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 2007

The board of directors (the "Board" or "Directors") of Tiande Chemical Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2007 with the comparative figures for the corresponding period in 2006 with the selected notes as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2007	2006
	Notes	**RMB'000**	RMB'000
			(restated)
Turnover	3	**574,298**	504,187
Cost of goods sold		**(505,315)**	(405,620)
Gross profit		**68,983**	98,567
Other income		**3,999**	3,969
Selling expenses		**(19,099)**	(12,963)
Administrative expenses		**(27,411)**	(23,268)
Change in fair value of investment properties		**1,900**	390
Finance costs		**(5,232)**	(3,744)
Profit before taxation	4	**23,140**	62,951
Taxation	5	**(1,586)**	(4,514)
Profit for the year		**21,554**	58,437
Dividend	6	**HK1.25cents**	—
Earnings per share – basic	7	**RMB0.054**	RMB0.184

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2007	2006
	Notes	**RMB'000**	RMB'000
			(restated)
Non-current assets			
Prepaid lease payments		**66,457**	66,601
Property, plant and equipment		**369,684**	267,593
Deposits for acquisition of property, plant and equipment		**6,494**	5,194
Investment properties		**9,700**	5,830
Deferred tax assets		**669**	524
		453,004	345,742
Current assets			
Inventories		**53,172**	28,612
Trade and other receivables	8	**216,676**	165,693
Pledged bank deposits		**16,400**	1,777
Bank balances and cash		**29,207**	36,899
		315,455	232,981
Current liabilities			
Trade and other payables	9	**254,849**	160,079
Amount due to a related company		**39**	—
Tax payable		**304**	1,869
Bank borrowings – due within one year	10	**82,557**	20,140
		337,749	182,088
Net current (liabilities) assets		**(22,294)**	50,893
Total assets less current liabilities		**430,710**	396,635
Non-current liabilities			
Bank borrowings – due after one year	10	**75,200**	62,160
Deferred tax liabilities		**1,600**	734
Deferred income		**26,892**	30,115
		103,692	93,009
NET ASSETS		**327,018**	303,626
Capital and reserves			
Share capital		**4,031**	4,031
Reserves		**322,987**	299,595
Total equity		**327,018**	303,626

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The Group had net current liabilities as at 31 December 2007 with short-term bank borrowings which could be renewed on an annual basis at the discretion of the Company within the limit approved by banks. The Directors are of the opinion that, taking into account the presently available facilities and internal financial resources of the Group, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months commencing from the date of the financial statements. Hence, the financial statements have been prepared on a going concern basis.

The consolidated financial statements have been prepared under the historical cost basis, as modified by the revaluation of investment properties at fair value through profit or loss.

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Companies Ordinance,Chapter 32 of the laws of Hong Kong.

In the current year, the Group has applied, for the first time, the following new standards and, amendment of the Hong Kong Accounting Standards ("HKAS"s) and interpretations ("HK(IFRIC) - INT") (hereinafter collectively referred to as "new HKFRS"s) issued by HKICPA, which are effective for the Group's financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) - INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) - INT 8	Scope of HKFRS 2
HK(IFRIC) - INT 9	Reassessment of embedded derivatives
HK(IFRIC) - INT 10	Interim financial reporting and impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective. The Directors anticipate that the application of these standards or interpretations will have no materials impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and separate financial statments[2]

HKFRS 2 (Amendment)	Vesting conditions and cancellations[1]
HKFRS 3 (Revised)	Business combinations[2]
HKFRS 8	Operating segments[1]
HK(IFRIC) - INT 11	HKFRS 2 – Group and treasury share transactions[3]
HK(IFRIC) - INT 12	Service concession arrangements[4]
HK(IFRIC) - INT 13	Customer loyalty programmes[5]
HK(IFRIC) - INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction[4]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 March 2007
[4] Effective for annual periods beginning on or after 1 January 2008
[5] Effective for annual periods beginning on or after 1 July 2008

2. CHANGE IN ACCOUNTING POLICY

HKAS 40 "Investment property" requires an investment property to be accounted for using either the cost model or the fair value model. In previous years, the Group applied the cost model which requires investment properties to be stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. In current year, the Group decided to change from the cost model to the fair value model to account for its investment properties, which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the income statement for the period in which they arise. In the opinion of the Directors, investment properties accounted for using the fair value model can reflect more accurately the total net asset of the Company which will provide more relevant information to its shareholders. The change in accounting policy has been applied retrospectively to the Group's financial statements. The following is a summary of the impact to the Group's financial statements as a result of the above-mentioned change in accounting policy:

The effect of changes in the accounting policies described above on the results for the current and prior year are as follows:

	2007	2006
	RMB'000	RMB'000
Change in fair value of investment properties	**1,400**	390
Increase in deferred taxes relating to investment properties	**(392)**	(139)
Decrease in depreciation	**168**	168
Increase in profit for the year	**1,176**	419

	As at 1 January 2006 (originally stated)	Adjustments	As at 1 January 2006 (restated)
	RMB'000	RMB'000	RMB'000
Balance sheet items			
Investment properties	3,062	2,378	5,440
Deferred tax liabilities	-	595	595
Accumulated profits	114,577	1,783	116,360

	As at 31 December 2006 (originally stated)	Adjustments	As at 31 December 2006 (restated)
	RMB'000	RMB'000	RMB'000
Balance sheet items			
Investment properties	2,894	2,936	5,830
Deferred tax liabilities	-	734	734
Accumulated profits	168,445	2,202	170,647

3. TURNOVER AND SEGMENT INFORMATION

(a) Turnover

Turnover represents the amount received and receivables for goods sold during the year.

(b) Business segments

The Group's turnover and profit for the year are entirely derived from the manufacture and trading of fine chemical products. The Directors consider that these activities constitute one business segment since these activities are related and are subject to common risks and returns.

(c) Geographical segment

Segment information regarding the Group's turnover by location of customers, irrespective of the origin of the services, is presented below:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000 (restated)
Turnover		
People's Republic of China ("PRC")	**451,699**	384,055
Taiwan	**38,304**	46,863
India	**21,185**	14,106
United Kingdom	**19,417**	15,094
Japan	**14,058**	12,836
Others	**29,635**	31,233
	574,298	504,187
Segment result		
PRC	**49,178**	77,183
Taiwan	**4,208**	7,314
India	**4,322**	2,624
United Kingdom	**2,248**	2,042

Japan	**2,523**	2,524
Others	**3,498**	4,421
	65,977	96,108
Unallocated other corporate income	**4,705**	4,359
Unallocated corporate expenses	**(42,310)**	(33,772)
Finance costs	**(5,232)**	(3,744)
Profit before taxation	**23,140**	62,951
Taxation	**(1,586)**	(4,514)
Profit for the year	**21,554**	58,437

4. PROFIT BEFORE TAXATION

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
		(restated)
Profit before taxation has been arrived at after charging:		
Directors' remuneration		
Fees	**311**	77
Other emoluments	**2,567**	1,281
Pension costs	**24**	20
	2,902	1,378
Other staff costs	**22,766**	13,342
Pension costs	**997**	752
Total staff costs	**26,665**	15,472
Auditor's remuneration	**1,257**	1,122
Depreciation on property, plant and equipment	**24,497**	15,143
Prepaid lease payments charged to income statement	**1,427**	736
Allowance for bad and doubtful debts	**5**	216
Allowance for inventories	**—**	90
Impairment loss on inventories	**897**	—
Minimum lease payments under operating leases in respect of leasehold land and building	**443**	363
Cost of inventories recognised as expenses	**500,324**	401,043
Research expenses	**470**	941
Loss on disposal of property, plant and equipment	**—**	102
Listing fees	**370**	5,642

Equity-settled share-based payments expenses	**951**	—
and after crediting:		
Reverse allowance of bad and doubtful debts	**135**	—
Reverse allowance of inventories	**31**	—

5. TAXATION

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
		(restated)
Current tax:		
PRC enterprise income tax	**865**	4,563
Deferred tax	**721**	(49)
	1,586	4,514

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in nor was derived from Hong Kong.

The applicable income tax rate of 24% is the preferential rate for foreign invested production enterprise in Weifang City, Shandong Province, the PRC where the operations of the Group are substantially based.

Taxation charge mainly consists of income tax in the PRC attributable to the assessable profits of Weifang Common Chem Co., Ltd. 濰坊同業化學有限公司 ("Weifang Common") and Shanghai Dehong Chemical Company Limited 上海德弘化工有限公司 ("Shanghai Dehong") at 24% and 15% respectively. The provision for PRC Enterprise Income Tax is based on the estimated taxable income for the taxation purpose at the applicable rates prevailing in the PRC.

As an advance technology enterprise, Weifang Common was granted a tax concession in the years 2006 and 2007 at a preferential rate of 12% pursuant to the Income Tax Law of the PRC on Enterprises with Foreign Investment and Foreign Enterprises engaging in advance technology business and was subject to 50% reduction of the applicable tax rate.

Shanghai Dehong is subject to Enterprise Income Tax at the rate of 15%, being the preferential tax rate in Shanghai Pudong New District.

Pursuant to the relevant laws and regulations in the PRC, Weifang Parasia Chem Co., Limited 濰坊柏立化學有限公司 ("Weifang Parasia") is eligible for certain tax holidays and concessions in the PRC. The tax holiday and concessions are in the form of two years tax exemption from the first profitable year, followed by a 50% reduction of the applicable tax rate in the following three years. No provision for PRC income tax has been made for Weifang Parasia as it was the second profitable year and tax exempted.

On 16 March 2007, the Law of the People's Republic of China on Enterprise Income

Tax (the "New Tax Law") was promulgated by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Tax Law. The New Tax Law and Implementation Regulations will change the tax rate to 25% for all subsidiaries established in the PRC from 1 January 2008.

In 2006, Weifang Binhai Petro-Chem Co., Ltd. 濰坊濱海石油化工有限公司 ("Weifang Binhai") obtained a government grant for subsidising the construction of the production lines and ancillary facilities for the manufacture of high purity isobutylene, polyisobuylene and mono chloro acetic acid. The grant received was recognised as a deferred income as at 31 December 2006 with no income recognised in the income statement for the year ended 31 December 2006. Pursuant to the document issued by the local tax authorities, the grant was not subject to tax for the year 2006 as the construction was still in the progress as at 31 December 2006. The construction has been completed in 2007 with the relevant portion of deferred income released to income over the useful lives of the assets during the year ended 31 December 2007 being taxable.

6. DIVIDEND

For the year ended 31 December 2007, a final dividend of HK 1.25 cents (2006: nil) per share has been proposed by the Directors and is subject to approval by the shareholders of the Company at the forthcoming annual general meeting.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	Year ended 31 December	
	2007	2006
	RMB'000	RMB'000
		(restated)
Profit for the year	**21,554**	58,437

	Number of ordinary shares	
	2007	2006
Weighted average number of ordinary share for the purpose of basic earnings per share	**400,000,000**	318,082,192

For the purpose of the calculation of basic earnings per share for the year 2006, the weighted average number of 300,000,000 shares in issues was made on the assumption that the Group Reorganisation had taken place on 1 January 2005.

There was no diluted earnings per share for the years 2006 and 2007 as there were no potential dilutive shares.

Impact of changes in accounting policies

Changes in the Group's accounting policies during the year are described in details in note 2 above. To the extent that those changes have had an impact on results reported for 2007 and 2006, they have had an impact on the amounts reported for earnings per share. The following table summaries that impact on basic earnings per share:

	2007	2006
	RMB	RMB
Figures before adjustments	5.1 cents	18.2 cents
Adjustments arising from changes in accounting policies	0.3 cents	0.2 cents
As adjusted	5.4 cents	18.4 cents

8. TRADE AND OTHER RECEIVABLES

The Group allows a credit period normally ranging from one month to six months to its trade customers. The bills receivables are of the age within six months at both balance sheet dates. Included in trade and other receivables are trade and bills receivables of RMB207,174,000 (2006: RMB160,413,000) and an aged analysis of the Group's trade and bills receivables at the balance sheet dates was as follows:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
		(restated)
0 - 90 days	**146,513**	128,571
91 - 180 days	**58,443**	31,509
181 - 365 days	**1,862**	333
Over 365 days	**356**	—
	207,174	160,413

Bills receivables outstanding at the balance sheet date amounted to RMB141,975,000 (2006: RMB73,238,000) have been endorsed to certain creditors. The Group continues to present the endorsed bills as bills receivables until maturity, accordingly such bills have not been applied to reduce the amounts of trade and other payables. The prior year's comparative figures have been realigned in order to conform with the current year's presentation.

Of the bills receivables of RMB150,525,000 (2006: RMB94,465,000) outstanding at the balance sheet date, a total amount of RMB84,227,000 (2006: RMB47,197,000) have subsequently matured up to the date of approval of financial statement.

9. TRADE AND OTHER PAYABLES

Trade and other payables include trade and bills payables of approximately RMB164,158,000 (2006: RMB107,989,000). An aged analysis of the Group's trade and bills payables is as follows:

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
		(restated)
0 - 90 days	**110,978**	73,618
91 - 180 days	**50,511**	34,143
181 - 365 days	**2,652**	212
Over 365 days	**17**	16
	164,158	107,989

10. BANK BORROWINGS

	As at 31 December	
	2007	2006
	RMB'000	RMB'000
Bank loans repayable:		
On demand or within one year	**82,557**	20,140
In more than one year, but not exceeding two years	**25,640**	24,440
In more than two years, but not exceeding five years	**49,560**	37,720
	157,757	82,300
Less: Amount due within one year shown current liabilities	**82,557**	20,140
Amount due after one year	**75,200**	62,160

All bank borrowings are denominated in Renminbi. Short-term and long-term bank borrowings are arranged at floating interest rates ranged from 6.33% to 8.22% (2006: 5.58% to 7.61%) exposing the Group to cash flow interest rate risks and are secured by the Group’s bank deposits, property, plant and machinery, investment properties and the Group’s interest in leasehold land under prepaid lease payments.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders entitled to receive the final dividend, and attend and vote at the 2008 annual general meeting of the Company, the register of members of the Company will be closed from Wednesday, 7 May 2008 to Friday, 9 May 2008, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company’s share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 6 May 2008.

BUSINESS REVIEW

Results

During the year under review, the Group has achieved continuous growth in turnover. Turnover increased to approximately RMB574.3 million, representing an increase of about 13.9% as compared to that of approximately RMB504.2 million in 2006. The increase in turnover was mainly contributed by some newly launched products, such as sodium cyanide, cyano acetic acid and high purity isobutylene, as well as the substantial growth of methyl cyanoacetate and diethyl malonate.

The gross profit margin of the Group was under pressure throughout the year. Due to the strong market competition, the prices of some products were decreased, the raw materials cost and employees' wages increased whilst the newly launched product had not reached the normal productivity level. The overall gross profit margin thus recorded a decrease of about 7.5% to 12.0% when compared with 19.5% in 2006. The gross profit was also decreased to approximately RMB69.0 million, representing a decrease of about 30.0% as compared with approximately RMB98.6 million in 2006.

With a lower gross profit and a significant initial start-up costs of Binhai plant, the Group reported a decline in profit attributable to shareholders of approximately RMB21.6 million for the year, representing a decrease of about 63.1% as compared to that of approximately RMB58.4 million in 2006.

The Group has made substantial efforts on the development of Binhai plant during the year under review. Phase one construction has been completed, and the Group's product range has been successfully expanded by the high purity isobutylene, polyisobutylene and mono chloro acetic acid together with the ancillary facilities has been put into use in the fourth quarter of 2007. Binhai plant not only can extend the product range of the Group, elevate its overall output capacity but also provide further rooms for the development to the Group so as solidifying its leading position in the industry.

During the past few years, in order to capture the fast expanding market, an aggressive production capacity expansion program was embarked. During the period under review, the annual production capacity of diethyl malonate and sodium cyanide was increased substantially.

Apart from the existing products, the Group has commenced the production of fine petrochemical product such as high purity isobutylene and polyisobutylene in the fourth quarter of 2007. At the same time, the Group introduced a new product, namely cyano acetic acid to the market which is one of core raw materials for production of caffeine and contributed remarkable profit to the Group during the year under review.

The Group has also endeavoured to expand upstream products, such as mono chloro acetic acid, hydrochloric acid and methanol etc.

The Group is pressing ahead with capacity expansion plans in certain potential products and also continues to quest for improved productivity, enhance production efficiency combined with upgraded production facilitates to improve economies of scale and streamline production process.

At present, some new production lines reach their optimum utilization. The adverse market impact is diminishing and the product price has rebounded. The operating performance of

Binhai plant will be improved and the utilization rate of the plant will be arising gradually when the progress of commercial production of the new products at the Binhai plant is in line with the Group's expectation. The profit attributable to shareholders will be improved when the contribution of these new products has been expected to be reflected in the near future.

OUTLOOK

The Group has launched the trial production of some fine petrochemical products in Binhai plant in the fourth quarter of 2007 in order to enlarge the market share and support the business growth. The production progress of such newly launched products was in line with the expectation of the Group and a commercial production will be commenced in the first half of 2008. With such commercial production, the efficient of various facilities in the Binhai plant would be improved. It is anticipated the profit contribution from the Group's new products will be reflected gradually in the years ahead.

The Group will implement the strategy of large scale production continuously in order to secure the development through economies of scale. Also, a higher capacity has facilitated an enlargement of sales volume at a lower production cost. To further enhance the competitiveness, the Group aims to strengthen its vertically-integrated production to achieve the synergy advantages. In coming years, product diversification will be ongoing to ensure that the Group is well-positioned to capitalize on future growth opportunities.

The Group's infrastructure investment in production plant will be slowdown in 2008 when compared with that of 2007. In 2008, we intend to expand the production capacity of certain potential products in order to meet the internal supply and current market demand. Besides, we are considering upgrading the waste water treatment works in line with the Group's internal policy and meet the stringent environmental protection policies promulgated by the State. It is anticipated that our new products can enrich our product range to bring new source of income to the Group and the competitiveness of the Group will also be enhanced effectively through the expansion of production capacity.

Looking forward, the Group will face both opportunities and challenges. The Group has made a significant investment and effort in production capacity expansion, advancement production facilities and technology, product development and vertically-integrated production in the past few years. With the strengthened platform and enhanced resources as a result of the business achievements, the Group has reached a new stage where it can plan a new set of objectives. It is thus full of confidence that the business of the Group will continue to grow and generate a fruitful return to the Company in the coming years.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's primary source of funding included the net cash inflow generated from operating activities of approximately RMB31.6 million (2006: RMB4.1 million), newly raised bank borrowings of approximately RMB115.6 million (2006: RMB156.6 million) and interest income of approximately RMB0.3 million (2006: RMB1.1 million). With the financial resources obtained from the Group's operations, the Group had invested approximately RMB94.3 million (2006: RMB101.6 million) in the acquisition of the prepaid lease payments, property, plant and equipment, borrowing repayments of approximately RMB40.1 million (2006: RMB139.5million) and interest expenses of RMB5.4 million (2006: RMB3.7 million) during the year under review. As at 31 December 2007, the Group had cash and bank deposits of approximately RMB45.6 million (2006: RMB38.7 million), of which 69.8% was held in Renminbi, 4.1% was held in Hong Kong dollars and the remaining balance was held in United States dollars. During the year under review, the Group did not use any financial instruments for any hedging purposes.

As at 31 December 2007, the Group had the net current liabilities of approximately RMB22.3 million (2006: net current assets of RMB50.9 million), the current ratio of the Group were approximately 0.9 times (2006: 1.3 times). bank borrowings of approximately RMB157.8 million (2006: RMB82.3 million) and the gearing ratio which is represented by the ratio of net debts (total borrowings net of cash and cash equivalent) to total shareholders' equity, was approximately 34.3% (2006: 14.4%). The increase in the gearing ratio was due to a rise in capital expenditure on new production plant during the year under review

Even though the Group recorded net current liabilities and a higher gearing ratio when compared with the previous year (which was caused by a heavy investment in infrastructure for production capacity expansion during the year under review in order to meet the growing market demand and achieve the economic of scale in production), the Group's liquidity position will be improved as the infrastructure investment will be slowdown in coming years. Together with the positive cash inflow from the Group's operations, existing cash resources and available banking facilities obtained from its banker, the Group has sufficient financial resources to meet its commitments, working capital requirements and future investments for expansion. The Group is dedicated to maintaining a sound financial position and improving the equity return to its shareholders.

PLEDGE OF ASSETS

As at 31 December 2007, bank deposit of approximately RMB16.4 million (2006: RMB1.8 million) was pledged for bills facilities. Certain property, plant and equipment of the Group with an aggregate net book value of about RMB94.1 million (2006: RMB60.7 million), investment properties of the Group with an aggregate fair value of RMB9.7 million (2006: RMB5.8 million) and prepaid lease payments of approximately RMB44.1 million (2005: RMB59.0 million) were pledged to secure the Group's bank borrowings.

CONTINGENT LIABILITIES

As at 31 December 2007, the Group had no material contingent liabilities.

CAPTIAL COMMITMENT

As at 31 December 2007, the Group had capital commitments of approximately RMB22.7 million (2005: RMB16.4 million) in respect of purchases of property, plant and equipment, construction-in-progress and product development projects.

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

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 complied with all applicable code provisions of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited, except for the deviations in respect of the follows:

Under code provisions A.2.1 of the Code, the role of the chairman and that of the chief executive officer should be separate and should not be performed by the same individual.

The Company does not presently have any officer with the title of chief executive officer.

During the year under review, Mr. Liu Hongliang was the Chairman and the general manager of the Company. The Board is of the opinion that it is appropriate and in the best interest to the Company not to engage a chief executive officer in his place as Mr. Liu possesses in-depth knowledge and experience in fine chemical business and is able to ensure the sustainable development of the Group.

In order to reinforce the independence, accountability and responsibility of the position of the Chairman and the general manager of the Company, the Company designated Mr. Chak Kwan to play the role of a general manager of the Company with effective from 1 January 2008. Division of responsibilities between the Chairman and the general manger of the Company is clearly defined.

MODEL CODES 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. Directors have confirmed compliance with the Model Code for the financial year ended 31 December 2007. 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, 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. No incidence of non-compliance of the employees' written guidelines by the relevant employees was noted by the Company.

AUDIT COMMITTEE

The Audit Committee comprises the three independent non-executive Directors, namely, Mr. Leung Kam Wan, Mr. Gao Baoyu and Mr. Liu Chenguang. Mr. Leung is the Chairman of the Audit Committee and he possesses recogniszed professional qualifications in accounting required by the Listing Rule.

The Audit Committee has reviewed with management and the external auditors, the Group's consolidated financial statements, the accounting principles and practices adopted and discussed auditing, internal controls, and financial reporting matters.

By Order of the Board

Liu Hongliang

Chairman

Hong Kong, 28 March 2008

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