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 2009

RESULTS HIGHLIGHTS

- Turnover decreased by 17.4% to approximately RMB598.9 million (2008: RMB725.2 million).
- Gross profit decreased by 1.8% to approximately RMB97.3 million (2008: RMB99.1 million).
- Gross profit margin reached 16.2%, representing an increase of 2.5% (2008: 13.7%).
- Profit for the year ended 31 December 2009 increased by 68.7% to approximately RMB42.0 million (2008: RMB24.9 million).
- EBITDA goes up by 21.5% to approximately RMB90.5 million (2008: RMB74.5 million).
- Basic earnings per share increased to approximately RMB10.5 cents (2008: RMB6.2 cents).
- In view of the Group's satisfactory results, the Directors recommend a final dividend in respect of the year ended 31 December 2009 of HK2.50 cents (2008: HK1.25 cents) which is subject to the shareholders' approval at the forthcoming annual general meeting to be held on 14 May 2010.

The board (the “Board”) of directors (the “Directors”) of Tiande Chemical Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2009 together with the comparative figures for the corresponding period in 2008 with the selected notes as follows:

CONSOLIDATED INCOME STATEMENT

		FOR THE YEAR ENDED 31 DECEMBER	
		2009	2008
	Notes	**RMB'000**	RMB'000
Turnover	3	**598,947**	725,199
Cost of sales		**(501,675)**	(626,076)
Gross profit		**97,272**	99,123
Other income		**4,309**	4,579
Revaluation gain on investment properties		**490**	660
Selling expenses		**(22,634)**	(27,827)
Administrative expenses		**(26,278)**	(31,398)
Other operating expenses		-	(5,190)
Finance costs		**(10,304)**	(13,380)
Profit before income tax	4	**42,855**	26,567
Income tax expense	5	**(811)**	(1,642)
Profit for the year attributable to the owners of the Company		**42,044**	24,925
Dividends per share	6	**HK2.50 cents**	HK1.25 cents
Earnings per share for profit attributable to the owners of the Company for the year	7		
- basic		**RMB0.105**	RMB0.062
- diluted		**N/A**	**N/A**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	FOR THE YEAR ENDED 31 DECEMBER	
	2009	2008
	RMB'000	RMB'000
Profit for the year	**42,044**	24,925
Other comprehensive income/(expense)		
Exchange gain/(loss) on translation of financial statements of foreign operations	**2**	(39)
Other comprehensive income/(expense) for the year	**2**	(39)
Total comprehensive income for the year attributable to the owners of the Company	**42,046**	24,886

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	AS AT 31 DECEMBER **2009** **RMB'000**	2008 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**364,853**	366,755
Prepaid land lease payments		**57,880**	63,371
Investment properties		**10,850**	10,360
Deposits paid for acquisition of property, plant and equipment		**2,414**	20,571
Deferred tax assets		**355**	826
		436,352	461,883
Current assets			
Inventories		**43,222**	39,960
Trade and bills receivable	8	**110,947**	97,477
Prepayments and other receivables		**23,448**	8,079
Current tax assets		**3,708**	1,963
Pledged bank deposits		**-**	10,000
Bank and cash balances		**16,758**	21,363
		198,083	178,842
Non-current assets classified as held for sale		**3,647**	-
		201,730	178,842
Current liabilities			
Trade and bills payable	9	**23,767**	47,952
Accruals and other payables		**53,347**	57,621
Bank borrowings		**107,169**	110,054
Current tax liabilities		**451**	639
		184,734	216,266
Net current assets/(liabilities)		**16,996**	(37,424)
Total assets less current liabilities		**453,348**	424,459
Non-current liabilities			
Bank borrowings		**42,000**	49,560
Deferred income		**21,412**	24,152
Deferred tax liabilities		**1,988**	1,816
		65,400	75,528
NET ASSETS		**387,948**	348,931
EQUITY			
Equity attributable to the Company's owners			
Share capital		**4,031**	4,031
Reserves		**383,917**	344,900
TOTAL EQUITY		**387,948**	348,931

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 ("Int") 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 on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of investment properties which are stated at fair values.

The consolidated financial statements are presented in Renminbi ("RMB") which is the Company's presentation currency and functional currency of the principal operating subsidiaries of the Group.

2. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new 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 2009:

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate
HKFRS 2 (Amendments)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 15	Agreements for Construction of Real Estate
Various	Annual Improvements to HKFRSs 2008

Other than as noted below, the adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKAS 1 (Revised 2007) Presentation of financial statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income, for example exchange difference on translation of financial statements of foreign operations. HKAS 1 affects the presentation of owner changes in equity and introduces a "Statement of comprehensive income". Comparatives have been restated to conform with the revised standard. The Group has applied changes to its accounting polices on presentation of financial statements and segment reporting retrospectively. However, the changes to the comparatives have not affected the consolidated or the Company's statement of financial position at 1 January 2008 and accordingly these statements are not presented.

HKAS 27 (Amendments) Cost of an investment in a subsidiary, jointly controlled entity or an associate

The amendment requires the investor to recognise dividends from a subsidiary, jointly controlled entity or associate in profit or loss irrespective the distributions are out of the investee's pre-acquisition or post-acquisition reserves. In prior years, the Company recognised dividends out of pre-acquisition reserves as a recovery of its investment in the subsidiaries, jointly controlled entity or associates (i.e. a reduction of the cost of investment). Only dividends out of post-acquisition reserves were recognised as income in profit or loss.

Under the new accounting policy, if the dividend distribution is excessive, the investment would be tested for impairment according to the Company's accounting policy on impairment of non-financial assets.

The new accounting policy has been applied prospectively as required by these amendments to HKAS 27 and therefore no comparatives have been restated.

HKFRS 8 Operating segments

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Comparatives have been restated on a basis consistent with the new standard.

At the date of authorisation of these financial statements, certain new and amended HKFRSs have been published but are not effective, and have not been adopted early by the Group.

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new and amended HKFRSs have been issued but are not expected to have a material impact of the Group's financial statements.

HKFRS 3 Business combinations (Revised 2008)

The standard is applicable in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard still requires the use of the purchase method (now renamed as the acquisition method) but introduces material changes to the recognition and measurement of consideration transferred and the acquiree's identifiable assets and liabilities, and the measurement of non-controlling interests (previously known as minority interest) in the acquiree. The new standard is expected to have a significant effect on business combinations occurring in reporting periods beginning on or after 1 July 2009.

HKFRS 9 Financial instruments

The standard is effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The Directors are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

HKAS 27 Consolidated and separate financial statements (Revised 2008)

The revised standard is effective for accounting periods beginning on or after 1 July 2009 and introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. Total comprehensive income must be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The Directors do not expect the standard to have a material effect on the Group's financial statements.

Annual improvements 2009

The HKICPA has issued Improvements to Hong Kong Financial Reporting Standards 2009. Most of the amendments become effective for annual periods beginning on or after 1 January 2010. The Directors expect that the amendment to HKAS 17 Leases to be relevant to the Group's accounting policies. Prior to the amendment, HKAS 17 generally required a lease of land to be classified as an operating lease. The amendment requires a lease of land to be classified as an operating or finance lease in accordance with the general principles in HKAS 17. The Group will need to reassess the classification of its unexpired leases of land as at 1 January 2010 on the basis of information existing at the inception of those leases in accordance with the transitional provisions for the amendment. The amendment will apply retrospectively except where the necessary information is not available. In that situation, the leases will be assessed on the date when the amendment is adopted. The Directors are currently assessing the possible impact of the amendment on the Group's results and financial position in the first year of application.

3. TURNOVER AND SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors of the Company for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors of the Company are determined following the Group's major products and service lines.

The Group has identified the following reportable segments:

(i) Cyanoacetic acid and its esters products: Research and development, manufacture and sale of cyanoacetic acid and its esters products;

(ii) Alcohols products: Research and development, manufacture and sale of alcohols products;

(iii) Chloroacetic acid and its derivatives products: Research and development, manufacture and sale of chloroacetic acid and its derivatives products;

(iv) Fine petrochemical products: Research and development, manufacture and sale of fine petrochemical products; and

(v) Other by-products: Sale of other by-products, e.g. steam.

Each of these operating segments is managed separately as each of the products and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arms length prices.

TURNOVER

	FOR THE YEAR ENDED 31 DECEMBER	
	2009	2008
	RMB'000	RMB'000
Sales of cyanoacetic acid and its esters products	**515,512**	621,702
Sales of alcohols products	**55,423**	73,293
Sales of chloroacetic acid and its derivatives products	**1,159**	645
Sales of fine petrochemical products	**26,119**	26,171
Sales of other by-products	**734**	3,388
	598,947	725,199

SEGMENT INFORMATION

The operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

	2009					
	Cyanoacetic acid and its esters products	**Alcohols products**	**Chloroacetic acid and its derivatives products**	**Fine petrochemical products**	**Other by-products**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Revenue:						
From external customers	**515,512**	**55,423**	**1,159**	**26,119**	**734**	**598,947**
Inter-segment revenue	**-**	**27,385**	**98,495**	**4**	**24,942**	**150,826**
Reportable segment revenue	**515,512**	**82,808**	**99,654**	**26,123**	**25,676**	**749,773**
Reportable segment profit/(loss)	**77,168**	**4,907**	**20,805**	**(1,962)**	**4,149**	**105,067**
Depreciation of property, plant and equipment	**17,264**	**776**	**4,369**	**2,037**	**6,004**	**30,450**
Write-down of inventories to net realisable value	**33**	**-**	**-**	**233**	**-**	**266**
Reversal of write-down of inventories	**29**	**42**	**374**	**992**	**157**	**1,594**
Reportable segment assets	**252,210**	**26,897**	**43,938**	**41,167**	**79,989**	**444,201**
Additions to non-current segment assets	**38,979**	**224**	**10,664**	**512**	**1,098**	**51,477**
Reportable segment liabilities	**36,975**	**10,568**	**8,334**	**27,922**	**3,778**	**87,577**

	2008					
	Cyanoacetic acid and its esters products	Alcohols products	Chloroacetic acid and its derivatives products	Fine petrochemical products	Other by-products	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue:						
From external customers	621,702	73,293	645	26,171	3,388	725,199
Inter-segment revenue	-	20,351	119,272	8	27,523	167,154
Reportable segment revenue	621,702	93,644	119,917	26,179	30,911	892,353
Reportable segment profit/(loss)	71,343	11,663	29,017	(3,081)	(9,921)	99,021
Depreciation of property, plant and equipment	15,939	781	3,407	2,038	5,628	27,793
Write-down of inventories to net realisable value	29	93	607	1,103	157	1,989
Reportable segment assets	285,817	14,277	35,841	43,561	77,762	457,258
Additions to non-current segment assets	14,422	2	10,921	42	3,238	28,625
Reportable segment liabilities	42,347	20,614	14,648	30,150	6,126	113,885

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the consolidated financial statements as follows:

	FOR THE YEAR ENDED 31 DECEMBER	
	2009	2008
	RMB'000	RMB'000
Reportable segment revenues	**749,773**	892,353
Elimination of inter-segment revenues	**(150,826)**	(167,154)
Group revenues	**598,947**	725,199

	FOR THE YEAR ENDED 31 DECEMBER	
	2009	2008
	RMB'000	RMB'000
Reportable segment profit	**105,067**	99,021
Rental income from investment properties	**186**	398
Revaluation gain on investment properties	**490**	660
Employee share-based payment expenses	**(1,371)**	(1,508)
Finance costs	**(10,304)**	(13,380)
Other unallocated income	**1,458**	579
Other unallocated expenses	**(27,041)**	(35,658)
Elimination of inter-segment profit	**(25,630)**	(23,545)
Profit before income tax	**42,855**	26,567

	AS AT 31 DECEMBER	
	2009	2008
	RMB'000	RMB'000
Reportable segment assets	**444,201**	457,258
Prepaid land lease payments	**59,173**	66,457
Investment properties	**10,850**	10,360
Deferred tax assets	**355**	826
Current tax assets	**3,708**	1,963
Non-current assets classified as held for sale	**3,647**	-
Other corporate assets	**116,148**	103,861
Group assets	**638,082**	640,725

	AS AT 31 DECEMBER	
	2009	2008
	RMB'000	RMB'000
Reportable segment liabilities	**87,577**	113,885
Bank borrowings	**149,169**	159,614
Deferred tax liabilities	**1,988**	1,816
Other corporate liabilities	**11,400**	16,479
Group liabilities	**250,134**	291,794

The Group's revenues from external customers are divided into the following geographical areas:

	FOR THE YEAR ENDED 31 DECEMBER	
	2009	2008
	RMB'000	RMB'000
PRC (domicile)	**513,158**	581,421
Taiwan	**9,518**	27,335
India	**10,543**	32,281
Ireland	**12,659**	16,454
United Kingdom	**9,863**	14,862
Others	**43,206**	52,846
	598,947	725,199

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

4. PROFIT BEFORE INCOME TAX

	FOR THE YEAR ENDED 31 DECEMBER	
	2009	2008
	RMB'000	RMB'000
Profit before income tax is arrived at after charging/(crediting):		
Directors' remuneration		
- Fees	**282**	285
- Salaries and allowances	**2,488**	2,416
- Retirement benefit scheme contriubtions	**52**	40
	2,822	2,741
Other staff costs	**25,607**	23,918
Retirement benefit scheme contriubtions	**1,691**	1,558
Equity-settled share-based payments expenses	**1,371**	1,508
Total staff costs	**31,491**	29,725
Auditors' remuneration	**399**	673
Amortisation of prepaid land lease payments	**1,417**	1,435
Cost of inventories recognised as an expense (note), including	**495,515**	618,856
- Write-down of inventories to net realisable value	**266**	1,989
- Reversal of write-down of inventories to net realisable value	**(1,594)**	-
Depreciation on property, plant and equipment	**35,960**	33,080
Exchange losses, net	**212**	1,958
Impairment loss on other receivables (included in other operating expenses)	**-**	1,790
Minimum lease payments under operating leases in respect of leasehold land and building	**566**	407
Outgoings in respect of investment properties	**108**	104
Provision for removal expenses (included in other operating expenses)	**-**	3,400
Research costs	**648**	543
Impairment loss on trade receivables	**203**	-

note: Cost of inventories includes RMB51,770,000 (2008: RMB48,054,000) relating to depreciation expenses and staff costs.

The write-down of inventories of RMB1,594,000 (2008: Nil) was reversed as the market price of these inventories was increased in 2009.

5. INCOME TAX EXPENSE

	FOR THE YEAR ENDED 31 DECEMBER	
	2009	2008
	RMB'000	RMB'000
Current tax - PRC Enterprise Income Tax	**168**	1,583
Deferred tax	**643**	59
	811	1,642

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

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Tax Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Tax Law. The applicable enterprise income tax rate under the New Tax Law and Implementation Regulations (the “Implementation Regulations”) was changed to 25% (before any preferential concession) starting from 1 January 2008.

Weifang Common Chem Co., Ltd. 濰坊同業化學有限公司 (“Weifang Common”), as an advance technology enterprise, was granted a tax concession for 2008 at a preferential rate of 12.5% pursuant to the old Income Tax Law of the PRC on Enterprises with Foreign Investment and Foreign Enterprises, which provides that an enterprise engaging in advance technology business was entitled to 50% reduction of the applicable tax rate. Weifang Common is subject to Enterprise Income Tax at the rate of 25% for 2009.

Shanghai Dehong Chemical Company Limited上海德弘化工有限公司(“Shanghai Dehong”) is subject to Enterprise Income Tax at the rate of 20% and 18% for 2009 and 2008 respectively, being the preferential tax rate in Shanghai Pudong New District.

Pursuant to the relevant laws and regulations in the PRC, Weifang Parasia Chem Co., Ltd. 濰坊柏立化學有限公司 ("Weifang Parasia") and Weifang Binhai Petro-Chem Co., Ltd. 濰坊濱海石油化工有限公司 ("Weifang Binhai") are 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. PRC Enterprise Income Tax has been provided for Weifang Parasia at the preferential rate of 12.5% for 2008 and 2009 as these are the third and forth profitable years respectively. No provision for PRC Enterprise Income Tax has been provided for Weifang Binhai for 2008 and 2009 as these are the first and second profitable years respectively and tax being exempted

A government grant obtained by Weifang Binhai for subsidising the construction of the production lines and ancillary facilities for manufacturing of high purity isobutylene, polyisobuylene and mono chloro acetic acid which was recognised as a deferred income in 2006. As the construction has been completed as at 31 December 2007, the deferred income commenced to release to income over the useful lives of the relevant assets. Such income is taxable for the year in which it is released to profit or loss.

6. DIVIDENDS PER SHARE

A final dividend for 2008 amounting to HK$5,000,000 (dividends per share: HK1.25 cents) was approved in the annual general meeting of the Company held on 8 May 2009 and paid during the year ended 31 December 2009. The Directors recommend the payment of a final dividend of HK2.50 cents per share for the year ended 31 December 2009 which is subject to approval by the shareholders of the Company in its forthcoming annual general meeting (the "2010 AGM").

7. EARNINGS PER SHARE

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

	FOR THE YEAR ENDED 31 DECEMBER	
	2009	2008
	RMB'000	RMB'000
Profit for the year	**42,044**	24,925

	NUMBER OF ORDINARY SHARES	
	2009	2008
Weighted average number of ordinary shares for the purpose of basic earnings per share	**400,000,000**	400,000,000

There were no dilutive potential ordinary shares for the years ended 31 December 2009 and 2008 as the outstanding share options were out of the money for the purpose of the diluted earnings per share calculation.

8. TRADE AND BILLS RECEIVABLE

The Group allows a credit period normally ranging from one month to six months to its trade customers. The bills receivable are non-interest bearing bank acceptance bills and aged within six months at both reporting dates. 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.

The ageing analysis of trade and bills receivable at the reporting date, based on the invoice date, is stated as follows:

	AS AT 31 DECEMBER	
	2009	2008
	RMB'000	RMB'000
0 to 90 days	**94,608**	80,513
91 to 180 days	**15,722**	16,025
181 to 365 days	**617**	939
	110,947	97,477

9. TRADE AND BILLS PAYABLE

The Group was granted by its suppliers credit periods ranging from 30 to 365 days. The ageing analysis of trade and bills payable at the reporting date, based on the invoice date, is as follows:

	AS AT 31 DECEMBER	
	2009	2008
	RMB'000	RMB'000
0 to 90 days	**22,114**	19,674
91 to 180 days	**268**	19,762
181 to 365 days	**524**	7,732
Over 365 days	**861**	784
	23,767	47,952

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders of the Company entitled to receive the final dividend, and attend and vote at the 2010 AGM, the register of members of the Company will be closed from Wednesday, 12 May 2010 to Friday, 14 May 2010, 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 on the 17 Floor of Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 11 May 2010.

BUSINESS REVIEW

During the year under review, the turnover of the Group has dropped to approximately RMB598.9 million, representing a decrease of 17.4% as compared with that of approximately RMB725.2 million in 2008. The decrease in turnover was mainly due to the diminution in the market demand and the decrease in the products selling price caused by the global financial turmoil especially in the first quarter of 2009.

The gross profit of the Group slightly declined reaching approximately RMB97.3 million, representing a decrease of 1.8% as compared with approximately RMB99.1 million in 2008. However, the overall gross profit margin of the Group was increased by 2.5% to 16.2% when compared with 13.7% in 2008. It was mainly due to (i) the improved competitive environment after the removal of inefficient market players caused by the diminution in the market demand, (ii) the enhancement of our Group's production efficiency as a whole after the effective integration of the production facilities of the upstream products, and (iii) the decrease in the raw material cost.

Selling expenses decreased by approximately RMB5.2 million from approximately RMB27.8 million in 2008 to approximately RMB22.6 million. Such decrease in expenses was principally as a result of the decrease in the transportation costs and the sales commission which were in line with the decline in turnover. Selling expenses as a percentage of the Group's turnover remained 3.8% in 2009 (2008: 3.8%).

Administrative expenses dropped by approximately RMB5.1 million from approximately RMB31.4 million in 2008 to approximately RMB26.3 million in 2009. The decrease was mainly due to the decline in other local taxes, exchange loss and penalty expenses. Administrative expenses expressed as a percentage of the Group's turnover was 4.4% in 2009 (2008: 4.3%).

The other operating expenses of approximately RMB5.2 million incurred in 2008 represented the one-off provision for the removal expenses of Weifang Common and the written-off the government grants receivable previously recognised as income. No similar items happened during the year under review. The removal expenses for the production plant of Weifang Common incurred during the year under review which was offset against the provision made in 2008.

The finance costs mainly comprised bank borrowings interest and discounted bills interest, which were decreased by approximately RMB3.1 million from approximately RMB13.4 million in 2008 to approximately RMB10.3 million in 2009. The decrease was mainly due to the decrease in interest borrowing rates and slightly reduced bank borrowings amount during the year under review. The bank borrowings of the Group were mainly used in financing the capital expenditure and general working capital requirements of the Group.

Although the turnover of the Group has been adversely affected by the global financial turmoil, the gross profit was decreased slightly as the gross profit margin was improved. Profit for the year has significantly increased by approximately RMB17.1 million to approximately RMB42.0 million, representing an increase of 68.7% as compared with that of approximately RMB24.9 million in 2008 which mainly attributable to the decrease in operating expenses and finance costs as well as the improvement of the gross profit margin during the year under review.

To cope with the global financial turmoil which has affected the global market demand seriously since the fourth quarter of 2008, the Group has strive to improve its internal operations by implementing various measurements such as strengthening the enterprise cost control, consolidating the internal resources and refining the production technical technology and facilities throughout the year under review. The result was satisfactory. Furthermore, these measurements have also further enhanced the business foundation of the Group for supporting its long term business development.

The diminution in the market demand and the decrease in the products selling price caused the decrease in the turnover of the Group when compared with that of in the last year. However, the decline rate of the Group's turnover was less than the rate of contraction in the industry especially in the PRC market during the year under review. The market demand was gradually rebound in the second half of 2009 and it is expected that the growth momentum will be continuously in view of the improving economic outlook. The Group will spare no effort to grasp the growth opportunities to secure its market position and expand its market share to sustain its future business growth.

The Group has also constantly enriched and diversified its products portfolio and increased its investment in new products with market potential. Currently, the main products of the Group were classified into four categories and the Group will concentrate and devote its effort on the further enhancement and development of such products categories in foreseeable future.

Cyanoacetic acid and its esters products is the most important product category to the Group, accounting for 86.1% of the Group's total turnover. Due to its superior product quality, having stable and loyal customer groups and a competitive price, this product category was continuously outperformed other product categories during the year under review. As the need of this product category in the downstream industries is relatively broad and it has a long term continuous growth market demand, the outlook for this product category is promising. The production scale of some good potential esters products will further be expanded whilst its production efficiency will also be greatly enhanced after the removal and relocation of production plant of the Weifang Common. The competitive advantage of such product category will then be further reinforced. The Group will continuously dedicate to deploy its resources in expanding the products portfolio of such product category by exploring new potential products and/or adjusting the product mix to maintain this product category as the key driver for the Group's revenue in the future.

The other product category namely chloroacetic acid and its derivatives products was mainly used for internal consumption. Currently, the internal demand of chloroacetic acid product exceeds its current production capacities. The production capacity of such product is scheduled to be expanded in the first half of 2010 to cope with the internal demand and the Group's planned external sales. Consequently, the production costs of the other products of the Group will be further lower by taking the enhancement of production capacity of such product that will be reinforced the advantage of economies of scale. Besides, new revenue will be generated by the Group from the expected external sales.

The Group has actively and rapidly explored the petrochemical product category, which has gained certain extent of market recognition during the year under review. The production capacity of such product category was not fully utilised since the Group devoted its effort to refine production technology and facilities of this product category during the year under review. After the production technology refinement, the production facility of such product category will be the first manufacturing plant in the PRC capable to produce both products of high reactive polyisobutylene and common polyisobutylene. This strategic move can widen the downstream industries application and the economic benefits of the production will be greatly enhanced which in turn improves the profitability of such product category. The production technology refinement works have completed during the year under review. The performance of petrochemical products is expected to be improved in the coming year. It is foreseen that the petrochemical product category still has a room of growth and development, the Group will continue to strive to pursue a low production cost and speedily expand its market coverage of such products in the coming year in order to achieve the expected profitability of such product category.

The turnover of alcohols products of the Group were declined due to the sole supplier undergone upgraded works on its production facilities which in turn affecting the quantity of supply during the year under review. Besides, the profit was adversely affected by the keen market competition, thus a relatively low profit margin. Nevertheless, the Group will continue to devote to maintain a steady development of such product category in future.

Resumption and relocation

According to the resumption of land (the “Resumption”) notice, the usage of the area that Weifang Common is located changed from industrial use to non-industrial use in accordance with the working direction laid down by the local government (please refer to the announcement of the Company dated 18 November 2008 for details). There are three plots of land (the “Land”) owned by Weifang Common as its production plant which are not consistent with such working direction and are subject to resumption. Two plots of the land were formally resumed in November 2008 and December 2009 respectively but the Group is still allowed to use such plots of land and operate the production continuously before 30 June 2010. The Group is still negotiating with the relevant local authorities for the amount of compensation and the terms of resumption for the remaining piece of land (the “Remaining Land”) and no final terms have been reached up to the date of this announcement.

The Group has planned the removal and relocation works of the structures erected on the Land by phases and expected to be completed before 30 June 2010 according to the current schedule of the Group. Since the production facilities erected on the Land can almost be removed and relocated to the other nearby production plants of the Group within Weifang city, the PRC for its continuous operation and the scale of production will not diminish after the removal and relocation, and the back-up production capacity was available in another nearby production plant of the Group, the production capabilities in the transitional of each phase will be sustained.

The management anticipated that the removal and relocation will be completed on schedule and no adverse and material effect on the trading, business operation, production and financial aspects to the Group as a whole due to the Resumption. Besides, the Resumption provided an opportunity for the Group to consolidate its production resources, integrate and enhance its production capacities of various products and utilise the production facilities fully and efficiently. The overall production and operating efficiency of the Group will be further reinforced as a result of the resources concentrated for realising the business strategy magnifying the synergistic effect of upward vertically integration production. Ultimately, the removal and relocation as a result of the Resumption will be beneficial to the Group’s future business development.

OUTLOOK

Presently, the global economy is recovering and the market demand has vastly improved as a result of the world governments launching the economic stimulus packages, especially in the PRC where the strong supporting policies have driven consumer spending and consumption demand and the Group is expecting that the market will then be revitalised and become more competitive whilst the production costs will be arising consequently. The Group will closely observe the ongoing variability and adopt any countermeasures promptly. As the Group has improved its operating efficiency and refined the production efficiency in past years, the Group has full confidence in overcoming such challenges by its well developed operating system and solid foundation laid down in the industry and committed to achieve better results in the coming year.

Looking ahead, the upbeat PRC economy is likely to continue drive the growth in domestic market demand of downstream industries of the Group's products, such as adhesive industry, pharmaceutical industry, pesticide industry etc. Barring unforeseen circumstances, it is expected that a steady growth of the Group's results will be sustainable in light of the robust growth of downstream industries of the Group as most of the turnover of the Group is generated from the PRC. The Group will continuously focus on its core markets and capitalise any growth opportunities along with industrial development. The Group has great confidence in its future steady development and stable business growth as well as in securing the business development of the Company that will be in line with the interests of shareholders of the Company.

FINANCIAL REVIEW

Liquidity and financial resources

The Group's primary source of funding included the net cash inflow generated from operating activities of approximately RMB 47.2 million (2008: RMB83.6 million); newly raised bank borrowings of approximately RMB 124.0 million (2008: RMB64.7 million); interest income of approximately RMB0.3 million (2008: RMB0.4 million), proceeds on disposal of property, plant and equipment and prepaid land lease payments of approximately RMB11.3 million (2008: nil). With the financial resources obtained from the Group's operations, the Group had invested approximately RMB48.4 million (2008: RMB82.4 million) in the acquisition of the property, plant and equipment; borrowing repayments of approximately RMB 134.5 million (2008: RMB62.8 million); interest paid of approximately RMB10.1 million (2008: RMB13.2 million) and dividends paid of approximately RMB4.4 million (2008: 4.5 million) during the year under review. As at 31 December 2009, the Group had cash and bank deposits of approximately RMB16.8 million (2008: RMB31.4 million), of which 86.1% was held in Renminbi, 10.0% 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 2009, the Group had recorded net current assets of approximately RMB17.0 million (2008: net current liabilities of RMB37.4 million), the current ratio of the Group was approximately 1.1 times (2008: 0.8 times), bank borrowings of approximately RMB149.2 million (2008: RMB159.6 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 34.1% (2008: 36.8%). The decrease in the gearing ratio was due to the decrease in capital expenditure resulted in the reduction of bank borrowings during the year under review.

The gearing ratio of the Group has been improved when compared with that of in the previous year and achieved a net current assets balance given by the effective control on capital expenditure as well as the operating and production costs during the year under review. The Group has continuously generated the positive cash inflow from its operations and together with its existing cash resources and available banking facilities obtained from its bankers, the Group has sufficient financial resources to meet its commitments and working capital requirements. The Group will continuously manage its cash outflow closely and cautiously in coming years and dedicate to maintain a sound financial position and improve the equity return to its shareholders.

Pledge of assets

As at 31 December 2009, no bank deposit (2008: RMB10.0 million) was pledged for bills facilities. Certain properties, plants and equipment of the Group with an aggregate net book value of about RMB19.6 million (2008: RMB30.4 million), prepaid land lease payments of approximately RMB57.7 million (2008: RMB62.3 million) and no leasehold land and building in the PRC provided by a related party (2008: RMB5.5 million) was pledged to secure the Group's bank borrowings.

Contingent liabilities

As at 31 December 2009, the Group had no material contingent liabilities.

Capital commitment

As at 31 December 2009, the Group had capital commitments which has been contracted but not yet been provided for in the aggregate amount of approximately RMB2.7 million (2008: RMB17.1 million) and which has been authorised but not yet been contracted for in the aggregate amount of approximately RMB25.7 million (2008: RMB12.4 million) relating to purchases of property, plant and equipment, and construction-in-progress.

Exposure to fluctuations in exchange rate

The Group's operation is mainly in the PRC and its assets, liabilities, revenues and transactions are mainly denominated in Renminbi, Hong Kong dollars and United States dollars.

The Group's foremost exposure to the foreign exchange fluctuations was caused by the revaluation of Renminbi during the year under review. Most of the Group's income and expenses are denominated in Renminbi except those for the Group's 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 cost-efficient hedging methods in future foreign currency transactions when appropriate.

Employees and remuneration policy

As at 31 December 2009, the Group has 721 full-time employees (31 December 2008: 906) of whom 633 were production and warehouse employees, 25 were sales and marketing employees, 9 were research and development centre employees, and 54 were management and back-office supporting employees. The decrease in the number of employees was mainly due to the enhanced production efficiency of the Group during the year under review.

For the year under review, the total staff costs incurred including directors' remuneration increased to approximately RMB31.5 million (2008: RMB29.7 million).

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 Directors are of the opinion that the Company has complied with the Code of Corporate Governance Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") formulated by The Stock Exchange of Hong Kong Limited during the year under review.

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. Each of the Director has confirmed his compliance with the Model Code for the financial year ended 31 December 2009. 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 unpublished price sensitive 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 comprises the three independent non-executive Directors, namely, Mr. Leung Kam Wan, Mr. Liu Chenguang and Mr. Gao Baoyu. Mr. Leung is the Chairman of the Audit Committee and he possesses recognised professional qualifications in accounting required by the Listing Rule.

The Audit Committee has reviewed with management and the external independent 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, 26 March 2010

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