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 2020

RESULTS HIGHLIGHTS

- Revenue for the six months ended 30 June 2020 was approximately RMB672.4 million, representing a decrease of 2.3% as compared with that of the corresponding period last year.
- Gross profit increased by 15.9% to approximately RMB125.7 million.
- Gross profit margin increased to 18.7%, representing an increase of 2.9 percentage points as compared with that of in the corresponding period last year.
- Profit for the period attributable to owners of the Company was approximately RMB48.0 million (loss attributable to owners of the Company for the six months ended 30 June 2019: RMB11.5 million).
- Basic earnings per share was approximately RMB0.056 (basic loss per share for the six months ended 30 June 2019: RMB0.014).
- The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: 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 2020 together with the comparative figures for the corresponding period in 2019 and the selected notes as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2020	2019
	Notes	**RMB'000**	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	**672,416**	688,134
Cost of sales		**(546,762)**	(579,717)
Gross profit		**125,654**	108,417
Other income and gains		**8,354**	2,863
Selling expenses		**(24,918)**	(29,648)
Administrative and other operating expenses		**(43,064)**	(73,257)
Finance costs	5	**(6,586)**	(1,255)
Gain on disposal of a subsidiary		**-**	41,565
Impairment loss on amounts due from a former subsidiary		**-**	(41,736)
Profit before income tax	6	**59,440**	6,949
Income tax expense	7	**(19,030)**	(21,079)
Profit / (Loss) for the period		**40,410**	(14,130)
Profit / (Loss) for the period attributable to :			
Owners of the Company		**48,034**	(11,543)
Non-controlling interests		**(7,624)**	(2,587)
		40,410	(14,130)
Earnings / (Loss) per share for profit / (loss) attributable to owners of the Company for the period			
– Basic and diluted	9	**RMB0.056**	RMB(0.014)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Proift / (Loss) for the period	**40,410**	(14,130)
Other comprehensive income		
Item that may be reclassified subsequently to income statement:		
– Exchange (loss) / gains on translation of financial statements of foreign operations	**(421)**	56
Other comprehensive income for the period	**(421)**	56
Total comprehensive income for the period	**39,989**	(14,074)
Total comprehensive income attributable to:		
Owners of the Company	**47,753**	(11,471)
Non-controlling interests	**(7,764)**	(2,603)
	39,989	(14,074)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**1,140,408**	1,108,946
Right-of-use assets		**75,469**	75,427
Investment properties		**23,900**	23,900
Intangible assets		**13,077**	13,979
Deposits paid for acquisition of property, plant and equipment		**35,794**	29,130
Deferred tax assets		**26,047**	27,419
		1,314,695	1,278,801
Current assets			
Inventories		**125,362**	102,406
Trade and bills receivable	10	**283,617**	290,004
Prepayments and other receivables		**67,186**	63,451
Current tax assets		**3,433**	3,300
Pledged bank deposits		**670**	6,902
Bank and cash balances		**103,449**	164,505
		583,717	630,568
Current liabilities			
Trade and bills payable	11	**27,018**	44,443
Accruals and other payables		**188,473**	267,405
Contract liabilities		**24,030**	15,803
Bank borrowings		**200,000**	170,000
Advances from a non-controlling shareholder		**5,824**	5,682
Advances from ultimate holding company		**75,649**	64,659
Current tax liabilities		**7,318**	10,415
		528,312	578,407
Net current assets		**55,405**	52,161
Total assets less current liabilities		**1,370,100**	1,330,962
Non-current liabilities			
Deferred income		**5,822**	6,473
Deferred tax liabilities		**20,453**	20,653
		26,275	27,126
NET ASSETS		**1,343,825**	1,303,836

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
EQUITY		
Share capital	**7,831**	7,831
Reserves	**1,332,470**	1,284,717
Equity attributable to owners of the Company	**1,340,301**	1,292,548
Non-controlling interests	**3,524**	11,288
Total equity	**1,343,825**	1,303,836

SELECTED NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

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 2020 (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 2019 (the "**2019 Annual Financial Statements**").

The Unaudited Condensed Financial Information has been prepared in accordance with the same accounting policies adopted in the 2019 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 on 1 January 2020.

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.

The Unaudited Condensed Financial Information is unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the HKICPA.

The worldwide COVID-19 pandemic has evolved rapidly that adversely affected the economic activities for the six months ended 30 June 2020. The Group's revenue has inevitably been affected to a certain extent during the first half of the year but the related impact to the overall operating results has been offset by the decrease in the price of raw materials and the implementation of effective procurement strategies to contain the cost of raw materials as well as the adoption of effective cost control measures on production overheads which altogether enhanced the gross profit. Given the extent and duration of the COVID-19 pandemic remain uncertain, the Group's estimates and assumptions may evolve as conditions change and the 2020 full year actual results could differ from those estimates. The Group will remain vigilant and closely monitor the development of the COVID-19 situation and will evaluate its impact on the Group's financial position and operating results accordingly.

3. PRINCIPAL ACCOUNTING POLICIES

In the current interim period, the Group has applied or early adopted, for the first time, the following new or revised standards, amendments and interpretations ("**new or revised HKFRSs**") issued by the HKICPA, which are relevant or effective for the Group's financial year beginning on 1 January 2020:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 16	Covid-19 Related Rent Concession
Conceptual Framework for Financial Reporting	Revised Conceptual Framework for Financial Reporting

The application of new or revised HKFRSs that are relevant and effective from 1 January 2020 or not yet effective but early adopted by the Group did not have any significant impact on the Group's accounting policies and no material effect on the amounts reported 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:

Annual Improvements to HKFRSs	Annual Improvements to HKFRSs 2018-2020[1]
Amendments to HKAS1	Classification of Liabilities as Current or Non-current[2]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRS 3 (Revised)	Reference to the Conceptual Framework[1]

[1] Effective for annual periods beginning on or after 1 January 2022
[2] Effective for annual periods beginning on or after 1 January 2023

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.

4. REVENUE AND SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision makers (i.e. executive Directors) (the "**CODM**") for their decisions about resources allocation to the Group's business components and for their review of the performance of the components.

In the corresponding period last year, the Group identified the following reportable segments which were business components in the internal financial information reporting, they were within the scope of HKFRS 15 Revenue from Contracts with Customers. These reporting segments were determined following the Group's major product and service lines:

(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.

In the second half of 2019, the business components of the Group were reassessed, which within the scope of HKFRS 15 Revenue from Contracts with Customers, the research and development, manufacture and sale of fine chemical products of the Group are identified as a 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 the abovementioned change in the Group's reportable operating segments for the six months period ended 30 June 2019 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 the reporting period.

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 customers are divided into the following geographical areas:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The PRC (domicile)	**507,286**	533,702
India	**49,549**	51,017
United States of America	**27,263**	20,380
Spain	**19,944**	11,352
Taiwan	**11,369**	8,349
Others	**57,005**	63,334
Revenue from contracts with customers	**672,416**	688,134

The geographical location of customers is based on the location at which the goods are delivered.

5. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings, all of which contain a repayment on demand clause	**5,923**	473
Interest on advances from ultimate holding company	**663**	782
	6,586	1,255

6. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before income tax is arrived at after charging/(crediting):		
Directors' remuneration		
– Fees	**215**	184
– Salaries, discretionary bonus and other benefits	**839**	807
– Retirement benefit scheme contributions	**5**	27
	1,059	1,018
Other employee costs	**62,511**	69,951
Retirement benefit scheme contributions	**813**	4,647
Total employee costs	**64,383**	75,616
Amortisation of right-of-use assets	**1,071**	839
Cost of inventories recognised as an expense (note (i)), including	**545,288**	578,290
– Reversal of write-down of inventories to net realisable value	**(198)**	(4,458)
– Write-down of inventories to net realisable value	**1,906**	1,300
Depreciation on property, plant and equipment	**54,347**	54,137
Write-off of property, plant and equipment	**-**	34,847
(Reversal of) / Provision for impairment losses on trade receivables	**(2,489)**	3,593
Impairment loss on amounts due from a former subsidiary	**-**	41,736
Lease payments in respect of short-term leases	**2,147**	1,061
Rental income less outgoings	**(293)**	(338)
Research costs (note (ii))	**21,076**	13,852

Notes:

(i) Cost of inventories recognised as an expense includes RMB52,515,000 (six months ended 30 June 2019: RMB51,795,000) relating to depreciation expenses and RMB44,718,000 (six months ended 30 June 2019: RMB58,770,000) 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 RMB198,000 (six months ended 30 June 2019: RMB4,458,000) was reversed as the net realisable values of these inventories increased during the period.

(ii) Research costs include RMB337,000 (six months ended 30 June 2019: RMB440,000) relating to depreciation expenses and RMB7,853,000 (six months ended 30 June 2019: RMB5,294,000) relating to employee costs. These amounts are also included in the respective total amounts disclosed separately above.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax - PRC Enterprise Income Tax		
- Tax for the period	**17,695**	3,783
- PRC dividend withholding tax	**163**	375
	17,858	4,158
Deferred tax		
- Charged for the period	**1,172**	16,921
Income tax expense	**19,030**	21,079

No provision for Hong Kong profits tax has been made as no assessable profit derived from Hong Kong (six months ended 30 June 2019: 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 2019: 25%).

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

8. DIVIDEND

The Directors do not recommend the payment of interim dividend (six months ended 30 June 2019: Nil) in respect of the six months ended 30 June 2020.

9. EARNINGS / (LOSS) PER SHARE

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit / (Loss) for the period attributable to owners of the Company	**48,034**	(11,543)

	Number of ordinary shares Six months ended 30 June	
	2020	2019
	'000 shares	'000 shares
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings / (loss) per share	**851,954**	851,954

For the six months ended 30 June 2020 and 2019, diluted earnings / (loss) per share for profit / (loss) attributable to owners of the Company was the same as basic earnings / (loss) per share. There were no dilutive potential ordinary shares for the six months ended 30 June 2020 and 2019 because the exercise prices of the Company’s share options were higher than the average market prices for shares.

10. TRADE AND BILLS RECEIVABLE

The Group allows a credit period normally ranging from 1 to 6 months (31 December 2019: 1 to 6 months) to its trade customers. Bills receivable are non-interest bearing bank acceptance bills and are aged within a year (31 December 2019: 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 the 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 stated as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
0 to 90 days	**219,906**	222,001
91 to 180 days	**41,933**	30,998
181 to 365 days	**12,411**	28,138
Over 365 days	**9,367**	8,867
	283,617	290,004

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 RMB656,000 (31 December 2019: RMB8,412,000) past due but not impaired are secured by certain lands and properties owned by the debtor. Based on past credit record, the 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 31 December 2019, bills receivable included an amount of RMB6,000,000 which was pledged for bills payable of RMB6,000,000.

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 with credit periods ranging from 30 to 270 days (31 December 2019: ranging from 30 to 270 days). Bills payable are non-interest bearing bank acceptance bills and aged within 6 months (31 December 2019: within 6 months) upon issuance. Ageing analysis of trade and bills payable at the reporting date, based on the invoice date, is stated as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
0 to 90 days	**23,580**	25,651
91 to 180 days	**573**	11,315
181 to 365 days	**1,418**	6,648
Over 365 days	**1,447**	829
	27,018	44,443

As at 31 December 2019, bills receivable and pledged bank deposits of RMB6,000,000 and RMB6,000,000 respectively were pledged for bills payable of RMB12,000,000. Bills payables of RMB4,000,000 were guaranteed by the Company’s subsidiaries in the PRC.

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 worldwide COVID-19 pandemic (the "**Pandemic**") has severely impacted world economy and political stability, bringing upheaval and uncertainty to internal and external business environments of the PRC. Although signs of economic recovery are emerging in the PRC, under a highly global supply chain environment nowadays, the economy of PRC is still facing stiff challenges. During the period under review, market competition further intensified as the Group encountered losing steam in its product as well as the downstream market. In addition, rapidly changing external geopolitical conditions adversely affected the export sales of the Group to a certain extent. The aforementioned factors accounted for the notable decrease in the weighted average selling price of the products of the Group as compared with the same period last year. To cope with the tough business environment, the Group expeditiously fine-tuned its business strategies, strengthened the sales and marketing for products with good potential and diligently explored new markets and expanded customers' base of its new products. Simultaneously, the Group moved towards regions with good prospects and opportunities for further development so as to diversify geography concentration risk gradually. All these measures successfully alleviated the negative impacts on the revenue of the Group due to decreased selling price and change of geopolitical conditions. As a result, the total revenue of the Group only slightly decreased when compared with that of in the corresponding period last year.

The persistence of the Pandemic is bringing a negative impact on the stability of the supply of raw materials. Therefore, the Group proactively and strategically coordinated with long-term suppliers in advance. It is not only ensuring the reliable and stable supply of raw materials but also enabling the Group to procure raw materials in the most cost-effective way. Coupled with the market prices of raw materials have also retreated generally, the cost of raw materials of the Group thereby decreased markedly as compared with that of in the corresponding period last year. Faced with an uncertain external business environment, the Group continued to strengthen the implementation of effective improvement measures on all controllable operating factors. Apart from the adoption of effective cost control measures on operating expenses, the Group also enhanced production efficiencies through continuous advancement of production process and optimisation of production capacity. Furthermore, the production activities of Weifang Parasia Chem Co., Ltd. ("**Weifang Parasia**"), a wholly-owned subsidiary of the Company, have been relocated to Weifang Binhai Petro-Chem Co., Ltd. ("**Weifang Binhai**"), another wholly-owned subsidiary of the Company (the "**Relocation**") during the period. The productions of Weifang Parasia have resumed normally after the Relocation. The Relocation promoted synergy effect on reduction of overall production costs of the Group during the period. The Board believes that the Relocation will continuously and effectively enhance the overall production efficiencies of the Group in the future. In light of all these aforesaid measures, both of the gross profit and gross profit margin of the Group improved as compared with those of in the corresponding period last year.

On the other hand, the Group implemented comprehensive cost control measures on all operating expenses. Besides, the PRC government imposed a series of policies to promote economic recovery and support the enterprises operating in the PRC. Furthermore, for the period under review, there was an absence of expenses such as write-off of property, plant and equipment which occurred in the corresponding period last year. In spite of the unabated Pandemic and deteriorating macro-environment conditions, the Group achieved continuous improvement in the financial results during the period under review due to the combination of the various foregoing effective measures.

With the development of two new products in 2017, the Group has also expanded the capacities and explored markets of products with good potential in last year, which have made remarkable contribution to the Group's revenue during the period. The Group believes that these products will become growing momentum of the Group's turnover and broaden the business scale of the Group in the future. Going forward, the Group will continuously strengthen research and development in accordance with its existing business competitive edges, cultivate more new products with lucrative potential and optimise product layout in order to promote business growth, expand revenue sources as well as diversify operational risks, thereby laying a solid foundation for the Group's sustainable development in the future.

As at the date of this announcement, restoration of the land of Weifang Parasia is still in progress as it has been delayed by the Pandemic. Upon the completion of land restoration work, the land will be reverted to relevant local authorities with a proper compensation (to be determined) payable to Weifang Parasia.

Outlook

The overall economy and business environment of the PRC are confronted by unprecedented challenges as the country has to deal with adversities such as the worldwide economic impact arising from the persistent Pandemic, escalating political tension between the PRC and the US, continuously shifting of international geopolitical clash and natural disasters affecting certain regions of the PRC recently. Faced with increasingly complex and uncertain external business environment, the Group will devote to improve the capability of risk-resilience of its overall business operations. Apart from implementing vigilant preventive measures on the Pandemic persistently, internally the Group will continue to enhance production efficiency through advancing production process and investing prudently to strengthen its core competitive competency as well as maintaining stringent control measures on operating expenses with reasonable levels. As regards external development, the Group will increase the flexibility of its business strategies continuously to respond rapidly to changes in macro environment. The Group will also focus, explore and foster new markets for products with good potential and gear up any new business opportunities arising from the economic recovery of the PRC. The Board will continue to monitor closely changes in external environmental factors and maintain its prudent and steady business approach with an aim to conserving the Group's strengths and resources while improving business operations. The Group will strive to build be a sustainable and risk-resilient enterprise thereby creating greater value for the shareholders of the Company.

DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

FINANCIAL REVIEW

Revenue and gross profit

During the period under review, the outbreak of Pandemic affected the global economy seriously. The Group faced slowed down of market demand and intensified market competition as a result. The average selling price of the Group was under pressure and dragged to a lower level which adversely affected the revenue of the Group to a certain extent. In addition, the business environment is influenced by US-China political tension which constrained the performance of overseas market of the Group. Against the backdrop of adverse external business conditions, the Group adopted effective sales and marketing strategies, concentrated on exploring new markets for good potential products to boost new revenue as well as diversified revenue geographically to reduce the market concentration risk. The Group recorded revenue of approximately RMB672.4 million for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB688.1 million), representing a slight decrease of RMB15.7 million or 2.3% as compared with that of in the corresponding period last year.

Despite the global spreading of the Pandemic during the period under review, the gross profit of the Group increased to approximately RMB125.7 million (six months ended 30 June 2019: RMB108.4 million), representing an increase of approximately RMB17.3 million or 16.0% as compared with that of in the corresponding period last year. The gross profit margin for the six months ended 30 June 2020 also increased by 2.9 percentage points to 18.7% (six months ended 30 June 2019: 15.8%). The increase in gross profit and gross profit margin were mainly attributable to (i) expanding the sales of products with good market potential and better margin; (ii) adopting effective procurement strategies to source raw materials more cost effectively; (iii) a decrease in the overall price of raw materials; (iv) controlling the production overheads effectively; and (v) operating cost synergy resulting from the Relocation. All these factors helped to offset the negative impacts from the Pandemic and US-China political tension.

Operating expenses

Selling expenses decreased by approximately RMB4.8 million from approximately RMB29.7 million of the corresponding period last year to approximately RMB24.9 million. Such decrease was mainly due to (i) benefit from the implementation of policies by the PRC government to promote economic recovery, expressways and ordinary toll roads fee were waived thus saving transportation costs; and (ii) less relying on external sales agent causing the reduction of sales commission expenses. The selling expenses accounted for 3.7% of the Group’s revenue (six months ended 30 June 2019: 4.3%).

Administrative and other operating expenses amounted to approximately RMB43.1 million (six months ended 30 June 2019: RMB73.3 million), representing a decrease of approximately RMB30.2 million or 41.2% as compared with that of in the corresponding period last year. Although the research and development expenses and removal and relocation expenses increased during the period under review, the overall administrative and other operating expenses was decreased which was principally attributable to (i) the absence of written-off of property, plant and equipment during the period under review and (ii) a decrease of provision for specific doubtful debts. The administrative and other operating expenses accounted for 6.4% of the Group’s revenue (six months ended 30 June 2019: 10.6%).

Finance costs represented interests on bank borrowings and advances from the ultimate holding company which increased by approximately RMB5.3 million to approximately RMB6.6 million (six months ended 30 June 2019: RMB1.3 million) as compared with those of in the corresponding period last year. The increase is mainly attributable to the increase in the amount of bank borrowings during the period under review.

Profit for the period

In view of the above, the Group succeeded in achieving sustainable improvement in business performance. The profit for the period attributable to owners of the Company amounted to approximately RMB48.0 million (loss attributable to owners of the Company for the six months ended 30 June 2019: RMB11.5 million).

Trade and bills receivable

As at 30 June 2020, trade receivables (net of loss allowance) slightly decreased to approximately RMB173.9 million, representing a decrease of approximately RMB9.6 million or 5.2% as compared with approximately RMB183.5 million recorded as at 31 December 2019. About 78.4% of trade receivables were incurred in the second quarter of this year which are not yet due, 9.1% of trade receivables were incurred in the first quarter of this year and 12.5% of trade receivables are overdue over 180 days. Up to the date of this announcement, over 65.6% 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 trade receivables as at 30 June 2020.

As at 30 June 2020, bills receivable amounted to approximately RMB109.7 million and increased by approximately RMB3.2 million or 3.0% as compared with the balance of approximately RMB106.5 million recorded as at 31 December 2019. 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 borrowings and advances from the ultimate holding company

Short-term bank borrowings were granted in the PRC at floating interest rates and are denominated in Renminbi. As at 30 June 2020, short-term bank borrowings increased to RMB200.0 million, representing a net increase of RMB30.0 million or 17.6% as compared with the balance of RMB170.0 million as at 31 December 2019. The advances from the ultimate holding company were at a fixed interest rate and denominated either in Hong Kong dollars or Renminbi. A net increase to approximately RMB73.2 million, representing a net increase of 10.4 million or 16.6% as compared with the balance of RMB62.8 million as at 31 December 2019. The increases mainly used to finance (i) the general working capital; (ii) expenditures related to Relocation; and (iii) the capital expenditures incurred to upgrade and expand the production facilities.

Liquidity and financial resources

For the six months ended 30 June 2020, the Group's primary sources of funding included the net cash inflow generated from operating activities of approximately RMB44.2 million (six months ended 30 June 2019: RMB55.7 million), newly raised bank borrowing of RMB50.0 million (six months ended 30 June 2019: RMB20.0 million), newly raised advances from the ultimate holding company of approximately RMB10.0 million (six months ended 30 June 2019: RMB15.0 million), interest received of approximately RMB0.8 million (six months ended 30 June 2019: RMB0.2 million), net proceeds from disposal of property, plant and machinery of approximately RMB0.4 million (six months ended 30 June 2019: Nil) and no proceeds from disposal of a subsidiary (six months ended 30 June 2019: RMB1.0 million). With the financial resources generated by the Group's operations, the Group had spent approximately RMB146.1 million (six months ended 30 June 2019: RMB80.5 million) in the acquisition of the property, plant and equipment; acquisition of right-of-use assets of approximately RMB1.1 million (six months ended 30 June 2019: Nil), bank borrowings repayment of RMB20.0 million (six months ended 30 June 2019: RMB20.0 million), interest paid of approximately RMB5.5 million (six months ended 30 June 2019: RMB0.5 million).

As at 30 June 2020, the Group had pledged bank deposits and bank and cash balances of approximately RMB104.1 million (31 December 2019: RMB171.4 million). The total amount of outstanding borrowings was approximately RMB278.8 million (31 December 2019: RMB238.3 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 13.0% (31 December 2019: 5.1%). The net current assets amounted to approximately RMB55.4 million (31 December 2019: RMB52.2 million).

By virtue of the Group's financial position with cash inflow generated from the operating activities and available credit facilities 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 2020, a bank deposit of approximately RMB0.7 million (31 December 2019: RMB0.9 million) was frozen to secure a litigation case under a PRC court order. As at 31 December 2019, bank deposits amount of RMB6.0 million and bills receivable amount of RMB6.0 million were pledged for bank acceptance bills facilities.

Contingent liabilities
As at 30 June 2020, the Group had no material contingent liabilities (31 December 2019: 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 2020, the Group had 1,470 full-time employees (31 December 2019: 1,454 full time employees).

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 their 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 2020, 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 2020, 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 2020.

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.

On behalf of the Board
Tiande Chemical Holdings Limited
Liu Yang
Chairman

Hong Kong, 28 August 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.