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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 609)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

RESULTS HIGHLIGHTS

- Revenue increased by 17.1% to approximately RMB1,381.1 million (2018: RMB1,179.3 million).
- Gross profit increased by 184.4% to approximately RMB185.4 million (2018: RMB65.2 million).
- Gross profit margin increased to 13.4% (2018: 5.5%), representing an increase of 7.9 percentage points.
- Profit for the year attributable to owners of the Company was approximately RMB21.5 million (2018: loss attributable to owners of the Company was RMB61.1 million).
- EBITDA increased by 328.7% to approximately RMB146.2 million (2018: RMB34.1 million).
- Basic earnings per share was approximately RMB0.025 (2018: basic loss per share was RMB0.072).
- The Directors do not recommend the payment of any final dividend for the year ended 31 December 2019 (2018: Nil).

The board (the "**Board**") of directors (the "**Directors**") of Tiande Chemical Holdings Limited (the "**Company**") hereby announces the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019 together with the comparative figures for the corresponding period in 2018 with the selected notes as follows:

CONSOLIDATED INCOME STATEMENT

		FOR THE YEAR ENDED 31 DECEMBER	
		2019	2018
	Notes	**RMB'000**	RMB'000
Revenue	3	**1,381,138**	1,179,300
Cost of sales		**(1,195,751)**	(1,114,146)
Gross profit		**185,387**	65,154
Other income and gains		**6,820**	22,415
Revaluation gain on investment properties		**1,400**	2,100
Selling expenses		**(50,830)**	(52,573)
Administrative and other operating expenses		**(124,899)**	(88,730)
Finance costs		**(4,206)**	(4,628)
Impairment loss on goodwill		-	(17,668)
Gain on disposal of a subsidiary		**41,565**	-
Impairment loss on amounts due from a former subsidiary		**(24,720)**	-
Profit / (Loss) before income tax	4	**30,517**	(73,930)
Income tax (expense) / credit	5	**(18,870)**	5,214
Profit / (Loss) for the year		**11,647**	(68,716)
Profit / (Loss) for the year attributable to:			
Owners of the Company		**21,507**	(61,058)
Non-controlling interests		**(9,860)**	(7,658)
		11,647	(68,716)
Earnings / (Loss) per share for profit / (loss) attributable to owners of the Company for the year	7		
- Basic and diluted		**RMB0.025**	RMB(0.072)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	FOR THE YEAR ENDED 31 DECEMBER	
	2019	2018
	RMB'000	RMB'000
Profit / (Loss) for the year	**11,647**	(68,716)
Other comprehensive income		
Items that may be reclassified subsequently to the income statement:		
Exchange loss on translation of financial statements of foreign operations	**(211)**	(226)
Other comprehensive income for the year	**(211)**	(226)
Total comprehensive income for the year	**11,436**	(68,942)
Total comprehensive income for the year attributable to :		
Owners of the Company	**21,430**	(61,030)
Non-controlling interests	**(9,994)**	(7,912)
	11,436	(68,942)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		AS AT 31 DECEMBER	
	Notes	**2019 RMB'000**	2018 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**1,108,946**	964,300
Right-of-use assets		**75,427**	-
Prepaid land lease payments		**-**	60,742
Investment properties		**23,900**	22,500
Intangible asset		**13,979**	15,783
Deposits paid for acquisition of property, plant and equipment		**29,130**	14,093
Deferred tax assets		**27,419**	33,291
		1,278,801	1,110,709
Current assets			
Inventories		**102,406**	139,261
Trade and bills receivable	8	**290,004**	306,517
Prepayments and other receivables		**63,451**	83,050
Current tax assets		**3,300**	-
Pledged bank deposits		**6,902**	2,691
Bank and cash balances		**164,505**	49,105
		630,568	580,624
Current liabilities			
Trade and bills payable	9	**44,443**	45,040
Accruals and other payables		**267,405**	204,923
Contract liabilities		**15,803**	6,917
Provision for legal claims		**-**	17,141
Bank borrowings		**170,000**	20,000
Advances from a non-controlling shareholder		**5,682**	5,546
Advances from the ultimate holding company		**64,659**	67,801
Current tax liabilities		**10,415**	1,653
		578,407	369,021
Net current assets		**52,161**	211,603
Total assets less current liabilities		**1,330,962**	1,322,312
Non-current liabilities			
Deferred income		**6,473**	7,775
Deferred tax liabilities		**20,653**	22,137
		27,126	29,912
NET ASSETS		**1,303,836**	1,292,400
EQUITY			
Share capital		**7,831**	7,831
Reserves		**1,284,717**	1,263,287
Equity attributable to the Company's owners		**1,292,548**	1,271,118
Non-controlling interests		**11,288**	21,282
TOTAL EQUITY		**1,303,836**	1,292,400

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("**HKFRS**"), Hong Kong Accounting Standards ("**HKAS**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited.

On 27 June 2019, Shanghai Dehong Chemical Co. Ltd ("**Shanghai Dehong**"), an indirect wholly-owned subsidiary of the Company, entered into a disposal agreement with an independent third party pursuant to which Shanghai Dehong agreed to sell entire equity interests in Jiangsu Chunxiao Pharmaceutical & Chemical Co. Ltd ("**Jiangsu Chunxiao**"), an indirect wholly-owned subsidiary of the Company, which is principally engaged in manufacturing and sale of fine chemical products, at a cash consideration of RMB990,000 (the "**Disposal**"). The Disposal was completed on 28 June 2019. Other than stated as above, there were no significant changes in the Group's operations during the year.

The functional currency of the Company is Hong Kong Dollars ("**HK$**"). The consolidated financial statements are 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.

2. ADOPTION OF NEW OR AMENDED HKFRSs

(a) New or amended standards adopted by the Group

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations ("**new or amended HKFRSs**") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2019.

HKFRS 16	Leases
HK(IFRIC) – Int 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

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are relevant to 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 of HKFRS 16 - Leases

HKFRS 16 supersedes HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an arrangement contains a Lease, HK(SIC)-Int15 Operating Leases - Incentives and HK(SIC)-Int 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 continues 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 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 under HKFRS 16

The Group has lease contracts for certain office premises and certain lands. 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 or amortisation expenses in profit or loss on a straight line basis over the lease term. Any prepaid rent and accrued rent were recognised under prepaid land lease payments or 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 ends within 12 months of the date of initial application or less 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 or amortisation 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 assets at the end of the lease terms, the recognised right-of-use assets are depreciated or amoritsed on a straight-line basis over the shorter of its estimated useful lives and the lease terms. Right-of-use assets are subject to impairment. For right-of-use assets that meets the definition of an investment property, it is carried at fair value.

Lease liabilities
At the commencement date of the leases, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease terms. 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:

  (i) accounts for those leases in the same way as short-term leases as described in paragraph HKFRS16.6; and
  (ii) includes 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 the modified retrospective method under HKFRS 16, in relation to the leases that were previously classified as operating leases applying HKAS 17, the Group recognised RMB62,409,000 of right-of-use assets as at 1 January 2019. 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 leases, excepted for prepaid land lease payments, are defined as short-term leases with applying the practical expedient under HKFRS 16.

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

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 for lease liabilities recognised as at 1 January 2019:

Reconciliation of operating lease commitments to lease liabilities

	RMB'000
Operating lease commitments 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 year ended 31 December 2019

Movements of the carrying amounts of the Group's right-of-use assets during the year are set out below:

	RMB'000
As at 1 January 2019	62,409
Additions	29,600
Amortisation during the year	(1,479)
Disposal of a subsidiary	(15,103)
As at 31 December 2019	75,427

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

(b) New or amended HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

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

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

The Group is not yet in a position to state whether these amendments will result in substantial changes to the Group's accounting policies and financial statements.

3. REVENUE AND SEGMENT INFORMATION

In previous years, the Group 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.

For the year ended 31 December 2019, the chief operating decision makers of the Group (the "**CODM**") has reassessed and identified that the research and development, manufacture and sale of fine chemical products of the Group operates as single operating segment. The single operating segment is reported in a manner consistent with the internal financial information reporting provided to the CODM.The impact of this change in the Group's reportable operating segments for the year ended 31 December 2018 is considered retrospectively and the Group's segment information is re-presented as if the Group had been operating as a single operating segment since the beginning of that year.

Revenue for sale of fine chemical products 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 Group's disaggregated revenue from external customers are divided into the following geographical areas:

	FOR THE YEAR ENDED 31 DECEMBER	
	2019	2018
	RMB'000	RMB'000
The PRC (domicile)	**1,081,643**	871,748
India	**88,859**	103,152
United States of America	**43,489**	58,934
Spain	**21,219**	11,509
Taiwan	**20,262**	15,111
Others	**125,666**	118,846
	1,381,138	1,179,300

The geographical location of customers is based on the location at which the goods are delivered. No geographical location of the non-current assets is presented as the substantial non-current assets are physically based in the PRC.

There was no single customer that contributed to 10% or more of the Group's revenue for the year ended 31 December 2019 (2018: Nil).

4. PROFIT / (LOSS) BEFORE INCOME TAX

	FOR THE YEAR ENDED 31 DECEMBER	
	2019	2018
	RMB'000	RMB'000
Profit / (Loss) before income tax is arrived at after charging/(crediting):		
Directors' remuneration		
- Fees	**380**	355
- Salaries, discretionary bonus and other benefits	**1,680**	2,667
- Retirement benefit scheme contributions	**57**	102
	2,117	3,124
Other employee costs	**138,379**	121,343
Retirement benefit scheme contributions	**9,117**	9,727
Total employee costs	**149,613**	134,194
Auditor's remuneration	**808**	789
Amortisation of prepaid land lease payments	**-**	1,679
Amortisation of right-of-use assets (note (i))	**1,479**	-
Amortisation of an intangible asset	**1,804**	1,803
Cost of inventories recognised as an expense (note (ii)), including	**1,187,692**	1,097,179
- Reversal of write-down of inventories to net realisable value, net (note (iii))	**(2,810)**	(3,761)
Depreciation on property, plant and equipment	**108,227**	99,945
Exchange losses, net	**-**	366
Write-off of property, plant and equipment	**34,847**	23,538
Write-off of prepaid land lease payments	**-**	421
Impairment losses on trade receivables	**3,759**	3,822
Loss on disposals of property, plant and equipment, net	**1**	556
Lease payments in respect of short-term leases	**2,146**	2,277
Research costs (note (iv))	**36,291**	5,793

Notes:

(i) The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as lessee is required to amortise these right-of-use assets. Under this method, the comparative information has not been restated as described in note 2(a).

(ii) Cost of inventories includes approximately RMB103,862,000 (2018: RMB95,192,000) relating to depreciation expenses and approximately RMB116,119,000 (2018: RMB105,682,000) relating to employee costs. These amounts are included in the respective total amounts disclosed separately above.

(iii) The reversals are mainly due to decrease of weighted average production cost of certain finished goods held on hand as at 31 December 2018 and 2019.

(iv) Research costs include approximately RMB762,000 (2018: RMB798,000) relating to depreciation expenses and approximately RMB11,082,000 (2018: RMB2,994,000) relating to employee costs. These amounts are included in the respective total amounts disclosed separately above.

5. INCOME TAX EXPENSE / (CREDIT)

	FOR THE YEAR ENDED 31 DECEMBER	
	2019	2018
	RMB'000	RMB'000
Current tax - PRC Enterprise Income Tax		
- Tax for the year	**14,520**	3,142
- (Over) / Under-provision in prior year	**(108)**	197
PRC dividend withholding tax paid	**375**	10,787
	14,787	14,126
Deferred tax		
- Derecognition of deferred tax assets in relations to tax losses previously recognised	**7,433**	-
- Credited for the year	**(3,350)**	(19,340)
Income tax expense / (credit)	**18,870**	(5,214)

No provision for Hong Kong Profits Tax has been made as no assessable profit derived from Hong Kong.

The subsidiaries established in the PRC are subject to the PRC Enterprise Income Tax at the rate of 25% for 2019 (2018: 25%).

Pursuant to the PRC Corporate Income Tax Law and its related regulations, non-PRC-resident enterprises are levied withholding tax at 10% (unless reduced by tax treaties/arrangements) on dividends receivable from PRC enterprises for profits earned since 1 January 2008. The Group has adopted 10% (2018: 10%) withholding tax rate for PRC withholding tax purpose for the year ended 31 December 2019.

6. DIVIDENDS

	FOR THE YEAR ENDED 31 DECEMBER	
	2019	2018
	RMB'000	RMB'000
No final dividend paid in respect of prior year (2018: HK$0.01 per share)	-	7,183

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2019 (2018: Nil).

7. EARNINGS / (LOSS) PER SHARE

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

	FOR THE YEAR ENDED 31 DECEMBER	
	2019	2018
	RMB'000	RMB'000
Profit / (Loss) for the year attributable to owners of the Company	**21,507**	(61,058)

	NUMBER OF ORDINARY SHARES	
	2019	2018
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings / (loss) per share	**851,954**	851,954

Diluted earnings/(loss) per share for profit/(loss) attributable to owners of the Company for the year ended 31 December 2019 and 2018 were the same as basic earnings/(loss) per share. There were no dilutive potential ordinary shares for the year ended 31 December 2019 and 2018 because the exercise prices of the Company's share options were higher than the average market prices for shares.

8. TRADE AND BILLS RECEIVABLE

The Group allows credit periods normally ranging from one month to six months (2018: one month to six months) to its trade customers. Bills receivable are non-interest bearing bank acceptance bills and aged within a year (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.

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

	AS AT 31 DECEMBER	
	2019	2018
	RMB'000	RMB'000
0 to 90 days	**222,001**	260,641
91 to 180 days	**30,998**	31,803
181 to 365 days	**28,138**	2,168
Over 365 days	**8,867**	11,905
	290,004	306,517

9. TRADE AND BILLS PAYABLE

Trade and bills payable normally have the credit periods ranging from 30 to 270 days (2018: 30 to 180 days). Ageing analysis of trade and bills payable at the reporting date, based on the invoice date, is as follows:

	AS AT 31 DECEMBER	
	2019	2018
	RMB'000	RMB'000
0 to 90 days	**25,651**	38,449
91 to 180 days	**11,315**	4,551
181 to 365 days	**6,648**	1,096
Over 365 days	**829**	944
	44,443	45,040

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

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the shareholders of the Company (the "**Shareholders**") who are entitled to attend and vote at the forthcoming annual general meeting of the Company (the "**2020 AGM**"), the register of members of the Company will be closed from Tuesday, 9 June 2020 to Friday, 12 June 2020, both days inclusive. In order to qualify for the right to attend and vote at the 2020 AGM, all transfers accompanied by the relevant share certificates should be lodged with the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716 on the 17th Floor of Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 8 June 2020.

BUSINESS REVIEW

During the year under review, the adverse external business conditions from previous year remained unabated. As a result of the PRC government persistently imposing more stringent standards of safety and environmental protection policies, higher operating and compliance costs of the overall chemical enterprises continuously and ended up in accelerating pace of industry consolidation and intensified market competitive landscape. Thus, the weighted average selling price of the products of the Group continued to fall during the year. In addition, escalating tension in the Sino-US trade dispute exerted downward pressure to the entire PRC manufacturing sector while the overseas turnover of the Group had been affected adversely and inevitably.

To deal with such challenging business environment, the Group acted swiftly to adjust its business strategies and adopted various effective improvement measures, which mainly included: (i) implementing proactive sales and marketing strategies to employ market-oriented approach to map out product development direction of the Group and make extra effort to explore new markets to expand customer base so as to regain market share. This measure paid off in the end and the revenue of the Group bucked the trend by increased sales volume as compared with last year; (ii) introducing effective procurement strategies to source raw materials cost-effectively while the market prices of raw materials have also retreated generally. These two factors combined together causing the cost of raw materials decreased remarkably as compared with last year; and (iii) adopting various effective cost control measures on production overhead and repositioning of jobs to streamline workflow at production plant, resulting in enhanced production efficiencies. All these measures contributed to significant improvement in the gross profit and gross profit margin of the Group as compared with last year. Besides, the Group executed various effective cost control measures on operations comprehensively that contained operating expenses and boosted operational efficiencies. The aforementioned combine efforts finally paid-off, the Group was capable to turnaround its business performance and achieved net profit for the year.

The Board decided to cease the production activities of Jiangsu Chunxiao in April 2019 due to the environmental pollution issues in the area where its production plant was located. For further details, please refer to the announcement of the Company dated 18 April 2019. Consequently, a related one-off impairment loss on the property, plant and equipment was incurred during the year under review. With an aim to conserve, concentrate and relocate resources on the core businesses of the Group and promote promising businesses, the Board subsequently decided to dispose of the entire equity interest in Jiangsu Chunxiao on 28 June 2019, which was considered to be in the interests of the Company and the Shareholders as a whole.

The two new product production lines developed by the Group in 2017 finally obtained manufacturing and sales approvals from the relevant local authorities during the year under review, which have launched to the market successfully. The Group believes that these products will progressively penetrate the target market and eventually drive up revenue, enhance economies of scale and broaden business scales of the Group in future. In addition, the Group refined its business development plans and integrated products portfolio in line with its existing business competitive edges. Accordingly, the Group has actively deployed its efforts and resources in research and development during the year aiming to expand production capacities on products with good market potential and launch new products swiftly so as to add new revenue stream as well as solidify business development platform to secure the sustainable growth of the Group in future.

During the year under review, the relocation of the production facilities of Weifang Parasia Chem Co., Ltd. ("**Weifang Parasia**"), a wholly-owned subsidiary of the Company, to the production plant of Weifang Binhai Petro-Chem Co., Ltd. ("**Weifang Binhai**"), another wholly-owned subsidiary of the Company, (the "**Relocation**") has been commenced orderly by phases, the management of the Group will closely monitor the progress of the Relocation to make sure no undue delay. The Relocation will continue to be carried out orderly without materially and negatively impact on the productions and operations of the Group as a whole. After the completion of the Relocation, the production facilities of Weifang Parasia will be situated and operated in the production plant of Weifang Binhai. The Board believes the production efficiency will be enhanced, the production resource allocation will be more effective, the circular economy production system will be further intensified as well as the overall operating costs of the Group will be decreased thereafter.

During the year, the Disposal, the Relocation and refined business development plans of the Group triggered a change of business structure and internal resource allocation. After the reassessment of the business activities of the Group, the Board decided that the Group operates as a single operating segment because the economic characteristics of all the Group's products are similar and the assessment by product segments is no longer appropriate and sensible. Thereafter, there will be no further disclosure of segment information.

Outlook

The PRC and the United States finally executed the phase one trade deal agreement in the beginning of 2020, which alleviated the downward pressure on the manufacturing industry of the PRC. Moreover, after implementing the refined business development plans, (i) the past uncertainties on the operations are being eliminated; (ii) the market share of products with good development potential expanded gradually; (iii) the streamlined operations and well-controlled operating expenses caused operation efficiencies enhancement; and (iv) research and development activities are in line with adjusted product portfolio and good potential market. All these improvements could enhance intrinsic value of the Group as well as solidify the foundation for business development. The Board is therefore highly confident of the Group's long term growth and achievement of sustainable business development.

However, the outbreak of Coronavirus Disease 2019 (the "**Epidemic**") has impacted the global economy as a whole negatively. The Group is also inevitably being affected adversely and the extent of impact depends on the duration of the Epidemic. In view of the uncertainties surrounding the duration of Epidemic and its impact on the business environment, the Group is strengthening its business resilience and the prevention measures on the Epidemic to ensure a stable business operation. The Group is well-prepared to resume its business activities in full scale expeditiously once the Epidemic is being contained, thereby minimising the impact of the Epidemic on the Group as much as possible.

Moving forward, the Group will sustain its solid business foundation and endeavor to create Shareholders value by following its effective business development strategies, proactively yet prudently exploring new potential markets and incubating new business opportunities.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the year ended 31 December 2019 increased by 17.1% to approximately RMB1,381.1 million, as compared with approximately RMB1,179.3 million in 2018. The Group adopted proactive sales and marketing strategies to recapture market shares and realise impressive sales volume growth which driven the growth of revenue despite the overall selling price was eased down by the intensified market competition and adverse market conditions during the year under review.

Gross profit

The gross profit of the Group increased almost double to approximately RMB185.4 million, representing an increase of approximately RMB120.2 million or 184.4% as compared with approximately RMB65.2 million in 2018. The increase of gross profit was mainly due to (i) the Group adopted effective procurement strategies to source raw materials more cost effectively; (ii) the costs of raw materials dropped as compared with last year; and (iii) the production overheads were well-controlled by making efforts in fulfilling expenditure rationalisation policies. The gross profit margin also increased to 13.4% when compared with 5.5% in 2018.

Operating income and expenses

The other income was mainly comprised of (i) exchange gains; (ii) various grants from the relevant local authorities as incentives to encourage the Group's business development; (iii) release of deferred income; and (iv) bank interest income etc. during the year under review.

The selling expenses slightly decreased by approximately RMB1.8 million to approximately RMB50.8 million (2018: RMB52.6 million) during the year under review. Such decrease was mainly attributable to the decrease of sales commission after adopting effective sales and marketing strategies. Besides, the transportation cost also recorded slightly decrease which mainly owed to the implementation of effective cost control measures on logistic and supply chain arrangement despite of the rebound of turnover. The selling expenses to the Group's revenue was 3.7% (2018: 4.5%).

During the year under review, the administrative and other operating expenses increased by approximately RMB36.2 million from approximately RMB88.7 million in 2018 to approximately RMB124.9 million in 2019. The increase was mainly attributable to (i) an increase in research and development expenses to foster the future business development; (ii) the written-off of property, plant and equipment of Jiangsu Chunxiao of an amount of approximately RMB34.9 million (2018: RMB18.3 million); and (iii) the removal and relocation expenses of Weifang Parasia's production facilities of approximately RMB9.3 million. Administrative and other operating expenses to the Group's revenue was 9.0% (2018:7.5%).

Finance costs

Finance costs mainly represented bank borrowings interest and interest for advances from the ultimate holding company, which slightly decreased by approximately RMB0.4 million from approximately RMB4.6 million in 2018 to approximately RMB4.2 million in 2019. The decrease was mainly due to the interest rate for advances from the ultimate holding company is lower than that of bank borrowings interest rate during the year under review while a new bank borrowing of RMB100.0 million was just raised in the fourth quarter of this year.

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

On 28 June 2019, the Group completed the Disposal at a total consideration of RMB990,000. The net proceeds of the Disposal have 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 31 December 2019 was approximately RMB48.9 million, out of which an amount approximately of RMB24.7 million is unsecured and highly unlikely recoverable in the foreseeable future. Hence, impairment loss on amounts due from this former subsidiary was recognised during the year under review.

Profit for the year attributable to owners of the Company

As a result of the foregoing, the Group has put unremitting efforts to turnaround its business performance and achieved profit for the year attributable to owners of the Company to approximately RMB21.5 million (2018: loss attributable to owners of the Company was RMB61.1 million).

Trade and bills receivable

As at 31 December 2019, trade receivables decreased to approximately RMB183.5 million, representing a decrease of approximately RMB15.2 million or 7.6% as compared with approximately RMB198.7 million recorded as at 31 December 2018. About 75.4% of trade receivables were incurred in the last quarter of 2019 and most of them are not yet due and 9.9% of trade receivables were incurred in the third quarter of 2019. Only 14.7% of trade receivables are overdue for 180 days. Up to the date of this announcement, over 70.8% of trade receivables have been settled. Thus, the Directors considered that no further bad debt allowance is required on the balance of trade receivables as at 31 December 2019.

As at 31 December 2019, bills receivable amount of approximately RMB106.5 million, decreased by approximately RMB1.3 million or 1.2% as compared with the balance of approximately RMB107.8 million 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 licensed banks in the PRC. As a result, the default risk is considered minimal. Accordingly, the Directors considered that no allowance for doubtful debt is required.

Short-term bank borrowings and advances from the ultimate holding company

All bank borrowings were at floating interest rates and are denominated in Renminbi. As at 31 December 2019, bank borrowings increased to approximately RMB170.0 million, representing a net increase of approximately RMB150.0 million or 750.0% as compared with the balance of approximately RMB20.0 million as at 31 December 2018. The increase mainly used to finance (i) the general working capital of the Group; (ii) the removal and relocation of Weifang Parasia's production facilities; and (iii) capital expenditure incurred to upgrade and replace outdated production facilities. The advances from the ultimate holding company were at a fixed interest rate and denominated in Hong Kong dollars and Renminbi. A net decreased to approximately RMB62.8 million (2018: RMB67.5 million) of the advances from the ultimate holding company as at 31 December 2019.

Liquidity and financial resources

The Group's primary source of funding included the net cash inflow generated from operating activities of approximately RMB245.1 million (2018: RMB16.8 million); newly raised bank borrowings of RMB170.0 million (2018: RMB20.0 million); newly raised advances from the ultimate holdings company of RMB15.0 million (2018: RMB67.5 million); proceeds on disposals of property, plant and equipment of approximately RMB0.1 million (2018: RMB0.2 million); net proceeds from disposal of a subsidiary of approximately RMB1.0 million (2018: Nil) and bank interest received of approximately RMB1.0 million (2018: RMB1.7 million). With the financial resources obtained from the Group's operations, the Group had spent approximately RMB240.0 million (2018: RMB77.6 million) in the acquisition of property, plant and equipment; payments for right-of-use-assets of approximately RMB29.6 million (2018: Nil); repayments of bank borrowings of approximately RMB20.0 million (2018: RMB196.4 million); interest paid of approximately RMB2.7 million (2018: RMB4.3 million), repayments of advances from the ultimate holdings company of RMB20.0 million (2018: Nil) and no dividend paid (2018: RMB7.2 million) during the year under review. As at 31 December 2019, the Group had bank and cash balances and pledged bank deposits of approximately RMB171.4 million (2018: RMB51.8 million), of which 87.6% was held in Renminbi, 10.5% was held in United States dollars and the remaining balances were held in Hong Kong dollars and euros.

As at 31 December 2019, the Group had recorded net current assets of approximately RMB52.2 million (2018: RMB211.6 million), the current ratio of the Group was approximately 1.1 times (2018: 1.6 times). The total amount of outstanding borrowings of the Group was approximately RMB238.3 million (2018: RMB92.9 million). The gearing ratio (which is represented by the ratio of net debts (total borrowings net of bank and cash balances and pledged bank deposits) to total shareholders' equity) was 5.1% (2018: 3.2%).

The Group has continuously upgraded or replaced outdated production facilities to secure its sustainable business development in future successfully and devotes to uphold a solid financial position simultaneously. By way of a positive cash inflow from operating activities continuously, coupled with the available cash resources on hand and undrawn banking facilities from its banks, the Group has sufficient financial resources to meet its present commitments and working capital requirements. The Group will monitor its cash outflow closely and cautiously and be dedicated to maintain a sound financial position and improve the equity return to the Shareholders.

Pledge of assets

As at 31 December 2019, bank deposits amounts of RMB6.0 million (2018: Nil) and bills receivable amounts of RMB6.0 million (2018: Nil) were pledged for bank acceptance bills facilities. Besides, a aggregated bank balances of approximately RMB0.9 million were frozen to secure a litigation case under the PRC court order (2018: a restricted bank deposit of approximately RMB2.0 million was under a security deposit requested by the relevant local authority to assure compliance with local environmental and safety production practices; and bank balances of approximately RMB0.7 million were frozen to secure litigation cases under the PRC court orders).

Contingent liabilities

As at 31 December 2019, the Group had no material contingent liabilities (2018: Nil).

Commitments

As at 31 December 2019, the Group had commitments which has been contracted but not yet been provided for in the aggregate amount of approximately RMB125.2 million (2018: RMB76.2 million), for acquisition of property, plant and equipment as well as construction in progress, while the capital commitment for authorised but not contracted for in aggregate amount of approximately RMB142.1 million (2018: Nil) related to the acquisition of property, plant and equipment as well as construction in progress.

FUNDING AND TREASURY POLICIES

The Group adopts a prudent approach on its funding and treasury policies, which aims to maintain an optimal financial position and minimise the Group's financial risks. The Group regularly reviews its funding requirements to ensure adequate financial resources to support its business operations and future investments as and when needed.

Cash flow forecast is well-prepared and reviewed regularly by the senior management of the Group, which facilitates the Group to maintain an adequate level of cash and cash equivalents, and sufficient available banking facilities to finance the daily operations and capital expenditure requirements in foreseeable future according to the funding and treasury policies of the Group.

During the year under review, the Group did not use any financial instruments for any hedging purposes as the Group's businesses are principally conducted in RMB and most of the Group's monetary assets and liabilities are denominated in RMB. Accordingly, the Group is not subject to significant currency risk and foreign exchange rate risk.

The Group's interest rate risk arises primarily from bank borrowings. In order to minimise the borrowing cost and interest rate risk, any raising of loans to meet the expected funding demand must be assessed carefully and approved by the executive Directors. The Group will consider new financing while maintaining an appropriate level of gearing.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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 Renminbi exchange rate movements during the year under review. Most of the Group's income and expenses are denominated in RMB except for export sales which were, 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 year under review. Besides, the Group will consider adoption of cost efficient hedging methods in future foreign currency transactions as and when appropriate.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group had 1,454 (2018: 1,428) full-time employees.

For the year under review, the total staff costs including directors' remuneration increased to approximately RMB149.6 million (2018: RMB134.2 million).

The Group has established its human resource 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 the 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 offers 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 products 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 the Group's employees.

The Company 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. During the year under review, no share options of the Company had been granted (2018: Nil).

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

During the year under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with the requirements set out in the "Corporate Governance Code and Corporate Governance Report" contained in Appendix 14 of the Listing Rules during the year under review.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code governing securities transactions of the Directors. Each of the Directors has confirmed his compliance with the Model Code for the financial year ended 31 December 2019. The Company has also adopted written guidelines on no less exacting terms than the Model Code for the relevant employees. The senior management, who, because of their office in the Company, is likely to be in possession of inside information, has been requested to comply with the provisions of the Model Code and the Company's code of conduct regarding securities transactions by Directors. No incidence of non-compliance of the employees' written guidelines by the relevant employees was noted by the Company during the year under review.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises the three independent non-executive Directors, namely, Mr. Leung Kam Wan, Mr. Liu Chenguang and Mr. Gao Baoyu. Mr. Leung Kam Wan is the chairman of the Audit Committee and he possesses recognised professional qualifications in accounting required by the Listing Rules.

The Audit Committee has reviewed the full year financial statements and reports of the Group for the year ended 31 December 2019. The Audit Committee was satisfied that the accounting policies and methods of computation adopted by the Group are in accordance with the current best practices in Hong Kong. The Audit Committee found no unusual items that were omitted from the financial statements and was satisfied with the disclosures of data and explanations shown in the financial statements. The Audit Committee also reviewed the internal control measures adopted by the Group during the year under review.

SCOPE OF WORK OF BDO LIMITED ON THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

By order of the Board
Tiande Chemical Holdings Limited
Liu Yang
Chairman

Hong Kong, 27 March 2020

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.