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 2019

RESULTS HIGHLIGHTS

- Revenue for the six months ended 30 June 2019 was approximately RMB688.1 million, representing an increase of 22.4% as compared with that of the corresponding period last year.
- Gross profit increased by 211.0% to approximately RMB108.4 million.
- Gross profit margin increased to 15.8%, representing an increase of 9.6 percentage points as compared with that of the corresponding period last year.
- Loss for the period attributable to owners of the Company was approximately RMB11.5 million (six months ended 30 June 2018: RMB36.0 million).
- Basic loss per share was approximately RMB0.014 (six months ended 30 June 2018: RMB0.042).
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

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 2019 together with the comparative figures for the corresponding period in 2018 and the selected notes as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2019	2018
	Notes	**RMB'000**	RMB'000
		(unaudited)	(unaudited)
Revenue	4	**688,134**	562,011
Cost of sales		**(579,717)**	(527,147)
Gross profit		**108,417**	34,864
Other income and gains		**2,863**	5,473
Selling expenses		**(29,648)**	(25,281)
Administrative and other operating expenses		**(73,257)**	(54,628)
Finance costs	5	**(1,255)**	(2,870)
Gain on disposal of a subsidiary		**41,565**	-
Impairment loss on amounts due from a former subsidiary		**(41,736)**	-
Profit / (Loss) before income tax	6	**6,949**	(42,442)
Income tax (expense) / credit	7	**(21,079)**	1,266
Loss for the period		**(14,130)**	(41,176)
Loss for the period attributable to :			
Owners of the Company		**(11,543)**	(35,981)
Non-controlling interests		**(2,587)**	(5,195)
		(14,130)	(41,176)
Loss per share for loss attributable to owners of the Company for the period	9		
– Basic		**RMB(0.014)**	RMB(0.042)
– Diluted		**RMB(0.014)**	RMB(0.042)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss for the period	**(14,130)**	(41,176)
Other comprehensive income		
Item that may be reclassified subsequently to income statement:		
– Exchange gains on translation of financial statements of foreign operations	**56**	1,478
Other comprehensive income for the period	**56**	1,478
Total comprehensive income for the period	**(14,074)**	(39,698)
Total comprehensive income attributable to:		
Owners of the Company	**(11,471)**	(34,459)
Non-controlling interests	**(2,603)**	(5,239)
	(14,074)	(39,698)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2019 RMB'000 (unaudited)**	31 December 2018 RMB'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**892,719**	964,300
Right-of-use assets		**46,467**	-
Prepaid land lease payments		**-**	60,742
Investment properties		**22,500**	22,500
Intangible assets		**14,881**	15,783
Deposits paid for acquisition of property, plant and equipment and right-of-use assets		**68,808**	14,093
Deferred tax assets		**14,164**	33,291
		1,059,539	1,110,709
Current assets			
Inventories		**147,044**	139,261
Trade and bills receivable	10	**351,946**	306,517
Prepayments and other receivables		**55,240**	83,050
Pledged bank deposits		**6,767**	2,691
Bank and cash balances		**35,426**	49,105
		596,423	580,624
Current liabilities			
Trade and bills payable	11	**65,489**	45,040
Accruals and other payables		**162,739**	204,923
Contract liabilities		**10,450**	6,917
Provision for legal claims		**-**	17,141
Bank borrowing		**20,000**	20,000
Advances from a non-controlling shareholder		**5,563**	5,546
Advances from ultimate holding company		**83,620**	67,801
Current tax liabilities		**2,720**	1,653
		350,581	369,021
Net current assets		**245,842**	211,603
Total assets less current liabilities		**1,305,381**	1,322,312
Non-current liabilities			
Deferred income		**7,124**	7,775
Deferred tax liabilities		**19,931**	22,137
		27,055	29,912
NET ASSETS		**1,278,326**	1,292,400

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
EQUITY		
Share capital	**7,831**	7,831
Reserves	**1,251,816**	1,263,287
Equity attributable to owners of the Company	**1,259,647**	1,271,118
Non-controlling interests	**18,679**	21,282
Total equity	**1,278,326**	1,292,400

SELECTED NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 2019 (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 2018 (the "**2018 Annual Financial Statements**").

The Unaudited Condensed Financial Information has been prepared in accordance with the same accounting policies adopted in the 2018 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 2019.

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 relevant and effective for the Group's financial year beginning on 1 January 2019.

HKFRS 16	Leases
HK(IFRIC) – Interpretation 23	Uncertainty over Income Tax Treatments
Annual Improvements to HKFRSs 2015 – 2017 Cycle	Amendments to HKAS 12, Income Taxes
Annual Improvements to HKFRSs 2015 – 2017 Cycle	Amendments to HKAS 23, Borrowing Costs
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKFRS 9	Prepayment Features with Negative Compensation

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or revised HKFRSs that are relevant and effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

Impacts and changes in accounting policies of application HKFRS 16 – Leases

HKFRS 16 supersedes HKAS 17 Leases ("**HKAS 17**"), IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application as an adjustment to the opening balance of retained profits as at 1 January 2019. Accordingly, the comparative information presented in 2018 is not restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

(i) Leases previously accounted for as operating leases and the accounting policy of HKFRS 16

The Group has lease contracts for certain office premises. Before the adoption of HKFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight line basis over the lease term. Any prepaid rent and accrued rent were recognised under prepayment and accruals respectively. Upon adoption of HKFRS 16, the Group applied a single recognition and measurement approach for all leases, except for lease contracts with a lease term of 12 months or less or ends within 12 months of the date of initial application and do not contain a purchase option ("**short-term leases**"). The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. For right-of-use asset that meets the definition of an investment property, they are carried at fair value.

Leasehold land and buildings which is held for own use would continue to be accounted for under HKAS 16 and would be carried at cost model. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets. Other than the above right-of-use assets, the Group has leased a number of office premises under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use assets arising from the properties under tenancy agreements are carried at depreciated cost.

Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases

The Group has applied the short-term leases recognition exemption to leases. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Transitions requirement and practical expedients

The Group used the following practical expedients when applying HKFRS 16 to leases previously classified as operating leases under HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease.

– Elected not to apply the requirements in paragraph HKFRS16.C8 to leases for which the lease term ends within 12 months of the date of initial application. In this case, a lessee shall:

    (i) account for those leases in the same way as short-term leases as described in paragraph HKFRS16.6; and
    (ii) include the cost associated with those leases within the disclosure of short-term lease expense in the reporting period that includes the date of initial application.

(ii) Impacts on transition at 1 January 2019

As a result of initially applying HKFRS 16 modified retrospective method, in relation to the leases that were previously classified as operating leases applying HKAS 17, the Group recognised right-of-use assets amounting to RMB62,409,000 as at 1 January 2019. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised.

No lease liabilities as at 1 January 2019 were recognised for leases previously classified as operating leases applying HKAS 17 since all the leases excepted for the prepaid land lease payments are defined as short-term leases with applying the practical expedient under HKFRS 16.

The following table summarised the impact on transition to HKFRS 16 on condensed consolidated statement of financial position as at 31 December 2018 to that as at 1 January 2019 as follows (increase/(decrease)):

Extract of condensed consolidated statement of financial position as at 1 January 2019

	RMB'000
Right-of-use assets	62,409
Prepaid land lease payments	(60,742)
Prepayments and other receivables	(1,667)

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance of lease liabilities recognised as at 1 January 2019:

Reconciliation of operating lease commitment to lease liabilities

	RMB'000
Operating lease commitment as at 31 December 2018	1,872
Less: commitments relating to short-term leases at date of initial application	(1,872)
Total lease liabilities as at 1 January 2019	-

(iii) Impacts for the six months period ended 30 June 2019

The movements of the carrying amounts of the Group's right-of-use assets during the period are set out below:

Right-of-use assets

	RMB'000
As at 1 January 2019	62,409
Amortisation of right-of-use assets	(839)
Disposal of a subsidiary	(15,103)
As at 30 June 2019	46,467

Save as the impact of adoption of HKFRS 16 disclosed above, the application of these amendments in the current interim period has no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The following new or revised HKFRSs, potentially relevant to the Group's condensed consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1 and HKAS 8	Definition of Material[1]

[1] Effective for annual periods beginning on or after 1 January 2020

4. REVENUE AND SEGMENT INFORMATION

The Group manages its businesses by product and service lines. For the six months ended 30 June 2019, 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	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of cyanide and its derivative products	**635,298**	526,668
Sales of alcohol products	**1,996**	4,329
Sales of chloroacetic acid and its derivative products	**30,548**	18,718
Sales of other chemical products	**20,292**	12,296
	688,134	562,011

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 2019	**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 contracts with customers:					
From external customers	**635,298**	**1,996**	**30,548**	**20,292**	**688,134**
Inter-segment revenue	**-**	**725**	**102,376**	**4,044**	**107,145**
Reportable segment revenue	**635,298**	**2,721**	**132,924**	**24,336**	**795,279**
Reportable segment profit	**57,603**	**428**	**31,304**	**4,405**	**93,740**
Reportable segment assets	**1,130,252**	**3,035**	**92,625**	**123,358**	**1,349,270**

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 contracts with customers:					
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

Revenue is recognised at point in 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 condensed consolidated financial statements as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Reportable segment profit	**93,740**	1,139
Rental income	**362**	347
Finance costs	**(1,255)**	(2,870)
Write-off of property, plant and equipment	**(34,847)**	-
Impairment loss on amounts due from a former subsidiary	**(41,736)**	-
Gain on disposal of a subsidiary	**41,565**	-
Unallocated corporate income	**1,104**	1,602
Unallocated corporate expenses (Note)	**(22,878)**	(25,854)
Elimination of inter-segment profit	**(29,106)**	(16,806)
Consolidated profit / (loss) before income tax	**6,949**	(42,442)

Note: Unallocated corporate expenses mainly included staff costs, depreciation and amortisation, other local taxes and research and development costs which are not allocated to the operating segments of the Group.

5. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interests on bank borrowings, all of which contain a repayment on demand clause	**473**	2,819
Interests on advances from a non-controlling shareholder	**-**	51
Interests on advances from ultimate holding company	**782**	-
	1,255	2,870

6. PROFIT / (LOSS) BEFORE INCOME TAX

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit / (Loss) before income tax is arrived at after charging/(crediting):		
Directors' remuneration		
– Fees	**184**	166
– Salaries, discretionary bonus and other benefits	**807**	2,026
– Retirement benefit scheme contributions	**27**	69
	1,018	2,261
Other employee costs	**69,951**	65,056
Retirement benefit scheme contributions	**4,647**	4,611
Total employee costs	**75,616**	71,928
Amortisation of prepaid land lease payments	**-**	839
Amortisation of right-of-use assets	**839**	-
Cost of inventories recognised as an expense (note (i)), including	**578,290**	517,641
– Reversal of write-down of inventories to net realisable value	**(4,458)**	(2,024)
– Write-down of inventories to net realisable value	**1,300**	1,265
Depreciation on property, plant and equipment	**54,137**	50,389
Write-off of property, plant and equipment	**34,847**	18,261
Exchange (gains) / losses, net	**(130)**	2,464
Impairment loss on trade receivables	**3,593**	1,373
Impairment loss on amounts due from a former subsidiary	**41,736**	-
Lease payments in respect of short-term leases	**1,061**	950
Rental income less outgoings	**(338)**	(344)
Research costs (note (ii))	**13,852**	4,141

Notes:

(i) Cost of inventories recognised as an expense includes RMB51,795,000 (six months ended 30 June 2018: RMB48,417,000) relating to depreciation expenses and RMB58,770,000 (six months ended 30 June 2018: RMB55,984,000) relating to employee costs. These amounts are also included in the respective total amounts disclosed separately above.

The write-down of inventories in previous financial periods of RMB4,458,000 (six months ended 30 June 2018: RMB2,024,000) was reversed as the net realisable values of these inventories were increased during the period.

(ii) Research costs include RMB440,000 (six months ended 30 June 2018: RMB371,000) relating to depreciation expenses and RMB5,294,000 (six months ended 30 June 2018: RMB1,934,000) relating to employee costs. These amounts are also included in the respective total amounts disclosed separately above.

7. INCOME TAX EXPENSE / (CREDIT)

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax - PRC Enterprise Income Tax		
- Tax for the period	**3,783**	5,112
- PRC dividend withholding tax	**375**	6,681
	4,158	11,793
Deferred tax		
- Charged / (Credited) for the period	**16,921**	(13,059)
Income tax expense / (credit)	**21,079**	(1,266)

No provision for Hong Kong Profits Tax has been made as no assessable profit arising from Hong Kong (six months ended 30 June 2018: 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 2018: 25%).

The Group has adopted 10% withholding tax rate for PRC withholding tax purpose for the period ended 30 June 2019 (six months ended 30 June 2018: 10%).

8. DIVIDEND

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
No final dividend paid for the financial year ended 31 December 2018 (2018: for the financial year ended 31 December 2017 of HK$0.01 per share)	**-**	7,183

The Directors do not recommend the payment of interim dividend (six months ended 30 June 2018: Nil) in respect of the six months period ended 30 June 2019.

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company	**(11,543)**	(35,981)

	Number of ordinary shares	
	Six months ended 30 June	
	2019	2018
	'000 shares	'000 shares
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**851,954**	849,600

For the six months ended 30 June 2019 and 2018, diluted loss per share for loss attributable to owners of the Company was the same as basic loss per share because the impact of the share options is anti-dilutive.

10. TRADE AND BILLS RECEIVABLE

The Group allows a credit period normally ranging from 1 month to 6 months (31 December 2018: ranging from 1 month to 6 months) to its trade customers. Bills receivable are non-interest bearing bank acceptance bills and are aged within a year (31 December 2018: 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 loss allowance) at the reporting date, based on the invoice date, is as follows:

	30 June 2019	31 December 2018
	RMB'000	RMB'000
	(unaudited)	(audited)
0 to 90 days	**272,349**	260,641
91 to 180 days	**60,838**	31,803
181 to 365 days	**8,556**	2,168
Over 365 days	**10,203**	11,905
	351,946	306,517

Trade and bills receivable related to a large number of diversified customers that had a good track record of credit with the Group. Certain trade receivables of RMB14,701,000 (31 December 2018: RMB11,695,000) past due but not impaired are secured by land and properties owned by the debtors. Based on past credit record, management of the Group 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.

As at 30 June 2019, bills receivable included an amount of RMB6,480,000 (31 December 2018: Nil) which was pledged for bills payable of RMB3,680,000 (31 December 2018: Nil).

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 2018: ranging from 30 to 180 days). Bills payable are non-interest bearing bank acceptance bills and aged within 6 months (31 December 2018: 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 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
0 to 90 days	**57,693**	38,449
91 to 180 days	**6,352**	4,551
181 to 365 days	**408**	1,096
Over 365 days	**1,036**	944
	65,489	45,040

As at 30 June 2019, bills receivable of RMB6,480,000 (31 December 2018: Nil) and pledged bank deposits of RMB6,767,000 (31 December 2018: Nil) were pledged for bills payable of RMB12,447,000 (31 December 2018: Nil).

The carrying amounts of trade and bills payable 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

The business environment remained challenging during the period under review. Due to the escalating tension in the Sino-US trade dispute, the economy of the PRC was losing steam. Besides, the stringent regulatory requirements of the PRC government regarding safety and environmental protection exerted further pressure on chemical enterprises operating in the PRC. As a result of intensified market competition, a further decrease in the average selling prices of the Group's products was recorded. To cope with the challenging business environment, the Group acted swiftly to adjust its business strategies, adopt proactive sales and marketing strategies, employ a market-oriented approach to fine turn the composition of product portfolio of the Group, focus on the products with market potential for further promotion and development, and explore new markets and expand customer base constantly. As a result, the Group successfully jump-started the business performance and recaptured its market share. Both sales volume and revenue of the Group increased as compared with the corresponding period of last year. In addition, the Group is capable to source raw materials cost-effectively by adopting effective procurement strategies and thus the cost of raw materials was reduced. Coupling with the declined overall price of raw materials, the cost of raw materials of the Group decreased as compared with the corresponding period of last year. Furthermore, the Group concurrently implemented effective cost control comprehensively to enhance production efficiency. Both gross profit and gross profit margin of the Group improved significantly as compared with the corresponding period of last year. However, the Board decided to cease the production activities of Jiangsu Chunxiao Pharmaceutical & Chemical Co., Ltd. (江蘇春曉醫藥化工科技有限公司) ("**Jiangsu Chunxiao**"), a former wholly-owned subsidiary of the Company, in April 2019 to save and reallocate resources to other core business activities of the Group. Consequently, a one-off impairment loss on the property, plant and equipment due to cessation of production of Jiangsu Chunxaio affected the financial results of the Group. The Group eventually reported a net loss for the period under review.

The Group completed the disposal of the entire equity interest in Jiangsu Chunxiao on 28 June 2019. The Group re-allocated resources and concentrated to develop its core business activities thereafter. For further details, please refer to the announcement of the Company dated 27 June 2019.

Despite the Group recorded a net loss in its financial results during the period under review, the external uncertain factors have been gradually tapered off. The Group's senior management has grasped the current business situation and implemented several effective countermeasures to improve the business competitive edges of the Group progressively. Meanwhile, the Group has constructed production lines for two new products in 2017. One of them has been launched to the market and made contribution to the Group's revenue during the period. As at the date of this announcement, the Group obtained approval from the relevant local authorities for sales and manufacturing of the other new product and the trial production has been commenced. The Group believes that following the commercial production of this new product, the product portfolio of the Group will be further enriched, and the advantages of a vertically integrated business model of the Group will be further enhanced. Besides, the Group has increased investment in the research and development to broaden its products portfolio, optimise its deployment of production capacity and improve the product layout strategy with an aim to sustain its long-term business growth.

During the period under review, the Group has kicked-off the relocation of the production facilities of Weifang Parasia Chem Co., Ltd. ("**Weifang Parasia**"), a wholly-owned subsidiary of the Company. The production facilities of Weifang Parasia will be relocated to the production site of Weifang Binhai Petro-Chem Co., Ltd. ("**Weifang Binhai**"), a wholly-owned subsidiary of the Company, by phases. The relocation would be carried out orderly without materially and negatively impact on the production and operation of the Group as a whole. The Group believes that upon the completion of the relocation, the resource allocation will be more effective, the circular economy production will be further deepened, and the overall operating costs will be reduced, all of which will benefit to future business development of the Group.

Cyanide and its derivative products

Cyanide and its derivatives are the core products which accounted for 92.3% of the total revenue of the Group. During the period under review, in spite of challenging business environment and intensifying market competition, the revenue of this segment increased as compared with the corresponding period of last year on the back of higher sales volume attributable to proactive sales and marketing strategies. The combined effect of the decrease in the cost of raw materials and implementation of effective production and operation controls during the period under review resulted in significant improvement in the profit of this segment. The Group will continue to adopt effective marketing strategies and increase the investment in the research and development to drive the growth of this segment going forward.

Alcohol products and chloroacetic acid and its derivative products

The other two segments of products of the Group comprised alcohol products and chloroacetic acid and its derivative products, both of which are playing a supporting role in the production of cyanide and its derivative products by way of internal consumption. During the period under review, the external revenue from alcohol products decreased while the external revenue from chloroacetic acid and its derivative products increased. The aggregate revenue of these two product segments accounted for 4.7% of the total revenue of the Group. The Group will ensure sufficient internal supply stably, and continuously enhance production and operation efficiency of these segments with an aim to strengthening the cost competitiveness of cyanide and its derivative products.

Outlook

As regards to the outlook for remaining financial year of 2019, the PRC economy shows signs of further slowing. The consolidation towards the chemical industry and fierce market competition exerted pressure on product prices persistently. Besides, the requirements on safety and environmental protection governance by the state will drive up the manufacturing costs of the chemical enterprises. Against the backdrop of the challenging business environment, the Group will take prudent approach, including focusing its efforts on the sales and marketing resilience, cost reductions, productivity improvement, continuous streamlining of operational efficiency etc. in order to uplift the profit margin on an ongoing basis. In the meantime, the Group will enhance new product development strategies by proactively developing new products to tap potential markets as well as increasing the optimalisation of production capacity to enhance economies of scale. The Group believes that these measures can promote business and improve the results of the Group so as to align with the Group's sustainable business development.

The Board is cautiously optimistic in the underlying business, development strategies and long-term prospects of the Group. It is believed that the Group will sustain steady and robust development in the future. It has always been part of unswerving commitment of the Board to enhance return to the shareholders of the Company.

DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

FINANCIAL REVIEW

Revenue and gross profit

By virtue of the effective sales and marketing strategies adopted by the Group to boost the sales volume and recapture market shares, the revenue of the Group for the six months ended 30 June 2019 reached approximately RMB688.1 million, representing an increase of approximately RMB126.1 million or 22.4% as compared with approximately RMB562.0 million recorded in the corresponding period last year despite the average selling price decreased further caused by the keen market competition. The gross profit of the Group also increased substantially to approximately RMB108.4 million, representing an increase of approximately RMB73.5 million or 211.0% as compared with approximately RMB34.9 million recorded in the corresponding period last year. The increase in gross profit was mainly due to (i) adopting effective procurement strategies to source raw materials more cost effectively; (ii) declining in the overall price of raw materials; and (iii) controlling the production overheads effectively. The gross profit margin for the six months ended 30 June 2019 increased by 9.6 percentage points to 15.8% (six months ended 30 June 2018: 6.2%).

Gain on disposal of a subsidiary and impairment loss on amounts due from a former subsidiary

On 28 June 2019, the Group has completed the disposal of the entire registered and paid up capital of Jiangsu Chunxiao at a total consideration of RMB990,000 (the "**Disposal**"). The net proceeds of the Disposal has been used as general working capital of the Group. For details, please refer to the announcement of the Company dated 27 June 2019. After the Disposal, the Group has carried out an impairment test assessment for the long overdue debt owing by Jiangsu Chunxaio. The total amount due from Jiangsu Chunxiao to the Group as at 30 June 2019 was approximately RMB61,273,000, out of which an amount approximately of RMB41,736,000 is unsecured and highly unlikely recoverable in the foreseeable future. Hence, impairment loss on amounts due from this former subsidiary was recognised during the period.

Operating expenses

Selling expenses increased by approximately RMB4.4 million from approximately RMB25.3 million in the corresponding period last year to approximately RMB29.7 million. Such increase was mainly due to the increase in transportation costs and sales commission expenses.

The selling expenses accounted for 4.3% of the Group’s revenue (six months ended 30 June 2018: 4.5%).

Administrative and other operating expenses amounted to approximately RMB73.3 million, which increased by approximately RMB18.7 million from approximately RMB54.6 million in the corresponding period in last year. The increase was principally due to (i) the written off of property, plant and equipment of Jiangsu Chunxiao of an amount of approximately RMB34.9 million (six months ended 30 June 2018: RMB18.3 million) and (ii) an increase in research and development expenses during the period under review. The administrative and other operating expenses accounted for 10.6% of the Group’s revenue (six months ended 30 June 2018: 9.7%).

Finance costs represented interests on bank borrowing and advances from the ultimate holding company which decreased by approximately RMB1.6 million to approximately RMB1.3 million (six months ended 30 June 2018: RMB2.9 million) as compared with the corresponding period last year. As the Group obtained new finance from the ultimate holding company since the second half of 2018, the interest rate for the advances from ultimate holding company is lower than that of bank borrowing, this accounted for the decrease of finance cost during the period under review.

Loss for the period

As mentioned previously, the gain on disposal of Jiangsu Chunxiao was almost off-set by the impairment loss on amounts due from Jiangsu Chunxiao due to the Disposal. While the cessation of production of Jiangsu Chunxiao led to the written-off of property, plant and equipment causing a net loss for the period attributable to owners of the Company amounting to approximately RMB11.5 million (six months ended 30 June 2018: RMB36.0 million). Excluding the impacts of such one-off items, the profit for the period attributable to owners of the Company should reach approximately RMB23.5 million.

Trade and bills receivable

As at 30 June 2019, trade receivables (net of loss allowance) increased to approximately RMB232.2 million, representing an increase of approximately RMB33.5 million or 16.9% as compared with approximately RMB198.7 million recorded as at 31 December 2018. About 74.7% of trade receivables were incurred in the second quarter of this year which are not yet due, 17.4% of trade receivables were incurred in the first quarter of this year and 7.9% of trade receivables are overdue over 180 days. Up to the date of this announcement, over 51.0% of trade receivables have been subsequently settled. After assessing the creditworthiness of these customers, the Directors considered that no further bad debt allowance is required on the balance of trade receivables as at 30 June 2019.

As at 30 June 2019, bills receivable amounted to approximately RMB119.7 million and increased by approximately RMB11.9 million or 11.0% as compared with the balance of approximately RMB107.8 million recorded as at 31 December 2018. 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 reputable 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 borrowing and advances from the ultimate holding company

Short-term bank borrowing was raised in the PRC at floating interest rates and is denominated in Renminbi. As at 30 June 2019, short-term bank borrowing was RMB20.0 million, which was no change as compared with the balance as at 31 December 2018. The advances from the ultimate holding company amounted to approximately RMB83.6 million, representing an increase of approximately RMB16.1 million or 23.9% as compared with the balance of approximately RMB67.8 million as at 31 December 2018. The increase in advances from the ultimate holding company was mainly to finance the general working capital of the Group and accrued interest.

Liquidity and financial resources

For the six months ended 30 June 2019, the Group's primary sources of funding included the net cash inflow generated from operating activities of approximately RMB55.7 million (six months ended 30 June 2018: RMB35.6 million), newly raised bank borrowing of RMB20.0 million (six months ended 30 June 2018: RMB20.0 million), newly raised advances from the ultimate holdings company of approximately RMB15.0 million (six months ended 30 June 2018: Nil), net proceeds from the disposal of a subsidiary of approximately RMB1.0 million (six months ended 30 June 2018: Nil) and interest received of approximately RMB0.2 million (six months ended 30 June 2018: RMB1.1 million). With the financial resources generated by the Group's operations, the Group had spent approximately RMB80.5 million (six months ended 30 June 2018: RMB68.0 million) in the acquisition of the property, plant and equipment, bank borrowing repayment of RMB20.0 million (six months ended 30 June 2018: RMB54.7 million), interest paid of approximately RMB0.5 million (six months ended 30 June 2018: RMB2.8 million) and there was no dividend payment made (six months ended 30 June 2018: RMB7.2 million).

As at 30 June 2019, the Group had pledged bank deposits and bank and cash balances of approximately RMB42.2 million (31 December 2018: RMB51.8 million). The total amount of outstanding borrowings was approximately RMB108.0 million (31 December 2018: RMB92.9 million). The gearing ratio of the Group (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 5.2% (31 December 2018: 3.2%). The net current assets increased to approximately RMB245.8 million (31 December 2018: RMB211.6 million) as a result of the improved operating activities 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 credit facilities obtained from the banks and the ultimate holding company, the Group is capable of meeting its foreseeable capital commitments and working capital requirements. Nevertheless, the Group will continue to manage its working capital closely and cautiously and dedicate itself to keeping a sound liquidity position to support future business expansion.

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

Pledge of assets

As at 30 June 2019, a bank deposit of approximately RMB6.8 million (31 December 2018: Nil) and bills receivables of approximately RMB6.5 million (31 December 2018: Nil) were pledged for bank acceptance bills facilities and no other pledged bank deposit (31 December 2018: RMB2.0 million bank deposit was a security deposit requested by the relevant local authority to assure compliance of local environmental and safety production practices and bank accounts with deposits of approximately RMB0.7 million were frozen to secure litigation cases under the PRC court orders).

Contingent liabilities

As at 30 June 2019, the Group had no material contingent liabilities (31 December 2018: 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 fluctuations was caused by the impact of RMB exchange rate movements 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. However, the Group has not experienced any material difficulties or effects on its operations or liquidity as a result of the fluctuations in currency exchange rates during the period under review. Besides, the Group will consider adoption of cost efficient hedging methods in the future foreign currency transactions as and when appropriate.

HUMAN RESOURCES

As at 30 June 2019, the Group has 1,370 full-time employees (31 December 2018: 1,428 full time employees). The decrease in the number of employees was mainly due to the effort to streamline business operations of the Group resulting in manpower reduction and the disposal of Jiangsu Chunxiao during the period under review.

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

The employees would receive discretionary bonuses and monetary rewards based on their ratings in annual performance appraisals of the Group. The Group also offered rewards or other incentives to the employees in order to motivate their personal growth and career development, such as ongoing opportunities for training to enhance their technical and 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 2019, 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 2019, 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 exact 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 2019.

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. Liu Yang, an executive Director, 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.

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. Liu Yang, an executive Director, as the three other members. During the period under review, no meeting has been held for the Remuneration Committee.

AUDIT COMMITTEE

The 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 with the independent auditor of the Company on the nature and scope of the audit and reporting obligations; and (iv) 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, 26 August 2019

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.