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 2010

RESULTS HIGHLIGHTS

- Turnover increased by 47.2% to approximately RMB881.8 million (2009: RMB598.9 million).
- Gross profit substantially increased by 130.0% to approximately RMB223.8 million (2009: RMB97.3 million).
- Gross profit margin reached 25.4%, representing an increase of 9.2% (2009: 16.2%).
- Profit for the year ended 31 December 2010 increased by 207.4% to approximately RMB129.2 million (2009: RMB42.0 million).
- EBITDA goes up by 120.5% to approximately RMB199.6 million (2009: RMB90.5 million).
- Basic earnings per share increased to approximately RMB0.315 (2009: RMB0.105).
- In view of the Group's satisfactory results, the Directors recommend a final dividend in respect of the year ended 31 December 2010 of 8.0 HKcents (2009: 2.5 HKcents) per share and a special dividend of 1.0 HKcents (2009: Nil) per share and a bonus issue of shares on the basis of one new ordinary share for every one existing ordinary share held to the shareholders of the Company, all of which are subject to the shareholders' approval at the forthcoming annual general meeting of the Company to be held on 13 May 2011 and the issue of the bonus shares is also subject to the approval of the Stock Exchange on the listing of the bonus shares on the main board of the Stock Exchange.

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 2010 together with the comparative figures for the corresponding period in 2009 with the selected notes as follows:

CONSOLIDATED INCOME STATEMENT

		FOR THE YEAR ENDED 31 DECEMBER	
		2010	2009
	Notes	**RMB'000**	RMB'000
Turnover	3	**881,775**	598,947
Cost of sales		**(658,007)**	(501,675)
Gross profit		**223,768**	97,272
Other income		**6,786**	4,309
Revaluation gain on investment properties		**860**	490
Selling expenses		**(23,089)**	(22,634)
Administrative expenses		**(30,126)**	(26,278)
Other operating expenses		**(17,701)**	-
Finance costs		**(7,237)**	(10,304)
Profit before income tax	4	**153,261**	42,855
Income tax expense	5	**(24,035)**	(811)
Profit for the year attributable to the owners of the Company		**129,226**	42,044
Dividends per share			
- Final	6	**8.0 HKcents**	2.5 HKcents
- Special	6	**1.0 HKcents**	N/A
Earnings per share for profit attributable to the owners of the Company for the year	7		
- Basic		**RMB0.315**	RMB0.105
- Diluted		**RMB0.314**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	FOR THE YEAR ENDED 31 DECEMBER	
	2010	2009
	RMB'000	RMB'000
Profit for the year	**129,226**	42,044
Other comprehensive (expense)/income		
- Exchange (loss)/gain on translation of financial statements of foreign operations	**(539)**	2
Other comprehensive (expense)/income for the year	**(539)**	2
Total comprehensive income for the year attributable to the owners of the Company	**128,687**	42,046

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	AS AT 31 DECEMBER **2010** **RMB'000**	2009 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**379,930**	364,853
Prepaid land lease payments		**56,587**	57,880
Investment properties		**11,710**	10,850
Deposits paid for acquisition of property, plant and equipment		**1,088**	2,414
Deferred tax assets		**126**	355
		449,441	436,352
Current assets			
Inventories		**65,364**	43,222
Trade and bills receivable	8	**117,333**	110,947
Prepayments and other receivables		**53,238**	23,448
Current tax assets		**1,029**	3,708
Pledged bank deposits		**10,500**	-
Bank and cash balances		**42,382**	16,758
		289,846	198,083
Non-current assets classified as held for sale		**-**	3,647
		289,846	201,730
Current liabilities			
Trade and bills payable	9	**24,557**	23,767
Accruals and other payables		**67,686**	53,347
Bank borrowings		**59,900**	107,169
Current tax liabilities		**8,703**	451
		160,846	184,734
Net current assets		**129,000**	16,996
Total assets less current liabilities		**578,441**	453,348
Non-current liabilities			
Bank borrowings		**30,000**	42,000
Deferred income		**18,671**	21,412
Deferred tax liabilities		**2,255**	1,988
		50,926	65,400
NET ASSETS		**527,515**	387,948
EQUITY			
Equity attributable to the Company's owners			
Share capital		**4,216**	4,031
Reserves		**523,299**	383,917
TOTAL EQUITY		**527,515**	387,948

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 "Stock Exchange").

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 and all values are rounded to the nearest thousand except when otherwise stated.

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.

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 issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2010:

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
Amendments to HKFRS 2	Share-based Payments – Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK – Int 5	Presentation of Financial Statements – Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009

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 17 (Amendments) - Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid land lease payments in the statement of financial position. The amendment to HKAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in HKAS

17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The Group concluded that the classification of the land use rights in the People's Republic China (the "PRC") as operating leases continues to be appropriate. The adoption of HKAS 17 has had no impact during the year and the new accounting policy has been applied retrospectively.

HK-Int 5 – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The Interpretation is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

The issuance of HK-Int 5 has had no material impact on the consolidated financial statements as the Interpretation's conclusion was consistent with policies already adopted by the Group.

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 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.

<u>HKFRS 9 Financial Instruments</u>

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.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities. The changes resulting from the amendments only affect the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. All other requirements in HKAS 39 in respect of liabilities are carried forward into HKFRS 9. However, the loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of these additions.

HKAS 12 (Amendments) – Deferred Tax: Recovery of Underlying assets
The amendment is effective for accounting periods beginning on or after 1 January 2012. The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendment will be applied retrospectively. 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.

HKAS 24 (Revised) Related Party Transactions
The standard is effective for accounting periods beginning on or after 1 January 2011. The standard clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly or significantly influenced by the same government. The adoption of the revised standard will result in changes in the accounting policy. The revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government-related entities.

3. TURNOVER AND SEGMENT INFORMATION

The Group has identified the following reportable segments:

(i) Cyanoacetic acid and its ester products: Research and development, manufacture and sale of cyanoacetic acid and its ester products;
(ii) Alcohol products: Research and development, manufacture and sale of alcohol products;
(iii) Chloroacetic acid and its derivative products: Research and development, manufacture and sale of chloroacetic acid and its derivative products;
(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 product and service lines requires different resources as well as marketing approaches. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

TURNOVER

	FOR THE YEAR ENDED 31 DECEMBER	
	2010	2009
	RMB'000	RMB'000
Sales of cyanoacetic acid and its ester products	**782,474**	515,512
Sales of alcohol products	**64,649**	55,423
Sales of chloroacetic acid and its derivative products	**4,204**	1,159
Sales of fine petrochemical products	**24,234**	26,119
Sales of other by-products	**6,214**	734
	881,775	598,947

SEGMENT INFORMATION

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

2010

	Cyanoacetic acid and its ester products RMB'000	Alcohol products RMB'000	Chloroacetic acid and its derivative products RMB'000	Fine petrochemical products RMB'000	Other by-products RMB'000	Total RMB'000
Revenue:						
From external customers	**782,474**	**64,649**	**4,204**	**24,234**	**6,214**	**881,775**
Inter-segment revenue	**-**	**48,636**	**141,039**	**-**	**45,323**	**234,998**
Reportable segment revenue	**782,474**	**113,285**	**145,243**	**24,234**	**51,537**	**1,116,773**
Reportable segment profit/(loss)	**199,012**	**5,784**	**36,604**	**(17,141)**	**8,307**	**232,566**
Depreciation of property, plant and equipment	**19,019**	**546**	**4,671**	**2,231**	**6,062**	**32,529**
Write-down of inventories to net realisable value	**117**	**91**	**1,295**	**148**	**-**	**1,651**
Reversal of write-down of inventories to net realisable value	**21**	**-**	**-**	**666**	**-**	**687**
Impairment loss on property, plant and equipment	**1,272**	**-**	**-**	**13,128**	**-**	**14,400**
Reportable segment assets	**305,653**	**19,640**	**64,228**	**31,260**	**75,564**	**496,345**
Additions to non-current segment assets	**38,458**	**759**	**28,530**	**671**	**515**	**68,933**
Reportable segment liabilities	**36,122**	**11,209**	**15,057**	**21,474**	**1,495**	**85,357**

2009						
	Cyanoacetic acid and its ester products RMB'000	Alcohol products RMB'000	Chloroacetic acid and its derivative products RMB'000	Fine petrochemical products RMB'000	Other by-products RMB'000	Total 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 to net realisable value	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

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	
	2010	2009
	RMB'000	RMB'000
Reportable segment revenue	**1,116,773**	749,773
Elimination of inter-segment revenue	**(234,998)**	(150,826)
Group revenue	**881,775**	598,947

	FOR THE YEAR ENDED 31 DECEMBER	
	2010	2009
	RMB'000	RMB'000
Reportable segment profit	**232,566**	105,067
Rental income from investment properties	**468**	186
Revaluation gain on investment properties	**860**	490
Equity-settled share-based payment expenses	**(1,158)**	(1,371)
Finance costs	**(7,237)**	(10,304)
Corporate unallocated income	**3,293**	1,458
Corporate unallocated expenses	**(32,211)**	(27,041)
Elimination of inter-segment profit	**(43,320)**	(25,630)
Profit before income tax	**153,261**	42,855

	AS AT 31 DECEMBER	
	2010	2009
	RMB'000	RMB'000
Reportable segment assets	**496,345**	444,201
Prepaid land lease payments	**57,880**	59,173
Investment properties	**11,710**	10,850
Deferred tax assets	**126**	355
Current tax assets	**1,029**	3,708
Non-current assets classified as held for sale	-	3,647
Pledged bank deposits	**10,500**	-
Bank and cash balances	**42,382**	16,758
Property, plant and equipment	**89,374**	84,421
Other corporate assets	**29,941**	14,969
Group assets	**739,287**	638,082

	AS AT 31 DECEMBER	
	2010	2009
	RMB'000	RMB'000
Reportable segment liabilities	**85,357**	87,577
Bank borrowings	**89,900**	149,169
Deferred tax liabilities	**2,255**	1,988
Current tax liabilities	**8,703**	451
Other corporate liabilities	**25,557**	10,949
Group liabilities	**211,772**	250,134

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

	FOR THE YEAR ENDED 31 DECEMBER	
	2010	2009
	RMB'000	RMB'000
PRC (domicile)	**694,029**	513,158
United States of America	**35,391**	7,480
Taiwan	**32,426**	9,518
Ireland	**16,368**	12,659
India	**15,121**	10,543
United Kingdom	**14,434**	9,863
Others	**74,006**	35,726
	881,775	598,947

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	
	2010	2009
	RMB'000	RMB'000
Profit before income tax is arrived at after charging/(crediting):		
Directors' remuneration		
- Fees	**278**	282
- Salaries and allowances	**2,473**	2,488
- Retirement benefit scheme contributions	**65**	52
	2,816	2,822
Other staff costs	**33,472**	25,607
Retirement benefit scheme contributions	**2,112**	1,691
Equity-settled share-based payments expenses	**1,158**	1,371
Total staff costs	**39,558**	31,491
Auditors' remuneration	**434**	399
Amortisation of prepaid land lease payments	**1,293**	1,417
Cost of inventories recognised as an expense (note), including	**643,462**	495,515
- Write-down of inventories to net realisable value	**1,651**	266
- Reversal of write-down of inventories to net realisable value	**(687)**	(1,594)
Depreciation on property, plant and equipment	**37,820**	35,960
Exchange losses, net	**1,752**	212
Impairment loss on other receivables	**581**	-
Impairment loss on trade receivables	**-**	203
Impairment loss on property, plant and equipment (included in other operating expenses)	**14,400**	-
Minimum lease payments under operating leases in respect of leasehold land and buildings	**551**	566
Rental income less outgoings	**389**	78
Outgoings in respect of investment properties	**79**	108
Removal expenses (included in other operating expenses)	**3,301**	-
Research costs	**1,055**	648

Note: Cost of inventories includes RMB35,268,000 (2009: RMB30,449,000) relating to depreciation expenses and RMB28,805,000 (2009: RMB21,321,000) relating to staff costs.

The write-down of inventories of RMB687,000 (2009: RMB1,594,000) was reversed as the market price of these inventories was increased in 2010.

5. INCOME TAX EXPENSE

	FOR THE YEAR ENDED 31 DECEMBER	
	2010	2009
	RMB'000	RMB'000
Current tax - PRC Enterprise Income Tax	**23,539**	168
Deferred tax	**496**	643
	24,035	811

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

Weifang Common Chem Co., Ltd.（濰坊同業化學有限公司）("Weifang Common") is subject to PRC Enterprise Income Tax at the rate of 25% for 2010 and 2009.

Shanghai Dehong Chemical Company Limited（上海德弘化工有限公司）is subject to PRC Enterprise Income Tax at the rate of 22% and 20% for 2010 and 2009 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 2010 and 2009 as these were the fifth and fourth profitable years respectively. PRC Enterprise Income Tax has been provided for Weifang Binhai at the preferential rate of 12.5% for 2010 as this was the third profitable year. No provision for PRC Enterprise Income Tax has been provided for Weifang Binhai for 2009 as this was the second profitable year and tax 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 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 2009 amounting to HK$10,000,000 (dividends per share: 2.5 HKcents) was approved in the annual general meeting of the Company held on 14 May 2010 and paid during the year ended 31 December 2010. The Directors recommend the payment of a final dividend of 8.0 HKcents per share and a special dividend of 1.0 HKcents (2009: Nil) per share for the year ended 31 December 2010 and a bonus issue of shares on the basis of one new ordinary share for every one existing ordinary share held to the shareholders of the Company, all of which are subject to approval by the shareholders of the Company in its forthcoming annual general meeting (the "2011 AGM") and the issue of bonus share is also subject to the approval of the Stock Exchange on the listing of the bonus shares on the main board of the Stock Exchange.

7. EARNINGS PER SHARE

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

	FOR THE YEAR ENDED 31 DECEMBER	
	2010	2009
	RMB'000	RMB'000
Profit for the year	**129,226**	42,044

	NUMBER OF ORDINARY SHARES	
	2010	2009
Weighted average number of ordinary shares for the purpose of basic earnings per share	**409,861,611**	400,000,000
Effect of dilutive potential ordinary shares: - Share options	**1,527,584**	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**411,389,195**	400,000,000

The calculation of basic earnings per share for the year ended 31 December 2010 was based on the profit attributable to the owners of the Company of RMB129,226,000 (2009: RMB42,044,000) and on the weighted average of 409,861,611 (2009: 400,000,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31 December 2010 was based on the profit attributable to the owners of the Company of RMB129,226,000 and the weighted average of 409,861,611 ordinary shares in issue during the year, as used in the basic earnings per share calculation plus the weighted average of 1,527,584 ordinary shares deemed to be issued at no consideration as if all the Company's share options have been exercised.

There were no dilutive potential ordinary shares for the year ended 31 December 2009 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	
	2010	2009
	RMB'000	RMB'000
0 to 90 days	**114,006**	94,608
91 to 180 days	**3,198**	15,722
181 to 365 days	**129**	617
	117,333	110,947

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	
	2010	2009
	RMB'000	RMB'000
0 to 90 days	**22,814**	22,114
91 to 180 days	**756**	268
181 to 365 days	**331**	524
Over 365 days	**656**	861
	24,557	23,767

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders of the Company entitled to receive the final dividend, the special dividend and the bonus shares and attend and vote at the 2011 AGM, the register of members of the Company will be closed from Friday, 6 May 2011 to Friday, 13 May 2011, 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 Thursday, 5 May 2011.

BUSINESS REVIEW

The turnover of the Group was substantially increased to approximately RMB881.8 million, representing an increase of 47.2% when compared with that of in the last year. The gross profit of the Group was also recorded a considerable growth reaching to approximately RMB223.8 million, representing an increase of 130.0% when compared with that of in the last year. Such substantial increases were mainly attributable to the growth of business performance of cyanoacetic acid and its ester products of the Group. The growth of turnover and gross profit of the Group was mainly contributed by: (1) the favourable China fiscal policies which pushed the domestic market grew rapidly and indirectly drove the growth of the industry of the Group's products. The turnover of the Group derived from the PRC for the financial year ended 31 December 2010 increased by 35.2% when compared with that of in the last year; (2) the recovery and rebound of global economic, as a result of which, the turnover of the Group derived from the overseas has also soared by 118.8% when compared with that of in the last year; (3) the consolidation of the industry after the global financial crisis in 2008/09. The Group, being a strong market player in the industry, has outperformed its peers because of its competitive advantages, especially when the market has become consolidated; (4) the adoption of appropriate marketing strategies by the Group which enable the Group to seize a larger market share during the year under review; (5) the consolidation of the operation and production facilities of the Group after the removal and relocation of the production plant of Weifang Common which improved and enhanced of the overall production and operating efficiency of the Group; and (6) the better control of the production costs by the Group as a result of the Group's continuous and active advancing its upward vertically integrated production system.

Although the total turnover of the Group was increased by 47.2% when compared with that of in the last year, the selling expenses were only slightly increased by approximately RMB0.5 million from approximately RMB22.6 million in 2009 to approximately RMB23.1 million in 2010 as a result of the implementation of stringent costs control measurements by the Group as well as the direct dealing with all new customers so that the sales commission remained steady during the year under review. The selling expenses as a percentage of the Group's turnover were decreased to 2.6% in 2010 (2009: 3.8%).

Administrative expenses increased by approximately RMB3.8 million from approximately RMB26.3 million in 2009 to approximately RMB30.1 million in 2010. Such increase was mainly due to the increase of exchange net loss, staff costs, other local taxes, bank charges and research and development expenses. Administrative expenses expressed as a percentage of the Group's turnover were 3.4% in 2010 (2009: 4.4%).

The other operating expenses represented (i) the impairment loss on the production facilities of fine petrochemical products and an ester product; and (ii) the removal expenses for relocation of production plant of Weifang Common during the year under review.

The finance costs mainly comprised bank borrowings interest and discounted bills interest, which were decreased by approximately RMB3.1 million from approximately RMB10.3 million in 2009 to approximately RMB7.2 million in 2010. The decrease was mainly due to the decrease in bank borrowing amounts 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.

Given by the substantial growth of turnover and gross profit of the Group as well as the improvement and the enhancement of operational efficiency during the year under review, the profit of the Group for the year has also significantly increased by approximately RMB87.2 million to approximately RMB129.2 million, representing an increase of 207.4% as compared with that of approximately RMB42.0 million in 2009.

During the year under review, the Group has further enhanced the production capacity of its products with good market potential in order to strengthen its cost competitiveness and meet the steady growth of market demands. Besides, the Group has actively implemented the recycling economy production system after the consolidation of production facilities so as enhancing the utilisation of internal resources and cost efficiency. These measurements have contributed to the results of the year under review and will further sustain the long-term growth of the Group.

The Group has devoted a great deal of effort to reinforce business development and strengthen its competitive edge in the past, including developing production facilities of upstream materials, refining the production technologies, advancing the production facilities, enhancing the production capacities to reach the optimum production scale and improving the operation efficiency continuously etc. Now, the competitive edge of the Group is capable to maintain its core business growth comprehensively. The Group will further accelerate the development of new products to be launched to the market so as to achieve a better return to the shareholders of the Company as well as sustain a long term growth of the Group.

Cyanoacetic acid and its ester products
Cyanoacetic acid and its ester products continued to report strong growth during the year under review. Leveraging on the strong purchasing power of domestic market as well as the economic of the overseas markets rebound robustly following the global financial crisis and the competitive edge of the Group’s products, both the average selling price and the sales quantity of some products in this product category were increased notably, such product category was accounting for 88.7% (2009: 86.1%) of the Group’s total turnover. Besides, the removal and relocation of production plant provided the Group a good opportunity to consolidate and integrate the resources and improve its product portfolio of this product category, the production efficiency of the Group is enhanced remarkably as a whole. Furthermore, the production costs were well contained through its upward vertically integrated production system of the Group. Thus, such product category has successfully driven the accelerated growth of the Group during the year under review. In view of this product category is becoming a dominant force for high growth and it is expected that it will continuous outperform the rest of the products of the Group in coming year. With relatively higher profit margins and remains optimistic about its long-term prospect, the Group will dedicate to explore more new products and further enhance the production technologies and capacities of good potential ester products in order to further reinforce its competitive advantage and sustain its leading position in the industry.

Alcohol products
The results of alcohol products are still remain stable as the industry is matured and saturated. The Group will keep a steady development of this product category in line with the natural growth of the industry in future.

Chloroacetic acid and its derivative products
The second phase expansion of production capacity of such product category was completed in the second half of this year. However, the internal demand was very strong and such products are still mainly used for internal consumption during the year under review. Thus, the third phase expansion of production capacity of such product category will be carried out in 2011 to cope with the internal demand and eventually achieving external sales. As the production costs of the other products of the Group will be directly aligned with the production costs of such product category, the Group will devote to enhance the production of self supplies advantages and to build up a solid production foundation ensuring that the internal resources are fully and comprehensively utilised in future.

Fine petrochemical products

Affected by the supply shortage and soaring price of raw materials, the results of fine petrochemical products was not as promising as originally planned during the year under review. The turnover of such product category was insignificant to the total turnover of the Group and an impairment of the production facilities of such product category was made during the year under review. Since all negative factors of such product category has been reflected in this year, the Group believes such product category would bring positive results to the Group in future as the broad application of such product category to the downstream industries that there would be ample room for development. The Group will continue to refine production technologies and facilities of such product category and dedicate to exploit new business development and opportunities in future.

Resumption and relocation

According to the notice of the resumption of land (please refer to the Company's announcement dated 18 November 2008 for details), the usage of the three plots of land owned by Weifang Common was changed from industrial use to non-industrial use in accordance with the working direction laid down by the local government. As the production plant of Weifang Common was erected on those plots of land which were not consistent with such working direction and were subject to resumption. The resumption agreements for the three plots of land were formally signed in November 2008, December 2009 and September 2010 respectively. The removal and relocation of the production plant of Weifang Common was completed in the first half of 2010 and the three plots of land were surrendered to the local government accordingly. The financial impact related to the resumption and relocation has been already reflected in the financial statements of the Group.

The production and operation of Weifang Common was relocated and operated in the other nearby production plants of the Group. The removal and relocation provided an opportunity to the Group to concentrate and integrate the internal resources so as to improve the overall operation and production efficiency. It was benefit to the Group's long term development as a whole.

Use of proceeds from placing

The Company placed 20,000,000 new ordinary shares in July 2010 and the net proceeds of approximately RMB17.8 million were fully utilised for general working capital up to 31 December 2010. The use of proceeds was in accordance with the intended purpose as stated in the placing announcement on 12 July 2010.

OUTLOOK

Currently, China continues to experience steady GDP growth and it is expected that the domestic demands will still maintain a growing momentum in a year ahead, especially for consumable goods market. Driven by the expected growth of demands on consumable goods in domestic market, it will provide a better environment for the development of the Group's products. According to the anticipated market conditions and the development trend and prospect of the downstream industries, the Group has strategically deployed the product development plans for the coming year to meet forthcoming challenges and fostering steady growth over the long term. Meanwhile, the Group will continuously intensify the competitive advantages of the Group's products, further strengthen its vertically integration production system and promote the recycling economy production system actively so as to maintain its business edge in the industry.

The Group will also concentrate resources on cultivating new business and diversifying its product portfolio, thus escalating the business development. With the aim to enhance energy efficiency, the Group will further promote maximising the utilisation of internal resources, such as recycle and reduce wastes and water so as to achieve recycling economy production. The Group will not only continue to work towards increasing the competitive advantages in core business but also implement various measures to better prepare itself for next stage development, which includes planning strategic development programs and developing new products so as to explore new markets, to generate future business development with ample room. With the fully utilisation of the Group's business edge and its positive future development plans, the Group will able to keep its leading position in the industry and continue its business development in a faster and a better way.

Underpinned by the solid capital structure, strong financial position, and appropriate business strategies of the Group, the Group will further strengthen its competitive edge and achieve continued healthy growth. The Group will capitalise its strengths to seek business development opportunities through acquisition, self-development or cooperation with enterprises to generate synergy effects etc. that enabling the Group becomes stronger. The Group is optimistic to its future development and will strive to optimise the return to the 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 RMB154.5 million (2009: RMB47.2 million); newly raised bank borrowings of approximately RMB47.9 million (2009: RMB124.0 million); net proceeds from the issuing of new shares of approximately RMB18.5 million (2009: Nil); interest income of approximately RMB0.2 million (2009: RMB0.3 million). For the year under review, there was no cash inflow from disposal of property, plant and equipment and prepaid land lease payments (2009: RMB11.3 million). With the financial resources obtained from the Group's operations, the Group had invested approximately RMB61.2 million (2009: RMB48.4 million) in the acquisition of the property, plant and equipment; borrowing repayments of approximately RMB107.2 million (2009: RMB134.5 million); interest paid of approximately RMB7.3 million (2009: RMB10.1 million) and dividends paid of approximately RMB8.8 million (2009: RMB4.4 million) during the year under review. As at 31 December 2010, the Group had cash and bank deposits of approximately RMB52.9 million (2009: RMB16.8 million), of which 92.4% was held in Renminbi, 4.0% 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 2010, the Group had recorded net current assets of approximately RMB129.0 million (2009: RMB17.0 million), the current ratio of the Group was approximately 1.8 times (2009: 1.1 times), bank borrowings of approximately RMB89.9 million (2009: RMB149.2 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 decreased to approximately 7.0% (2009: 34.1%). The decrease in the gearing ratio was due to the improvement of operating income and the reduction of bank borrowings during the year under review.

With the continuous positive cash inflow generated from its operations and 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 the 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 2010, bank deposits of approximately RMB10.5 million were pledged for bills and letter of credit facilities (2009: Nil). Prepaid land lease payments of the Group of approximately RMB27.6 million (2009: RMB57.7 million) were pledged to secure the Group's bank borrowings and none of the property, plant and equipment of the Group (2009: RMB19.6 million) was pledged to secure the Group's bank borrowings.

Contingent liabilities

As at 31 December 2010, the Group had no material contingent liabilities.

Capital commitment

As at 31 December 2010, the Group had capital commitments which has been contracted but not yet been provided for in the aggregate amount of approximately RMB1.0 million (2009: RMB2.7 million) and no capital commitment in respect of the authorised but not yet been contracted (2009: RMB25.7 million) that 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 appreciation 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 2010, the Group has 881 full-time employees (2009: 721) of whom 799 were production and warehouse employees, 18 were sales and marketing employees, 12 were research and development centre employees, and 52 were management and back-office supporting employees. The increase in the number of employees was mainly due to the expansion of the production capacity of the Group during the year under review.

For the year under review, the total staff costs incurred including directors' remuneration increased to approximately RMB39.6 million (2009: RMB31.5 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 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 2010. 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 the management of the Company and the 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, 21 March 2011

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.