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 2020

RESULTS HIGHLIGHTS

- Revenue slightly decreased by 1.6% to approximately RMB1,359.4 million (2019: RMB1,381.1 million).
- Gross profit marginally decreased by 2.3% to approximately RMB181.1 million (2019: RMB185.4 million).
- Gross profit margin was 13.3% (2019: 13.4%), representing a mere decrease of 0.1 percentage points only.
- Profit for the year attributable to owners of the Company increased to approximately RMB94.8 million (2019: RMB21.5 million).
- EBITDA increased by 63.1% to approximately RMB238.5 million (2019: RMB146.2 million).
- Basic earnings per share was approximately RMB0.111 (2019: RMB0.025).
- The Directors recommend a final dividend of HK$0.03 (2019: Nil) per share in respect of the year ended 31 December 2020.

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 2020 together with the comparative figures for the corresponding period in 2019 with the selected notes as follows:

CONSOLIDATED INCOME STATEMENT

		FOR THE YEAR ENDED 31 DECEMBER	
		2020	2019
	Notes	**RMB'000**	RMB'000
Revenue	3	**1,359,393**	1,381,138
Cost of sales		**(1,178,259)**	(1,195,751)
Gross profit		**181,134**	185,387
Other income and gains		**92,594**	6,820
Revaluation (loss)/gain on investment properties		**(1,000)**	1,400
Selling expenses		**(51,490)**	(50,830)
Administrative and other operating expenses		**(98,712)**	(124,899)
Finance costs		**(11,407)**	(4,206)
Gain on disposal of a subsidiary		**-**	41,565
Impairment loss on amounts due from a former subsidiary		**-**	(24,720)
Profit before income tax	4	**111,119**	30,517
Income tax expense	5	**(33,138)**	(18,870)
Profit for the year		**77,981**	11,647
Profit / (Loss) for the year attributable to:			
Owners of the Company		**94,821**	21,507
Non-controlling interests		**(16,840)**	(9,860)
		77,981	11,647
Earnings per share for profit attributable to owners of the Company for the year	7		
- Basic and diluted		**RMB0.111**	RMB0.025

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	FOR THE YEAR ENDED 31 DECEMBER	
	2020	2019
	RMB'000	RMB'000
Profit for the year	**77,981**	11,647
Other comprehensive income		
Items that may be reclassified subsequently to the income statement:		
Exchange gain/(loss) on translation of financial statements of foreign operations	**1,075**	(211)
Other comprehensive income for the year	**1,075**	(211)
Total comprehensive income for the year	**79,056**	11,436
Total comprehensive income for the year attributable to :		
Owners of the Company	**95,552**	21,430
Non-controlling interests	**(16,496)**	(9,994)
	79,056	11,436

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	AS AT 31 DECEMBER **2020** **RMB'000**	 2019 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**1,044,002**	1,108,946
Right-of-use assets		**64,219**	75,427
Investment properties		**22,900**	23,900
Intangible asset		**12,175**	13,979
Deposits paid for acquisition of property, plant and equipment		**30,184**	29,130
Deferred tax assets		**14,894**	27,419
		1,188,374	1,278,801
Current assets			
Inventories		**110,782**	102,406
Trade and bills receivable	8	**251,233**	290,004
Prepayments and other receivables		**243,193**	63,451
Current tax assets		**-**	3,300
Pledged bank deposits		**7**	6,902
Bank and cash balances		**125,314**	164,505
		730,529	630,568
Current liabilities			
Trade and bills payable	9	**39,036**	44,443
Accruals and other payables		**231,427**	267,405
Contract liabilities		**14,453**	15,803
Bank borrowings		**110,000**	170,000
Advances from a non-controlling shareholder		**5,334**	5,682
Advances from ultimate holding company		**105,507**	64,659
Current tax liabilities		**10,521**	10,415
		516,278	578,407
Net current assets		**214,251**	52,161
Total assets less current liabilities		**1,402,625**	1,330,962
Non-current liabilities			
Deferred income		**-**	6,473
Deferred tax liabilities		**19,733**	20,653
		19,733	27,126
NET ASSETS		**1,382,892**	1,303,836
EQUITY			
Share capital		**7,831**	7,831
Reserves		**1,380,269**	1,284,717
Equity attributable to the Company's owners		**1,388,100**	1,292,548
Non-controlling interests		**(5,208)**	11,288
TOTAL EQUITY		**1,382,892**	1,303,836

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.

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 or early adopted 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 2020.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS16	COVID-19 Related Rent Concession

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements." The amendments also clarify that materiality depends on the nature or magnitude of information or both. The application of the amendments in the current year had no impact on the Group's financial statements.

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify the definition of a business and introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election to apply the concentration test is made for each transaction. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is met, the set of activities and assets is determined not to be a business. If the concentration test is failed, the acquired set of activities and assets is further assessed based on the elements of a business. The application of the amendments in the current year had no impact on the Group's financial statements.

Amendments to HKFRS 16 – COVID-19 Related Rent Concession

The amendments provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The Group has no rent concessions noted for the year, it resulted in no impact of its financial statements due to the early application of this amendments.

The application of new or amended HKFRSs that are relevant to the Group 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 have no material effect on the amounts reported and/or disclosures set out in these consolidated financial statement.

(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	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4]
Amendments to HKAS 16	Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
HKFRSs 2018-2020	Annual Improvements to HKFRSs 2018-2020[2]

[1] Effective for annual periods beginning on or after 1 January 2021
[2] Effective for annual periods beginning on or after 1 January 2022
[3] Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022
[4] Effective for annual periods beginning on or after 1 January 2023

Amendments to HKAS 1 - Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020) - Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Interpretation 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Interpretation 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

Amendments to HKAS 16 - Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

Amendments to HKAS 37 - Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to HKFRS 3 - Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 - Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "**Reform**"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

Annual Improvements to HKFRSs 2018-2020

The annual improvements amends a number of standards, including:

- HKFRS 1 - First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- HKFRS 9 - Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16 - Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

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

The chief operating decision makers of the Group have identified that the research and development, manufacture and sale of fine chemical products of the Group operates as single operating segment.

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	
	2020	2019
	RMB'000	RMB'000
The PRC (domicile)	**1,046,813**	1,081,643
India	**114,814**	88,859
United States of America	**47,582**	43,489
Spain	**29,857**	21,219
Taiwan	**18,244**	20,262
Others	**102,083**	125,666
	1,359,393	1,381,138

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 2020 (2019: Nil).

4. PROFIT BEFORE INCOME TAX

	FOR THE YEAR ENDED 31 DECEMBER	
	2020	2019
	RMB'000	RMB'000
Profit before income tax is arrived at after charging/(crediting):		
Directors' remuneration		
- Fees	**424**	380
- Salaries, discretionary bonus and other benefits	**1,734**	1,680
- Retirement benefit scheme contributions	**6**	57
	2,164	2,117
Other employee costs	**125,314**	138,379
Retirement benefit scheme contributions	**901**	9,117
Total employee costs	**128,379**	149,613
Auditor's remuneration	**982**	808
Amortisation of right-of-use assets	**2,142**	1,479
Amortisation of an intangible asset	**1,804**	1,804
Cost of inventories recognised as an expense (note (i)), including	**1,176,617**	1,187,692
- Reversal of write-down of inventories to net realisable value, net (note (ii))	**(2,277)**	(2,810)
Depreciation on property, plant and equipment	**112,068**	108,227
Exchange losses, net	**5,351**	-
Write-off of property, plant and equipment	**-**	34,847
(Reversal of)/Provision of impairment losses on trade receivables, net	**(1,971)**	3,759
Relocation and demolished expenses	**8,296**	9,262
Loss on disposals of property, plant and equipment, net	**-**	1
Lease payments in respect of short-term leases	**4,136**	2,146
Research costs (note (iii))	**45,074**	36,291

Notes:

(i) Cost of inventories includes approximately RMB110,985,000 (2019: RMB103,862,000) relating to depreciation expenses and approximately RMB89,644,000 (2019: RMB116,119,000) relating to employee costs. These amounts are included in the respective total amounts disclosed separately above.

(ii) The reversals are mainly due to increase in net realisable value of certain finished goods held on hands.

(iii) Research costs include approximately RMB693,000 (2019: RMB762,000) relating to depreciation expenses and approximately RMB16,562,000 (2019: RMB11,082,000) relating to employee costs. These amounts are included in the respective total amounts disclosed separately above.

5. INCOME TAX EXPENSE

	FOR THE YEAR ENDED 31 DECEMBER	
	2020	2019
	RMB'000	RMB'000
Current tax - PRC Enterprise Income Tax		
- Tax for the year	**25,730**	14,520
- Over-provision in prior years	**(4,361)**	(108)
PRC dividend withholding tax paid	**164**	375
	21,533	14,787
Deferred tax		
- Derecognition of deferred tax assets in relations to tax losses previously recognised	**372**	7,433
- Charged/(Credited) for the year	**11,233**	(3,350)
Income tax expense	**33,138**	18,870

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% (2019: 25%) for 2020.

According to the PRC Enterprise Income Tax Law, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. The Group has adopted 10% withholding tax rate for PRC withholding tax purpose for the years ended 31 December 2020 and 2019.

6. DIVIDEND

The Directors recommend a final dividend of HK$0.03 (2019: Nil) per ordinary share in respect of the year ended 31 December 2020. The proposed dividend is not reflected as a dividend payable in these consolidated financial statements.

7. EARNINGS PER SHARE

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

	FOR THE YEAR ENDED 31 DECEMBER	
	2020	2019
	RMB'000	RMB'000
Profit for the year attributable to owners of the Company	**94,821**	21,507

	NUMBER OF ORDINARY SHARES	
	2020	2019
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**851,954**	851,954

Diluted earnings per share for profit attributable to owners of the Company for the years ended 31 December 2020 and 2019 were the same as basic earnings per share. There were no dilutive potential ordinary shares for the years ended 31 December 2020 and 2019 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 (2019: one month to six months) to its trade customers. Bills receivable are non-interest bearing bank acceptance bills and aged within a year (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 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	
	2020	2019
	RMB'000	RMB'000
0 to 90 days	**206,214**	222,001
91 to 180 days	**34,038**	30,998
181 to 365 days	**9,643**	28,138
Over 365 days	**1,338**	8,867
	251,233	290,004

9. TRADE AND BILLS PAYABLE

Trade and bills payable normally have the credit periods ranging from 30 to 270 days (2019: 30 to 270 days). Ageing analysis of trade and bills payable at the reporting date, based on the invoice date, is as follows:

	AS AT 31 DECEMBER	
	2020	2019
	RMB'000	RMB'000
0 to 90 days	**36,856**	25,651
91 to 180 days	**818**	11,315
181 to 365 days	**191**	6,648
Over 365 days	**1,171**	829
	39,036	44,443

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.

DIVIDEND

The Directors recommended a final dividend of HK$0.03 (2019: Nil) per share in respect of the year ended 31 December 2020. The proposed final dividend is subject to approval by the shareholders of the Company (the "**Shareholders**") in the forthcoming annual general meeting of the Company (the "**2021 AGM**"). The proposed final dividend is expected to be paid to Shareholders on or about Thursday, 15 July 2021.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the Shareholders who are entitled to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Tuesday, 8 June 2021 to Friday, 11 June 2021, both days inclusive. In order to qualify for the right to attend and vote at the 2021 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, 7 June 2021.

For the purpose of ascertaining the Shareholders who qualify for the proposed final dividend in respect of the year ended 31 December 2020, the register of members of the Company will be closed from Monday, 28 June 2021 to Wednesday, 30 June 2021, both days inclusive. In order to qualify for the proposed final dividend, 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 Friday, 25 June 2021.

BUSINESS REVIEW

During the year under review, the PRC economy was adversely impacted by: (i) the outbreak and persistence of COVID-19 pandemic (the "**Pandemic**") which severely damaged the global economy; (ii) the escalating political tension; (iii) the ever-changing international geopolitical clashes; and (iv) the occurrence of natural disasters which affected certain regions of the PRC. In a business environment full of upheavals and uncertainties, the downstream market demands were weakened and the market competition was intensified, leading to the overall fall in selling prices of the Group's products. During the year under review, the selling prices of certain products of the Group even hit historical low level. To cope with such a tough economic environment, the Group rapidly implemented rigorous preventive measures at the early stage of outbreak of the Pandemic, thereby successfully securing the stability of the business operations. Besides, the Group proactively bolstered the resilience and flexibility of its overall business activities as well as expeditiously fine-tuning its sales and marketing strategies. In addition to focusing on developing markets for products with promising prospects diligently and expanding customer base with an aim to diversify the concentration risk of downstream industries, the Group also strived to diversify geographic concentration risk through tapping into develop other promising regional markets. Thus, the Group successfully achieved an increase in its overseas sales despite facing strong headwind while offsetting the downward pressures caused by international geopolitical conflicts. The Group successfully alleviated the negative impacts from the decreased selling prices of its products by the combined contributions of the aforesaid measures. The revenue of the Group thereby recorded only a slight decrease as compared with last year.

The stability of supply of raw materials to the Group was also adversely affected by the government's measures to control the Pandemic. Nonetheless, the Group has already strategically established an effective coordination mechanism with its long-term suppliers in advance, coupled with the implementation of effective procurement strategies. The Group was therefore able to source raw materials in a cost-effective and stable way. Simultaneously, the prices of raw materials decreased as compared with last year due to dampened market conditions, therefore decreasing the Group's production cost during the year under review. Besides, following Weifang Parasia Chem Co., Ltd. ("**Weifang Parasia**"), a wholly-owned subsidiary of the Company, completed the relocation of its production plant (the "**Relocation**"), most of the production activities of the Group have been consolidated in the production plant of Weifang Binhai Petro-Chem Co., Ltd. ("**Weifang Binhai**"), another wholly-owned subsidiary of the Company. A more comprehensive circular economy production system is thereby established. It enables the Group to achieve a more effective allocation of production resources, an enhancement of the overall efficiency of scale production and a reduction of overall production costs. In addition, the Group comprehensively optimised and uplifted the production process and facilities via the Relocation and resettlement of production lines. As a result, the overall production efficiency of the Group has been further improved. Gross profit of the Group decreased slightly during the year under review mainly attributable to the decline of overall selling prices. However, in light of the aforementioned measures, the Group was able to maintain its gross profit margin nearly at last year's level.

Facing the challenging business environment, the Group adopted stringent control measures on operating expenses. Thus, most of the operating expenses maintained nearly at last year's level. In addition, as a result of the Weifang municipal government's promotion of a higher quality standard of atmospheric environment and implementation of the "Relocation of Chemical Enterprises from Urban Areas to Industrial Parks" policy, it was mandatory to relocate the production plant of Weifang Parasia away from its original site situated in the central urban area. The land originally occupied by the production site of Weifang Parasia also had to be resumed by the PRC local government mandatorily (the "**Land Resumption**"). During the year under review, Weifang Parasia had completed the Relocation and the Land Resumption. The compensation for the Land Resumption had been recognised in the consolidated financial statements of this financial year (for details please refer to the announcement published by the Company on 28 December 2020). Eventually, the net profit of the Group for the year under review recorded a significant increase as compared with that of last year.

During the past two years, the Group has optimised and reconfigured its products portfolio in response to ever-changing market demands. The Group also focused on developing and enhancing the productivity and efficiency of promising products. Concurrently, the Group concentrated on the research and development of new products with production edges and promising markets, while increasing the spending in this area to provide an impetus for future business growth. During the year under review, certain promising products boosted the revenue of the Group successfully and enlarged the percentage share of the revenue progressively. The Group believes that these products still have room for further growth and will become a growth momentum to enlarge the business scale of the Group in the future. The Group will continuously leverage its existing business competitive advantages in incubating more new products with lucrative potential and, consequently, the product layout of the Group could cover the downstream industries more comprehensively. The Group devotes its efforts to explore new revenue sources as well as diversify business risks, thereby laying a solid foundation for the Group's sustainable business development in the future.

Outlook

In light of various types of vaccines being successfully rolled-out against Pandemic, there is an increasing prospect that the Pandemic will be effectively controlled so as facilitating the pace of the global economic recovery. As signs of economic recovery are emerging in the PRC, it is expected that the pressure on upstream supply will be eased off and downstream demands will be driven up gradually. Nonetheless, due to an ambiguous macro conditions, the business environment is still full of uncertainties. The Group will maintain the flexibility of its business strategies while capturing business opportunities arising from the economic recovery in a timely manner. In the meantime, the Group will explore markets for promising products actively and incubate more new products with good potential in order to promote the sustainable growth of its business in the future. In addition, the Group will continue with its ongoing costs and expenses rationalization as well as fully leverage on the efficiency of the circular economy production system in order to bolster its overall productivity. Moving forward, the Group will pursue its prudent and steady business approach as well as adopting sound and cautious financial strategy. While strengthening its business competitiveness, the Group will also enhance its capability of risk-mitigation, with a view to coping with future challenges. The Group will dedicate to maintain long-term stability and growth in the value for the Shareholders.

FINANCIAL REVIEW

Revenue

During the year under review, the PRC economy was adversely affected by the factors as described under the section headed "Business review" of this announcement. Consequently, the selling price of certain products of the Group dropped to historical low. The Group enhanced the flexibility and resilience of its sales and marketing strategies in response to such adverse changes of macro market environment. Besides, the Group, in the past couple of years, adopted the strategies to optimise its product mix and concentrated on promoting promising products. Furthermore, the Group was expanding its sales channel to explore new potential markets as well as to enlarge customer base. Eventually such strategies bore fruit and these promising products contributed a large portion of the revenue of the Group. As a result, the negative impact from the notable decline of overall average selling price has been offset substantially by the above proactive measures. The revenue of the Group for the year ended 31 December 2020 only marginally decreased by 1.6% to approximately RMB1,359.4 million, as compared with approximately RMB1,381.1 million in 2019.

Gross profit

The gross profit of the Group also slightly decreased to approximately RMB181.1 million, representing a decrease of approximately RMB4.3 million or 2.3% as compared with approximately RMB185.4 million in 2019. The decrease in gross profit was mainly due to the fact that magnitude of decrease in average selling prices was greater than the decline of costs of raw materials even though the Group adopted effective procurement strategies to source raw materials at lower costs and made efforts to control the production overheads. However, the gross profit margin only declined by 0.1 percentage points to 13.3% when compared with 13.4% in 2019.

Operating income and expenses

The other income was mainly comprised of (i) gain on the Land Resumption (for details please refer to the announcement published by the Company on 28 December 2020); (ii) various grants received from the local authorities being incentives to encourage the Group's business development; (iii) gain on disposal of property, plant and equipment; and (iv) release of deferred income during the year under review.

The selling expenses slightly increased by approximately RMB0.7 million to approximately RMB51.5 million (2019: RMB50.8 million) during the year under review. The increase was mainly attributable to (i) the increase in sales commission to promote more sales volume in new markets to cope with adverse market conditions; and (ii) the inflated transportation cost related to overseas sales because of the global logistic traffic constraint caused by the Pandemic. The selling expenses to the Group's revenue was 3.8% (2019: 3.7%).

During the year under review, the administrative and other operating expenses decreased by approximately RMB26.2 million from approximately RMB124.9 million in 2019 to approximately RMB98.7 million in 2020. Despite an increase in the research and development expenses to expand the product development capability and an increase in exchange loss arose from the appreciation of RMB, the overall administrative and other operating expenses decreased which was mainly attributable to (i) the absence of written-off of property, plant and equipment during the year; and (ii) a decrease in provision for specific doubtful debts. Administrative and other operating expenses to the Group's revenue was 7.3% (2019: 9.0%).

Finance costs

Finance costs mainly represented bank borrowings interest and interest for advances from the ultimate holding company, which increased by approximately RMB7.2 million from approximately RMB4.2 million in 2019 to approximately RMB11.4 million in 2020. The increase was mainly attributable to the increase in the weighted average amount of bank borrowings and advances from the ultimate holding company.

Profit for the year attributable to owners of the Company

The Group has achieved an increase in profit for the year attributable to owners of the Company to approximately RMB94.8 million (2019: RMB21.5 million).

Trade and bills receivable

As at 31 December 2020, trade receivables decreased to approximately RMB162.3 million, representing a decrease of approximately RMB21.2 million or 11.6% as compared with approximately RMB183.5 million recorded as at 31 December 2019. About 88.7% of trade receivables were incurred in the last quarter of 2020 and most of them were not yet due and 6.7% of trade receivables were incurred in the third quarter of 2020. Only 4.6% of trade receivables were overdue for 180 days. Up to the date of this announcement, over 87% of trade receivables have been settled. Thus, the Directors considered that the current bad debt allowance is adequate on the balance of trade receivables as at 31 December 2020.

As at 31 December 2020, bills receivable amount of approximately RMB88.9 million, decreased by approximately RMB17.6 million or 16.5% as compared with the balance of approximately RMB106.5 million 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 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 ultimate holding company

All bank borrowings are at floating annual interest rates ranging from 4.8% to 7.0% and are denominated in Renminbi. As at 31 December 2020, bank borrowings decreased to RMB110.0 million, representing a net decrease of RMB60.0 million or 35.3% as compared with the balance of RMB170.0 million as at 31 December 2019. The advances from ultimate holding company were at a fixed annual interest rate of 2.0% and denominated in Hong Kong dollars and Renminbi. The advances from ultimate holding company increased to approximately RMB102.1 million (2019: RMB62.8 million) as at 31 December 2020. The Group sought additional financial support from its ultimate holding company instead of bank borrowings in order to reduce the overall finance costs during the year under review. The short-term bank borrowings and advances from ultimate holding company were mainly used to finance the capital expenditure incurred in the Relocation and resettlement of Weifang Parasia’s production facilities as well as the upgrade and/or the replacement of outdated production facilities of the Group.

Liquidity and financial resources

The Group’s primary source of funding included the net cash inflow generated from operating activities of approximately RMB170.5 million (2019: RMB245.1 million); newly raised bank borrowings of RMB110.0 million (2019: RMB170.0 million); an increase of advances from ultimate holdings company of RMB40.0 million (2019: RMB15.0 million); compensation received for the Land Resumption of RMB20.0 million (2019: Nil); proceeds on disposals of property, plant and equipment of approximately RMB8.4 million (2019: RMB0.1 million); no proceed from disposal of a subsidiary (2019: RMB1.0 million) and bank interest received of approximately RMB1.0 million (2019: RMB1.0 million). With the financial resources obtained from the Group’s operations, the Group had spent approximately RMB215.9 million (2019: RMB240.0 million) on the acquisition of property, plant and equipment; payments for right-of-use assets of approximately RMB1.1 million (2019: RMB29.6 million); repayments of bank borrowings of RMB170.0 million (2019: RMB20.0 million); interest paid of approximately RMB9.4 million (2019: RMB2.7 million), no repayment of advances from ultimate holdings company (2019: RMB20.0 million) during the year under review. As at 31 December 2020, the Group had bank and cash balances and pledged bank deposits of approximately RMB125.3 million (2019: RMB171.4 million), of which 78.7% was held in Renminbi, 21.1% was held in United States dollars and the remaining balances were held in Hong Kong dollars and euros.

As at 31 December 2020, the Group had net current assets of approximately RMB214.3 million (2019: RMB52.2 million), the current ratio of the Group was approximately 1.4 times (2019: 1.1 times). The total amount of outstanding borrowings of the Group was approximately RMB217.2 million (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 6.6% (2019: 5.1%).

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

Pledge of assets

As at 31 December 2020, a bank deposit amount of approximately RMB7,000 was pledged for payable to legal proceeding fee (2019: bank deposits amounts of RMB6.0 million and bills receivable amounts of RMB6.0 million were pledged for bank acceptance bills facilities while an aggregated bank balances of approximately RMB0.9 million were frozen to secure a litigation case under the PRC court order).

Contingent liabilities

As at 31 December 2020, the Group had no material contingent liabilities (2019: Nil).

Commitments

As at 31 December 2020, the Group had commitments which has been contracted but not yet been provided for in the aggregate amount of approximately RMB120.5 million (2019: RMB125.2 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 RMB84.3 million (2019: RMB142.1 million) 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 properly 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 pursuant 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 needs 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, United States dollars and Hong Kong 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 2020, the Group had 1,368 (2019: 1,454) full-time employees.

For the year under review, the total staff costs including directors' remuneration decreased to approximately RMB128.4 million (2019: RMB149.6 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 understanding 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 (2019: 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 2020. 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 2020. 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 2020 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, 26 March 2021

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