct periodic review of its exposure to foreign exchange risk and may use financial instrument for hedging purpose when considered appropriate.

Employees and Remuneration Policy

As at 31 December 2006, the Group has 686 full-time employees of which 604 were production and warehouse, 17 were sales and marketing, 12 were research and development centre, and 53 were back-office supportive employees. The total employment costs incurred for 2006 including directors' remuneration amounted to approximately RMB15.5 million. The Group has established its human resources policies and procedures with a view to deploying the incentives and rewards of the remuneration system. The remuneration package offered to the staff was appropriate for the duties and in line with the prevailing market terms. Staff benefits, including medical coverage and provident funds, were provided to employees.

Annual General Meeting

The 2007 Annual General Meeting of the Company will be held on Friday, 18 May 2007 and the Notice of Annual General Meeting will be published and dispatched in the manner as required by the Listing Rules in due course.

Purchase, sale or redemption of shares

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's issued shares during the year under review.

Code on Corporate Governance Practices
Since the listing, the Company has, throughout the year ended 31 December 2006 and up to the date of publication of the this announcement, applied and complied with the principles in the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 to the Listing Rules, except for the deviations below.

1. The Company has not yet adopted code provision A.2.1 of the CG Code pursuant to which the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same person. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing. The Company does not presently have any officer with the title of CEO. At present, Mr. Liu Hongliang, being the Chairman and general manager of the Company, is responsible for the strategic planning, formulation of overall corporate development policy and running the business of the Group as well as the duties of Chairman. Due to the nature and extent of the Group's operations, the Group considers that Mr. Liu is the most appropriate chief executive because he possesses in-depth knowledge and experience in fine chemical business and is able to ensure the sustainable development of the Group. Besides, he is the founder, the chairman and the controlling shareholder of the Group since its establishment and till now. Notwithstanding the above, the Board will review the current structure from time to time. When at the appropriate time and if candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may make the necessary arrangements.

2. The Company held a total of three regular Board meetings, which did not fully comply with code provision A.1.1 of the CG Code. The Board will improve the relevant meeting arrangements to comply with the relevant code provision of the Code in coming years.

Audit Committee
The Audit Committee has reviewed the audited financial results of the Group for the year ended 31 December 2006 in conjunction with the Company's auditors.

Publication of further information
This announcement is published on the website of the Company (http://tdchem.hi2000.com) and that of the Stock Exchange (www.hkex.com.hk). The 2006 annual report will be dispatched to shareholders and available on the above websites on or about 26 April 2007.

Compliance with Model Code
The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code governing securities transactions of Directors. After specific enquiry by the Company, all Directors have confirmed that they have complied with all requirements as set out in the Model Code for the financial year ended 31 December 2006.

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

By order of the Board
Liu Hongliang
Chairman

Hong Kong, 13 April 2007

"Please also refer to the published version of this announcement in The Standard."