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 2013

RESULTS HIGHLIGHTS

- Turnover for the six months ended 30 June 2013 was approximately RMB621.5 million, representing an increase of 21.9% as compared with that of the corresponding period last year.
- Gross profit increased by 48.3% to approximately RMB175.7 million.
- Gross profit margin reached 28.3%, representing an increase of 5.1% as compared with that of the corresponding period last year.
- Profit for the period increased by 38.0% to approximately RMB99.8 million.
- Basic earnings per share increased to approximately RMB11.8 cents (six months ended 30 June 2012: RMB8.5 cents).
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2013.

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 2013 together with the comparative figures for the corresponding period in 2012 and the selected notes as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2013	2012
	Notes	**RMB'000**	RMB'000
		(unaudited)	(unaudited)
Turnover	4	**621,474**	509,808
Cost of sales		**(445,757)**	(391,347)
Gross profit		**175,717**	118,461
Other income		**2,149**	2,955
Selling expenses		**(14,416)**	(11,433)
Administrative expenses		**(20,341)**	(15,166)
Finance costs	5	**(3,107)**	(5,686)
Share of loss of a joint venture		**(1,586)**	-
Profit before income tax	6	**138,416**	89,131
Income tax expense	7	**(38,624)**	(16,793)
Profit for the period attributable to the owners of the Company		**99,792**	72,338
Earnings per share for profit attributable to the owners of the Company for the period	9		
– Basic and diluted		**RMB0.118**	RMB0.085

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period	**99,792**	72,338
Other comprehensive income		
Items that may be reclassified subsequent to the income statement		
- Exchange gains on translation of financial statements of foreign operations	**41**	105
Other comprehensive income for the period	**41**	105
Total comprehensive income for the period attributable to the owners of the Company	**99,833**	72,443

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2013 RMB'000 (unaudited)**	31 December 2012 RMB'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**531,222**	473,262
Prepaid land lease payments		**53,354**	54,001
Investment properties		**13,030**	13,030
Deposits paid for acquisition of property, plant and equipment		**7,289**	22,008
Interests in a joint venture		**46,926**	48,511
		651,821	610,812
Current assets			
Inventories		**66,966**	58,814
Trade and bills receivable	10	**316,338**	210,666
Prepayments and other receivables		**27,984**	29,913
Amount due from a joint venture		**620**	443
Pledged bank deposits		**13,456**	-
Bank and cash balances		**46,091**	49,962
		471,455	349,798
Current liabilities			
Trade payables	11	**72,458**	17,498
Accruals and other payables		**70,197**	65,056
Bank borrowings		**96,640**	57,000
Current tax liabilities		**20,608**	13,421
		259,903	152,975
Net current assets		**211,552**	196,823
Total assets less current liabilities		**863,373**	807,635
Non-current liabilities			
Bank borrowings		-	17,000
Deferred income		**11,820**	13,191
Deferred tax liabilities		**2,689**	2,663
Derivative financial instruments		**6,990**	6,990
		21,499	39,844
NET ASSETS		**841,874**	767,791
EQUITY			
Equity attributable to the Company's owners			
Share capital		**7,786**	7,786
Reserves		**834,088**	760,005
TOTAL EQUITY		**841,874**	767,791

SELECTED NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

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 principal activity of the Company is investment holding. The principal activities of the Group are research and development, manufacture and sales of fine chemical products.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2013 (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 of Hong Kong Limited (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 2012 (the "2012 Annual Financial Statements").

The Unaudited Condensed Financial Information has been prepared in accordance with the same accounting policies adopted in the 2012 Annual Financial Statements, except for the adoption of the new and 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 thousands 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 and revised 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 2013:

Amendments to HKAS 1	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Amendments to HKFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
Annual Improvements to HKFRSs 2009-2011 Cycle	

Other than as noted below, the adoption of these new and revised HKFRSs did not change the Group's accounting policies as followed in the preparation of the 2012 Annual Financial Statements.

Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, Consolidated and Separate Financial Statements relating to the preparation of consolidated financial statements and HK SIC Interpretation 12, Consolidation – Special Purpose Entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 11, Joint arrangements

HKFRS 11, which replaces HKAS 31, Interests in Joint Ventures, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in the Unaudited Condensed Financial Information as a result of adopting HKFRS 12.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Annual improvements to HKFRSs 2009-2011 cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (the "CODM") and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. The amendment does not have any impact on the segment disclosure of the Group because the amounts of segment liabilities are not regularly provided to the CODM (i.e. the Directors).

The Directors anticipate that the application of new and revised HKFRSs but not yet effective will have no material impact on the results and the financial position of the Group.

4. TURNOVER AND SEGMENT INFORMATION

The Group manages its businesses by product and service lines. Following the internal reorganisation and consistent with the way the information is reported internally to the Group's executive Directors for the purposes of resource allocation and performance assessment, the Group has combined the cyanoacetic acid and its ester products and sodium cyanide and its derivative products into cyanide and its derivative products. For the six months ended 30 June 2013, the Group has identified the following five 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;

(iv) Fine petrochemical products: Research and development, manufacture and sale of fine petrochemical products; and

(v) Other by-products: Sale of other by-products, e.g. steam.

TURNOVER

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of cyanide and its derivative products	**538,100**	423,929
Sales of alcohol products	**34,633**	27,378
Sales of chloroacetic acid and its derivative products	**10,088**	19,804
Sales of fine petrochemical products	**26,867**	29,553
Sales of other by-products	**11,786**	9,144
	621,474	509,808

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 reference to prices charged to external parties for similar orders.

No comparative figures in the segment information for the six months ended 30 June 2012 has been reclassified as sodium cyanide and its derivative products were reported under the segment of cyanoacetic acid and its ester products during that period. However, the segment name of cyanoacetic acid and its ester products has been changed to cyanide and its derivative products. For the year ended 31 December 2012, sodium cyanide and its derivative products were reported as a separate segment, details of which have been set out in note 5 of the 2012 Annual Financial Statements.

Six months ended 30 June 2013

	Cyanide and its derivative products	**Alcohol products**	**Chloroacetic acid and its derivative products**	**Fine petrochemical products**	**Other by-products**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**
Revenue:						
External customers	**538,100**	**34,633**	**10,088**	**26,867**	**11,786**	**621,474**
Inter-segment revenue	**-**	**45,351**	**145,941**	**-**	**19,657**	**210,949**
Reportable segment revenue	**538,100**	**79,984**	**156,029**	**26,867**	**31,443**	**832,423**
Reportable segment profit/(loss)	**156,825**	**9,833**	**72,247**	**(2,073)**	**4,431**	**241,263**
Reportable segment assets	**554,704**	**18,764**	**107,139**	**40,063**	**62,696**	**783,366**

Six months ended 30 June 2012

	Cyanide and its derivative products	Alcohol products	Chloroacetic acid and its derivative products	Fine petrochemical products	Other by-products	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue:						
External customers	423,929	27,378	19,804	29,553	9,144	509,808
Inter-segment revenue	102	69,791	99,298	-	-	169,191
Reportable segment revenue	424,031	97,169	119,102	29,553	9,144	678,999
Reportable segment profit	98,112	6,454	48,508	729	1,809	155,612
Reportable segment assets	404,686	22,614	90,926	24,367	70,200	612,793

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	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Reportable segment profit	**241,263**	155,612
Rental income	**437**	289
Equity-settled share-based payments expenses	-	(162)
Finance costs	**(3,107)**	(5,686)
Corporate unallocated income	**338**	588
Corporate unallocated expenses	**(20,449)**	(15,881)
Share of loss of a joint venture	**(1,586)**	-
Elimination of inter-segment profit	**(78,480)**	(45,629)
Profit before income tax	**138,416**	89,131

5. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest charges on:		
– Bank loans wholly repayable within five years	**2,239**	5,058
– Discounted bills	**868**	628
	3,107	5,686

6. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit before income tax is arrived at after charging/(crediting):		
Directors' remuneration		
– Fees	**150**	154
– Salaries and allowances	**1,828**	1,668
– Retirement benefit scheme contributions	**42**	39
	2,020	1,861
Other staff costs	**29,859**	23,471
Retirement benefit scheme contributions	**1,797**	1,453
Equity-settled share-based payments expenses	**-**	162
Total staff costs	**33,676**	26,947
Amortisation of prepaid land lease payments	**647**	647
Amount of inventories recognised as expense (note i), including	**437,209**	382,769
– Write-down of inventories to net realisable value	**33**	300
– Reversal of write-down of inventories to net realisable value	**(186)**	(106)
Depreciation on property, plant and equipment	**26,520**	21,625
Exchange loss/(gain), net	**1,337**	(60)
Minimum lease payments under operating leases in respect of leasehold properties	**263**	399
Rental income less outgoings	**(434)**	(283)
Direct operating expenses arising from investment properties that generated rental income	**3**	6
Research costs (note ii)	**1,065**	1,195

Notes:

(i) Amount of inventories includes approximately RMB25,251,000 (six months ended 30 June 2012: RMB20,434,000) relating to depreciation expenses and approximately RMB25,898,000 (six months ended 30 June 2012: RMB19,758,000) relating to staff costs. These amounts are also included in the respective total amounts disclosed separately above.

The write-down of inventories of approximately RMB186,000 (six months ended 30 June 2012: RMB106,000) was reversed as the market price of these inventories was increased during the period.

(ii) Research costs include approximately RMB84,000 (six months ended 30 June 2012: RMB83,000) relating to depreciation expenses and approximately RMB374,000 (six months ended 30 June 2012: RMB500,000) relating to staff costs. These amounts are also included in the respective total amounts disclosed separately above.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax - PRC Enterprise Income Tax	**38,598**	16,735
Deferred tax	**26**	58
	38,624	16,793

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 2012: Nil).

Weifang Common Chem Co., Ltd., Shanghai Dehong Chemical Company Limited and Weifang Parasia Chem Co., Ltd. are subject to PRC Enterprise Income Tax at the rate of 25% for the period (six months ended 30 June 2012: 25%).

Pursuant to the relevant laws and regulations in the PRC, Weifang Binhai Petro-Chem Co., Ltd. ("Weifang Binhai") was eligible for certain tax holidays and concessions in the PRC. The tax holidays and concessions were in the form of two years tax exemption from the first profitable year, followed by a 50% reduction of the applicable tax rate in the following three years. PRC Enterprise Income Tax had been provided for Weifang Binhai at the preferential rate of 12.5% for the six month ended 30 June 2012 as this was the fifth profitable year. Weifang Binhai is subject to PRC Enterprise Income Tax at the rate of 25% for the six months ended 30 June 2013.

A government grant obtained by Weifang Binhai for subsidising the construction of the production lines and ancillary facilities for manufacturing of high purity isobutylene, polyisobuylene and chloroacetic acid which was recognised as a deferred income in 2006. As the construction has been completed as at 31 December 2007, the deferred income commenced to release to profit or loss over the useful lives of the relevant assets. Such income is taxable for the year in which it is released to profit or loss.

8. DIVIDENDS

During the period, a final dividend for the year ended 31 December 2012 of 3.8 HKcents per ordinary share (six months ended 30 June 2012: 3.0 HKcents per ordinary share), amounting to approximately RMB25,750,000 (six months ended 30 June 2012: RMB20,760,000) was paid to the shareholders of the Company.

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period attributable to the owners of the Company for the purpose of basic earnings per share	**99,792**	72,338

	Number of ordinary shares Six months ended 30 June	
	2013	2012
	'000 shares	'000 shares
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**846,878**	846,878

There were no dilutive potential ordinary shares for the six months ended 30 June 2013 and 2012.

10. TRADE AND BILLS RECEIVABLE

The Group allows a credit period normally ranging from one month to six months to its trade customers. The bills receivable are non-interest bearing bank acceptance bills and expired in six months 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.

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

	30 June 2013	31 December 2012
	RMB'000	RMB'000
	(unaudited)	(audited)
0 to 90 days	**267,233**	177,754
91 to 180 days	**47,320**	31,167
181 to 365 days	**811**	1,622
Over 365 days	**974**	123
	316,338	210,666

Trade and bills receivable related to a large number of diversified customers for whom there was no recent history of default. Based on past credit policy, management believes that no 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 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.

During the period, the Group discounted part of its bills receivable with full recourse to financial institutions. In the event of default by the debtors, the Group is obliged to pay the financial institutions the amount in default. Interest was charged ranging from 4.69% to 7.35% per annum on the proceeds received from the financial institutions until the date the debtors pay. The Group is therefore exposed to the risks of credit losses and late payment in respect of the discounted bills receivable.

The discounting transactions do not meet the requirements in HKAS 39 for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the discounted bills receivable. As at 30 June 2013, bills receivable of approximately RMB38.6 million (31 December 2012: Nil) continued to be recognised in the Group's financial statements even though they have been legally transferred to the financial institutions. The proceeds of the discounting transactions are included in bank borrowings until the bills receivable is expired or the Group settles any losses suffered by the financial institutions. As at 30 June 2013, the advance obtained from the financial institutions in respect of the unexpired discounted bills receivable included in bank borrowings amounted to approximately RMB38.6 million (31 December 2012: Nil).

11. TRADE PAYABLES

The Group was granted by its suppliers credit periods ranging from 30 to 365 days. The ageing analysis of trade payables at the reporting date, based on the invoice date, is stated as follows:

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
0 to 90 days	**67,784**	15,865
91 to 180 days	**3,105**	757
181 to 365 days	**583**	480
Over 365 days	**986**	396
	72,458	17,498

The carrying amounts of trade payables are denominated in RMB and United States Dollars. All amounts are short term and hence the carrying amounts of trade payables are considered to be a reasonable approximation of fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group attained satisfactory operating results again during the period under review. Both turnover and net profit recorded solid growth as compared to the same period of last year. The growth of turnover was mainly fuelled by the expanded products range, enhanced production capacities for promising products of the Group and tapped new markets over the past few years that met the growing demands. PRC remains the prime market to the Group with over 85.5% of total turnover of the Group arising from this region and turnover of the Group derived from domestic market grew by 32.6% when compared with last corresponding period. During the period under review, the gross profit and gross margin of the Group hit historical high mainly contributable to (i) the continuous decrease of materials cost with relatively stable selling price when compared with last corresponding period; and (ii) enhanced production efficiencies of the Group. The Group continued success in achieving encouraging results underpinned by a steady improvement of gross profit and sound costs control measures during the period under review.

The Group continuously focused on further diversifying its revenue sources and establishing highly efficient production facilities by sustaining investment in research and development of new products and technology advancement activities during the period under review. By virtue of some construction projects for certain potential products will be due for completion in the current and following financial years, these new products will be launched to the market in coming years. These new products will help to boost turnover of the Group in future. The management anticipated that the steady growth of market demands will be maintained in the long run, the Group has increased investment in improving its production efficiencies during the period under review. These efforts will help to drive long term productivity growth and further reduction in unit cost so as to optimise business operation to lay a foundation for the better financial performance of the Group in future.

Cyanide and its derivative products

Following an internal reorganisation at the beginning of the period under review for the purpose of resources allocation and performance assessment of the Group, cyanoacetic acid and its ester products category and sodium cyanide and its derivative products category have been combined into cyanide and its derivative products category. Cyanide and its derivative products category is the core segment of the Group and playing a critical role to sustain the continuous growth of the Group as a whole. The growth of turnover of this product category was resulted from the expansion of production capacities for good potential products that seized additional market share. In addition, new products are kept launching over the past few years targeted on the downstream industries that helped to boost the growth of turnover. The profit of this product category recorded encouraging growth attributed to the decreased materials cost as compared with that of last corresponding period and the strengthened vertically integrated production system induced further cost reduction. In view of the downstream industries will continuously flourish in long term, a production line for a newly developed product has been under construction in the prior financial year and such construction achieved substantial progress during the period under review. Such new product was set to launch in next financial year with an aim to boost turnover and drive the momentum for next tranche of business growth. Besides, the Group has embarked on the enhancement of the productivity of this product category during the period under review. The Directors believe that this strategic move will allow the Group to reinforce its competitive advantages further and secure the sustainable growth of this product category in future. Leveraging on the business edge of the Group and its firm foundation laid in the industry, the Directors are confident to capture emerging business opportunities and maintaining steady growth in foreseeable future.

Alcohol products

The results of alcohol products have performed better than last corresponding period. However, the profit margin of these products was impacted by the limited market space and keen competition. The Group has diverted its resources to other promising products to gain better profit. This product category will be developed stably to secure internal supply.

Chloroacetic acid and its derivative products

The performance of chloroacetic acid and its derivative products recorded continuous improvement during the period under review benefited from the expansion of production scale in the last of financial year. The internal consumption of this product category has increased significantly in order to meet the enlarged production capacities of cyanide and its derivative products category during the period under review. The enhanced scale advantage of this product category has offered the cost savings of cyanide and its derivative products category. It is obvious that the well-development of this product category would support the overall business development of the Group. Currently, the production utilisation rate of this product category is near at peak level. The Board will closely monitor the further development of this product category and make further expansion of the production capacity onwards as and when appropriate.

Fine petrochemical products

During the period under review, the turnover of this product category has slowed down and suffered a squeezed profit margin due to intensive market competition. In addition, a further sinking in profit margin was directly resulted from the increase of material costs and market price fluctuations. Thus, this product category has recorded a segment loss. It is expected that the market conditions will be slightly better in the second half of this year. The Group will closely monitor the changing market conditions and implement various measures to turnaround the business of this production category.

Joint venture company (the “JV Company”)

During the period under review, the Group recorded a share of loss of the JV Company amount of approximately RMB1.6 million which included the initial set up costs and pre-operating expenses. During the period under review, the sales team of the JV Company has been worked proactively and completed the first phase market research study. Responses from potential customers were positive and in line with the expectation which would help to outline the strategy aligning the targeted market. Meanwhile, the engineers from the JV Company spent much effort to build a comprehensive and highly effective safety production system in order to optimise the production efficiencies and safety. It is expected that the commercial production will commence shortly after the completion of production plant construction. Based on the current progress, the Group expects the JV Company could not bring a positive contribution to the Group during the current financial year.

Outlook

The ongoing uncertainty in global economy and the lower level of capacity utilisation rate in the PRC signifying a slowdown of market demands, which in turn impose profit margin pressures to the Group’s products. Despite the Group delivered strong results during the period under review, the business environment for the remaining financial year may not be so favourable to the Group. Nevertheless, the Group is confident about the China’s economic long term outlook. The Group will capitalise its competitive advantages to explore new potential products and upgrade production technology so as to strengthen its on-going competitiveness and capture new business opportunities and thereby expand the sources of revenue as well as optimise the growth pattern of the Group.

The Board remains confident in the underlying fundamentals and the long-term prospects of the Group and believes the Group's continuous efforts have laid a strong business foundation allows the Group to achieve a successful growth path at a quick pace. The Group is now actively seeking other business development opportunities in order to enhance the return to the shareholders of the Company. Albeit the unfavorable market environment, the Board will strive to maintain the growth momentum continuously in the second half of the year and target to achieve stable business growth for the whole financial year.

FINANCIAL REVIEW

Turnover and gross profit of the Group for the six months ended 30 June 2013 amounted to approximately RMB621.5 million and RMB175.7 million respectively, representing an increase of approximately RMB111.7 million and RMB57.2 million or 21.9% and 48.3% as compared with approximately RMB509.8 million and RMB118.5 million recorded in the corresponding period last year. The gross profit margin was also increased by 5.1% to 28.3% (six months ended 30 June 2012: 23.2%). Such satisfactory results were primarily attributable to (i) the Group’s continuous effort in expanding products portfolio and the enhanced production capacity boosting the turnover growth of the Group; (ii) the decrease of raw material costs as compared with corresponding period last year; and (iii) further enhanced production efficiencies during the period under review.

The selling expenses increased by approximately RMB3.0 million from approximately RMB11.4 million in the corresponding period last year to approximately RMB14.4 million. It was mainly attributable to (i) the increase in transportation costs which in line with the growth of turnover; and (ii) the increase in staff costs due to internal reorganisation and expansion of sales and marketing team during the period under review. The selling expenses as a percentage of the Group’s turnover was 2.3% (six months ended 30 June 2012: 2.2%).

The administrative expenses amounted to approximately RMB20.3 million, which was increased by approximately RMB5.1 million from approximately RMB15.2 million in the corresponding period last year. Such increase was principally due to the increase in other local tax and exchange loss during the period under review. The administrative expenses accounted for 3.3% of the Group's turnover, which was higher than 3.0% of the corresponding period last year.

The finance costs represented interest on bank borrowings and discounted bank acceptance bills which were decreased by approximately RMB2.6 million to approximately RMB3.1 million (six months ended 30 June 2012: RMB5.7 million). The decrease was mainly due to decrease in bank borrowing amounts during the period under review.

In light of the marked improvement of turnover and gross profit as well as sound control of operating costs, the net profit amounted to approximately RMB99.8 million, representing an increase of approximately RMB27.5 million or 38.0% as compared with approximately RMB72.3 million recorded in the corresponding period last year.

Liquidity and financial resources

For the six months ended 30 June 2013, the Group's primary source of funding included the net cash inflow generated from operating activities of approximately RMB83.2 million (six months ended 30 June 2012 RMB96.3 million); newly raised bank borrowings of approximately RMB38.6 million (six months ended 30 June 2012: RMB89.6 million); proceeds on disposal of property, plant and equipment of approximately RMB0.4 million (six months ended 30 June 2012: RMB7,000) and interest received of approximately RMB0.1 million (six months ended 30 June 2012: RMB0.4 million). With the financial resources obtained from the Group's operations, the Group had spent approximately RMB67.9 million (six months ended 30 June 2012: RMB40.3 million) in the acquisition of the property, plant and equipment, bank borrowing repayments of approximately RMB16.0 million (six months ended 30 June 2012: RMB77.6 million); no investment made to a joint venture (six months ended 30 June 2012: 28.8 million); no advance payment made to a joint venture (six months ended 30 June 2012: RMB0.5 million); interest paid of approximately RMB3.1 million (six months ended 30 June 2012: RMB5.7 million) and dividend paid of approximately RMB25.8 million (six months ended 30 June 2012: RMB20.8 million).

As at 30 June 2013, the Group had pledged bank deposits and bank and cash balances of approximately RMB59.5 million (31 December 2012: RMB50.0 million). The total amount of outstanding borrowings was approximately RMB96.6 million (31 December 2012: RMB74.0 million). The Group still kept a healthy financial position, the gearing ratio (which is represented by the ratio of net debts (total borrowings net of cash and cash equivalents) to total shareholders' equity) of the Group increased to 4.4% (31 December 2012: 3.1%) is mainly due to increase bank borrowings to finance capital expenditure during the period under review. The net current assets slightly increased to approximately RMB211.6 million (31 December 2012: RMB196.8 million) as a result of the continuous growth operating results during the period under review. The Group plans to continuously expand business scale by investing several capital projects currently and in near future but the planned capital expenditure would not impose significant impact to the overall liquidity of the Group. Besides, given the promising cash inflow generated from the Group's operating activities, existing cash resources and available banking facilities obtained from its banks, the Group has sufficient financial resources to meet its commitments and working capital requirements in foreseeable future. The Group will continuously manage its working capital closely and cautiously and dedicate to keep a sound liquidity position to optimise the equity return to its shareholders.

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

Pledge of assets

As at 30 June 2013, bank deposits of approximately RMB13.5 million (31 December 2012: Nil) were pledged for letter of credit facilities. Prepaid land lease payments of the Group of approximately RMB29.9 million (31 December 2012: RMB30.3 million) were pledged to secure the Group's bank borrowings.

Contingent liabilities

As at 30 June 2013, the Group had no material contingent liabilities.

Exposure to fluctuations in exchange rate

The Group's operation is 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 were denominated in RMB except for the Group's export sales which were, 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, the Group will consider cost-efficient hedging methods to cope with future foreign currency transactions when appropriate.

HUMAN RESOURCES

As at 30 June 2013, the Group has 969 full time employees (31 December 2012: 903 fulltime employees).

The Group has established its human resources policies and procedures with a view to deploying more motivated incentives and rewards of the remuneration system which include a wide range of training and personal development programs to the employees. The remuneration package offered to the staff was in line with the duties and the prevailing market trends. Staff benefits, including medical insurance 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 other incentives or supports to the employees in order to motivate 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 staff of the Group is required to attend an introductory course and there are also various types of training courses available to all 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 was granted during the period under review.

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

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries had redeemed, purchased or sold 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 2013, in compliance with the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of 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 as set out in Appendix 10 to the Listing Rules for securities transactions by Directors. Upon enquiry by the Company, all 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 2013.

The senior management, who, because of their office 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. Liu Hongliang (Chairman of the Nomination Committee) and the two independent non-executive Directors, namely Mr. Leung Kam Wan and Mr. Liu Chenguang. During the period under review, the Nomination Committee has reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board; assessed the independence of independent non-executive Directors; approved and adopted Director succession plan; and made recommendations to the Board on the re-appointment of Directors.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises three independent non-executive Directors, namely Mr. Liu Chenguang (Chairman of the Remuneration Committee), Mr. Guo Baoyu, Mr. Leung Kam Wan and an executive Director Mr. Liu Hongliang. During the period under review, the Remuneration Committee has reviewed and approved the remuneration package of all Directors and senior management of the Company for the year ended 31 December 2013 by reference to the scope duties and responsibilities of the Directors, corporate goals and objectives of the Group, after taking into account also the comparable market conditions. No Director shall participate in any discussion and decision about his own remuneration.

AUDIT COMMITTEE

The Audit Committee of the Company comprises the three independent non-executive Directors, namely Mr. Leung Kam Wan (Chairman of the Audit Committee), Mr. Guo Baoyu and Mr. Liu Chenguang. The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed internal control and financial reporting matters with our management and independent auditor relating to the preparation of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2013. 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 Hongliang
Chairman

Hong Kong, 23 August 2013

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