Tiande Chemical Holdings Limited
天德化工控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 609)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

RESULTS HIGHLIGHTS

- Turnover for the six months ended 30 June 2011 was approximately RMB457.9 million, representing an increase of 16.2% as compared with that of the corresponding period last year.
- Gross profit increased by 13.4% to approximately RMB110.6 million.
- Gross profit margin reached 24.1%, representing a slightly decrease of 0.6% as compared with that of the corresponding period last year.
- Profit for the period increased by 70.9% to approximately RMB66.5 million.
- Basic earnings per share increased to approximately RMB7.9 cents (six months ended 30 June 2010: RMB4.9 cents).
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2011.

The board (the “Board”) of directors (the “Directors”) of Tiande Chemical Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2011 together with the comparative figures for the corresponding period in 2010 and the selected notes as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June **2011** **RMB'000** **(unaudited)**	2010 RMB'000 (unaudited)
Turnover	4	**457,861**	393,941
Cost of sales		**(347,309)**	(296,464)
Gross profit		**110,552**	97,477
Other income		**2,186**	1,858
Selling expenses		**(11,010)**	(10,195)
Administrative expenses		**(15,400)**	(13,035)
Other operating expenses	5	**-**	(26,814)
Finance costs	6	**(3,336)**	(4,045)
Profit before income tax	7	**82,992**	45,246
Income tax expense	8	**(16,497)**	(6,331)
Profit for the period attributable to the owners of the Company		**66,495**	38,915
Earnings per share for profit attributable to the owners of the Company for the period	10		
– Basic		**RMB0.079**	RMB0.049
– Diluted		**RMB0.079**	RMB0.048

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period	**66,495**	38,915
Other comprehensive income		
Exchange loss on translation of financial statements of foreign operations	**(372)**	(66)
Other comprehensive income for the period	**(372)**	(66)
Total comprehensive income for the period attributable to the owners of the Company	**66,123**	38,849

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2011 RMB'000 (unaudited)**	31 December 2010 RMB'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**390,827**	379,930
Prepaid land lease payments		**55,941**	56,587
Investment properties		**11,710**	11,710
Deposits paid for acquisition of property, plant and equipment		**1,381**	1,088
Deferred tax assets		**94**	126
		459,953	449,441
Current assets			
Inventories		**73,426**	65,364
Trade and bills receivable	11	**139,506**	117,333
Prepayments and other receivables		**23,094**	53,238
Current tax assets		**1,029**	1,029
Pledged bank deposits		**-**	10,500
Bank and cash balances		**101,246**	42,382
		338,301	289,846
Current liabilities			
Trade and bills payable	12	**19,825**	24,557
Accruals and other payables		**60,849**	67,686
Bank borrowings		**79,000**	59,900
Current tax liabilities		**10,671**	8,703
		170,345	160,846
Net current assets		**167,956**	129,000
Total assets less current liabilities		**627,909**	578,441
Non-current liabilities			
Bank borrowings		**45,000**	30,000
Deferred income		**17,301**	18,671
Deferred tax liabilities		**2,280**	2,255
		64,581	50,926
NET ASSETS		**563,328**	527,515
EQUITY			
Equity attributable to the Company's owners			
Share capital		**7,786**	4,216
Reserves		**555,542**	523,299
TOTAL EQUITY		**563,328**	527,515

SELECTED NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal activity of the Company is investment holding. The principal activities of the Group are research and development, manufacture and sales of fine chemical products.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011 (the "Unaudited Condensed Financial Information") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Unaudited Condensed Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2010 (the "2010 Annual Financial Statements").

The Unaudited Condensed Financial Information has been prepared in accordance with the same accounting policies adopted in the 2010 Annual Financial Statements, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards and Interpretations issued by the HKICPA.

The Unaudited Condensed Financial Information is 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 thousands except when otherwise stated.

3. ADOPTION OF NEW OR AMENDED HKFRSs

In the period under review, the Group has applied for the first time the following new and revised 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 2011:

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HK(IFRIC) – Interpretation 19	Extinguishing financial liabilities with equity instrument
HKAS 32 (Amendments)	Financial instruments: Presentation – Classification of rights issue
HKAS 24 (Revised)	Related party disclosures
HK(IFRIC) – Interpretation 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement

Other than as noted below, the adoption of these new and revised HKFRSs did not change the Group's accounting policies as followed in the preparation of the 2010 Annual Financial Statements.

HKFRSs (Amendments)

HKAS 34 Interim financial reporting places greater emphasis on the disclosure principles in the standard and includes additional examples of material event and transaction to illustrate the application of these principles. In particular, the amendment clarifies the need to include HKFRS 7 disclosures in interim financial statements.

HKAS24 (Revised) Related Party Disclosures

HKAS 24 (Revised) 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 controlled or significantly influenced by the same government.

The Directors anticipate that the application of other new and revised HKFRSs but not yet effective will have no material impact on the results and the financial position of the Group.

4. TURNOVER AND SEGMENT INFORMATION

The executive Directors have identified the following five product and service lines of the Group as its operating 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.

TURNOVER

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of cyanoacetic acid and its ester products	**413,630**	360,619
Sales of alcohol products	**26,130**	20,132
Sales of chloroacetic acid and its derivative products	**4,309**	1,217
Sales of fine petrochemical products	**9,396**	8,501
Sales of other by-products	**4,396**	3,472
	457,861	393,941

SEGMENT INFORMATION

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

For the six months ended 30 June 2011

	Cyanoacetic acid and its ester products	**Alcohol products**	**Chloroacetic acid and its derivative products**	**Fine petrochemical products**	**Other by-products**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**
Revenue:						
From external customers	**413,630**	**26,130**	**4,309**	**9,396**	**4,396**	**457,861**
Inter-segment revenue	**-**	**21,495**	**101,817**	**-**	**826**	**124,138**
Reportable segment revenue	**413,630**	**47,625**	**106,126**	**9,396**	**5,222**	**581,999**
Reportable segment profit	**94,953**	**2,366**	**37,227**	**1,615**	**954**	**137,115**
Reportable segment assets	**338,783**	**17,101**	**81,064**	**20,464**	**73,156**	**530,568**

	For the six months ended 30 June 2010					
	Cyanoacetic acid and its ester products	Alcohol products	Chloroacetic acid and its derivative products	Fine petrochemical products	Other by-products	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue:						
From external customers	360,619	20,132	1,217	8,501	3,472	393,941
Inter-segment revenue	-	11,575	53,849	-	20,716	86,140
Reportable segment revenue	360,619	31,707	55,066	8,501	24,188	480,081
Reportable segment profit/(loss)	77,441	1,519	7,807	(16,759)	3,291	73,299
Reportable segment assets	265,914	19,469	56,726	26,339	73,985	442,433

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Reportable segment profit	**137,115**	73,299
Rental income from investment properties	**274**	236
Equity-settled share-based payment expenses	**(519)**	(609)
Finance costs	**(3,336)**	(4,045)
Corporate unallocated income	**491**	193
Corporate unallocated expenses	**(15,096)**	(12,995)
Elimination of inter-segment profit	**(35,937)**	(10,833)
Profit before income tax	**82,992**	45,246

5. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Write-off of property, plant and equipment in relation to the removal (note i)	**-**	9,394
Removal expenses (note i)	**-**	3,300
Impairment loss on property, plant and equipment (note ii)	**-**	14,120
	-	26,814

Notes:

(i) On 12 June 2008, Shandong Weifang Economic Development Zone Planning and Construction Bureau issued a resumption notice to Weifang Common Chem Co., Ltd. ("Weifang Common"), an indirectly wholly-owned subsidiary of the Company, in respect of the resumption of land use rights of three pieces of land (collectively referred to as the "Land", which include "Land 1", "Land 2" and "Land 3"). The disposals of Land 2 and Land 3 were completed in 2009. During the six months ended 30 June 2010, property, plant and equipment with net carrying amount of approximately RMB9,394,000 were written off due to the removal of production facilities of Weifang Common erected on Land 1. The Group recognised the removal expenses of approximately RMB3,300,000 in profit or loss for the six months ended 30 June 2010.

(ii) During the six months ended 30 June 2010, the net carrying amounts of property, plant and equipment were reduced to their recoverable amounts which were determined by reference to the estimation of future cashflows expected to be generated from the respective assets in relation to the production of fine petrochemical products.

6. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest charges on:		
– Bank loans wholly repayable within five years	**3,336**	4,024
– Discounted bills	**-**	21
	3,336	4,045

7. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit before income tax is arrived at after charging/(crediting):		
Directors' remuneration		
– Fees	**158**	139
– Salaries and allowances	**1,576**	1,140
– Retirement benefit scheme contriubtions	**36**	31
	1,770	1,310
Other staff costs	**19,074**	14,462
Retirement benefit scheme contriubtions	**1,204**	1,023
Equity-settled share-based payments expense	**519**	609
Total staff costs	**22,567**	17,404
Amortisation of prepaid land lease payments	**647**	647
Cost of inventories recognised as expenses (note i), including:	**339,406**	290,459
– Write-down of inventories to net realisable value	**1**	1,389
– Reversal of write-down of inventories to net realisable value (note ii)	**(553)**	(356)
Depreciation on property, plant and equipment	**19,791**	18,631
Exchange losses, net	**478**	244
Minimum lease payments under operating leases in respect of leasehold land and building	**278**	300
Outgoings in respect of investment properties	**37**	39
Research costs	**852**	540
Write-off of property, plant and equipment in relation to the removal (note 5)	**-**	9,394
Removal expenses (note 5)	**-**	3,300
Impairment loss on property, plant and equipment (note 5)	**-**	14,120

Notes:

(i) Cost of inventories includes approximately RMB18,607,000 (Six months ended 30 June 2010: RMB15,988,000) relating to depreciation expenses and approximately RMB16,052,000 (Six months ended 30 June 2010: RMB12,588,000) relating to staff costs.

(ii) The write-down of inventories of approximately RMB553,000 (Six months ended 30 June 2010: RMB356,000) was reversed as the market price of these inventories was increased during the period.

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax - People's Republic of China ("PRC") Enterprise Income Tax	**16,440**	7,674
Deferred tax	**57**	(1,343)
	16,497	6,331

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in nor derives from Hong Kong (Six months ended 30 June 2010: Nil).

Weifang Common and Weifang Parasia Chem Co., Ltd. ("Weifang Parasia") are subject to PRC Enterprise Income Tax at the rate of 25% for the period under review (Six months ended 30 June 2010: Weifang Common: 25%, Weifang Parasia: 12.5%).

Shanghai Dehong Chemical Company Limited is subject to PRC Enterprise Income Tax at the rate of 24% for the period under review (Six months ended 30 June 2010: 22%), being the preferential tax rate in Shanghai Pudong New District.

Pursuant to the relevant laws and regulations in the PRC, Weifang Binhai Petro-Chem Co., Ltd. ("Weifang Binhai") is eligible for certain tax holidays and concessions in the PRC. The tax holidays 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 Binhai at the preferential rate of 12.5% for the period under review as this is the fourth profitable year (Six months ended 30 June 2010: 12.5%).

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 profit or loss over the useful lives of the relevant assets. Such income is taxable for the year in which it is released to profit or loss.

9. DIVIDENDS PER SHARE

During the period under review, a final dividend for the year ended 31 December 2010 of 8.0 HKcents per share (Six months ended 30 June 2010: 2.5 HKcents per share), amounting to approximately RMB28,455,000 (Six months ended 30 June 2010: RMB8,800,000) and a special dividend for the year ended 31 December 2010 of 1.0 HKcent per share (Six months ended 30 June 2010 : Nil), amounting to approximately RMB3,557,000 (Six months ended 30 June 2010: Nil) were paid to the shareholders of the Company.

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2011 (Six months ended 30 June 2010: Nil).

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period attributable to the owners of the Company for the purposes of basic and diluted earnings per share	**66,495**	38,915

	Number of ordinary shares Six months ended 30 June	
	2011	2010
	'000 shares	'000 shares
	(unaudited)	(unaudited and restated)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**845,571**	800,992
Effect of dilutive potential ordinary shares:		
Share options	**856**	1,520
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**846,427**	802,512

The calculation of basic earnings per share for the six months ended 30 June 2011 was based on the profit attributable to the owners of the Company of RMB66,495,000 (Six months ended 30 June 2010: RMB38,915,000) and on the weighted average of 845,571,000 (Six months ended 30 June 2010: 800,992,000) ordinary shares in issue during the period under review.

The calculation of diluted earnings per share for the six months ended 30 June 2011 was based on the profit attributable to the owners of the Company of RMB66,495,000 (Six months ended 30 June 2010: RMB38,915,000) and the weighted average of 846,427,000 (Six months ended 30 June 2010: 802,512,000) ordinary shares in issue during the period under review, as used in the basic earnings per share calculation plus the weighted average of 856,000 (Six months ended 30 June 2010: 1,520,000) ordinary shares deemed to be issued at no consideration as if all the Company's share options have been exercised.

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share has been adjusted for the bonus issue made on 27 May 2011.

11. 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:

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
0 to 90 days	**127,036**	114,006
91 to 180 days	**11,216**	3,198
181 to 365 days	**1,190**	129
Over 365 days	**64**	-
	139,506	117,333

12. TRADE PAYABLES

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

	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
0 to 90 days	**18,339**	22,814
91 to 180 days	**651**	756
181 to 365 days	**270**	331
Over 365 days	**565**	656
	19,825	24,557

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, the Group recorded growth in both turnover and net profit as compared with those of the Group recorded in the last corresponding period. The Group has implemented effective sales promotion and aggressive marketing strategies to seize market opportunities arising from the continuing recovery of the global economy. The turnover derived from the domestic market grew by 12.6%, accounting for 77.9% of the Group's total turnover, while the turnover derived from overseas market has also substantially increased by 31.0% as compared with that of last corresponding period. Following the global economic recovery, the surging inflation urged the cost of raw materials recorded unusual volatilities during the period under review. Benefited from the well established complementary production chain and effective scale production of the Group, the gross profit margin can be maintained steady. The gross profit of the Group has also increased by 13.4% as compared with that of last corresponding period. The absence of non-recurrent one-off provision for impairment of production facilities and the removal expenses for relocation of production plant during the period under review explained the substantial increase of the net profit of the Group by 70.9% as compared with that of last corresponding period, reached approximately RMB66.5 million. The encouraging financial results reflected the business edges of the Group which offer a strong defensive position during adverse business environment.

In line with its development strategies, the Group has self-developed a new product during the period under review and planned to launch it into the market in second half of this year. As new product can bring in new revenue and profit, the Group will keep developing new products by capitalising its existing business edges aiming to expand the products range further so as to solidify its profitability and also to seize the new development opportunities for supporting the continuous business growth of the Group.

On the other hand, in view of the promising market of specialty chemical for industrial use, the Group entered into a conditional joint venture agreement with a strategic business partner on 30 June 2011, details of which were stated in the Company's announcement dated 3 July 2011. The Group expects that the joint venture, if established, will provide new impetus to the Group's revenue and become new profit growth point that contributes the long-term business growth of the Group.

By virtue of the Group's successful development of certain new products and continuous enrichment of its product portfolio in recent years, the turnover of the cyanoacetic acid and its ester products sustained continuous growth as compared with that of last corresponding period. These products accounted for 90.3% of the Group's total turnover, and continued to be the Group's major revenue driver during the period under review. Along with the further improvement in the integration internal supply, such products category achieved better economies of scale and the reportable segment profit has been increased by 22.6% as compared with that of last corresponding period. As such products are mainly used in daily consumable goods and the demands for such products has continued to grow for a long period of time, that also offers a good opportunity to the Group for its further development. The Group has laid strong foothold and market edges and will continuously devote its effort in product development and expansion of the product portfolio to cover downstream application field more broadly and broaden future profit margins in order to sustain the future business expansion of the Group.

The market for alcohol products are still developed stably but it did not contribute much to the Group’s overall results during the period under review. The Group will maintain the stable development of such products category in line with the Group's business development strategies.

Given the expanded production capacity of chloroacetic acid and its derivative products, the advantages of scale production were further enhanced and the economic benefit of such products category was obvious gradually during the period under review. This products category is still mainly used for the Group’s internal consumption due to the robust in house demands. The third phase expansion of production capacity was just completed in July 2011. Besides, the Group has continuously optimised and advanced its production facilities during the period under review that can further maximise the resources utilisation and enhance the production effectiveness. The above measures enable the supplementary and synergistic role of the cyanoacetic acid and its ester products be played fully. This products category did not only provide an effective way on cost control but also provide the Group with a development opportunity for generating external revenue directly. In view of the potential growth of such products category, the Group will spare no efforts to keep its good momentum of development and further advancement of production facilities and technologies in order to grasp its positive prospect in future.

Due to the adverse market conditions, the book value of the Group’s production facilities of fine petrochemical products was impaired in last year. For the period under review, lower operating costs contributed to the positive results for this products category. Despite of the market outlook of such products category is still uncertain, the Group will continue to optimise its production and operation layout together with adoption of prudent and stable policies aiming to improve the profitability and grasp the development opportunities of such products category in future.

In order to keep on further development and to comply with the China government’s environmental policies that encourage the use of clean energy, the Group persists in reinforcing its policies on energy saving and carbon emission reduction to further refine environmental friendly production system as well as through advancement of the production technology with the well established complementary production chain to reduce the energy consumption to promote the recycling economy production system so as to attain a better utilisation rate of production facilities and further reduce the production costs simultaneously. Besides, in view of the continuous business expansion, the Group has made capital investment to increase the waste water treatment facilities to strengthen the overall waste water treatment function during the period under review which enable the Group to achieve the target of near zero pollution. The Group considers the environmental protection policy as a vital issue to uphold its long-term business development.

Outlook

China has been threatened with signs of overheated economy, coupling with the continuous relatively loose monetary policy implemented in the developed countries, the global inflation surges. Although the production and operation of the Group was facing cost pressure arising from the rising of inflation, the Group has proactively implemented various measures, at least but not limited to further promotion of recycling economy production processes and reinforcing the synergistic effect of internal complementary supply to strengthen its business edge and to partially offset the impact of rising production and operating costs as well as continuously simplifying and centralising business process to improve the operating efficiency. On the other hand, the Group will continuously increase resources and efforts in product innovation and advancement of production technology to sustain future profitable growth and the long-term business development. The development strategies of the Group are forward-looking and well planned to maintain sustainable business growth and striving to be the market leader in the fine chemical industry in China.

Looking ahead, the Chinese government has taken measures to cool down the economy, curb inflation and promote price stability. It is envisaged that wage cost and inflation will be stabilised gradually in the second half of 2011. The Group will keep focus on the domestic market as the domestic demands on daily consumable goods increase continuously in line with the continuous growth momentum of gross domestic product in China. Riding on the competitive edges and solid business foundation of the Group, the Directors are confident that the Group is capable of seizing the development opportunities whenever they arise and putting forward its business expansion keeping the business of the Group remains competitive and sustained profitability.

FINANCIAL REVIEW

The Group recorded satisfactory growth in its turnover and gross profit for the six months ended 30 June 2011 which amounted to approximately RMB457.9 million and RMB110.6 million respectively, representing an increase of approximately RMB64.0 million and RMB13.1 million or 16.2% and 13.4% as compared with RMB393.9 million and RMB97.5 million recorded in the corresponding period of last year. The satisfactory results were primarily attributable to the Group having adopted effective sales promotion and aggressive marketing strategies along with the continuing recovery of the global economy that driving the growth in turnover of the Group during the period under review. In light of the further improved complementary production chain and effective scale production, the Group can still maintain the gross profit margins level continuously albeit the rising of inflation during the period under review.

Given by the effective cost controls, the selling expenses slightly increased by approximately RMB0.8 million from approximately RMB10.2 million in the corresponding period of last year to approximately RMB11.0 million. The selling expenses as a percentage of the Group’s turnover was 2.4% (six months ended 30 June 2010: 2.6%) during the period under review.

The administrative expenses amounted to approximately RMB15.4 million, which was increased by approximately RMB2.4 million from approximately RMB13.0 million in the corresponding period of last year. Such an increase was principally due to the increase in director and staff costs, repair and maintenance, legal and professional costs and research and development costs during the period under review. The administrative expenses accounted for 3.4% of the Group’s turnover, which was slightly higher than 3.3% in the corresponding period of last year.

The finance costs represented interest on bank borrowings which were decreased by approximately RMB0.7 million to approximately RMB3.3 million (six months ended 30 June

2010: RMB4.0 million). The decrease was mainly due to decrease of bank borrowing amounts and no discounted bank acceptance bills were made during the period under review.

As a result of the effective control in the operating costs and the absence of one-off provision for impairment of production facilities and the removal expenses for relocation of production plant made during the period under review, the profit attributable to equity holders of the Company amounted to approximately RMB66.5 million, representing an increase of approximately RMB27.6 million or 70.9% as compared with RMB38.9 million recorded in the corresponding period of last year.

During the period under review, the Company has made a bonus issue of ordinary shares on the basis of one (1) bonus share at par for every one (1) existing share of the Company. Basic earnings per share increased to approximately RMB7.9 cents (six months ended 30 June 2010: RMB4.9 cents).

Liquidity and financial resources

For the six months ended 30 June 2011, the Group's primary source of funding included the net cash inflow generated from operating activities of approximately RMB88.5 million (six months ended 30 June 2010: RMB78.6 million); newly raised bank borrowings of approximately RMB66.3 million (six months ended 30 June 2010: RMB17.9 million); newly raised fund from issue of shares under share option scheme of approximately RMB1.2 million (six months ended 30 June 2010: RMB0.7 million) and interest received of approximately RMB0.2 million (six months ended 30 June 2010: RMB0.03 million). With the financial resources obtained from the Group's operations, the Group had paid approximately RMB39.9 million (six months ended 30 June 2010: RMB31.3 million) in the acquisition of the property, plant and equipment, bank borrowing repayments of approximately RMB32.2 million (six months ended 30 June 2010: RMB48.5 million); interest paid of approximately RMB3.4 million (six months ended 30 June 2010: RMB4.0 million) and dividends paid of approximately RMB32.0 million (six months ended 30 June 2010: RMB8.8 million).

As at 30 June 2011, the Group had bank deposit and bank and cash balances of approximately RMB101.2 million (31 December 2010: RMB52.9 million). The total amount of outstanding borrowings was approximately RMB124.0 million (31 December 2010: RMB89.9 million). The liquidity position of the Group was continuously improved, the gearing ratio (which is represented by the ratio of net debts (total borrowings net of cash and cash equivalents) to total shareholders' equity) decreased to 4.0% (31 December 2010: 7.0%) and the net current assets increased to approximately RMB168.0 million (31 December 2010: RMB129.0 million) as a result of the effective control on capital expenditure and production and operating costs implemented by the Group during the period under review. With the positive cash inflow from the Group's operations, existing cash resources and its available banking facilities obtained from its bankers, the Group has sufficient financial resources to meet its commitments and working capital requirements in foreseeable future. The Group will continuously manage its working capital closely and cautiously and dedicate to keep a sound liquidity position to optimise the equity return to its shareholders.

During the period under review, the Group did not use any financial instruments for any hedging purposes.

Pledge of assets

As at 30 June 2011, no bank deposit was pledged by the Group for banking facilities (31 December 2010: RMB10.5 million). The Group has prepaid land lease payments of approximately RMB29.0 million (31 December 2010: RMB27.6 million) was pledged to secure the Group's bank borrowings.

Contingent liabilities

As at 30 June 2011, the Group had no material contingent liabilities.

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 risk was caused by the fluctuation of Renminbi during the period under review. Most of the Group's income and expenses were denominated in Renminbi except those for the Group's export sales which were, in majority, denominated in United States dollars. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of the fluctuations in currency exchange rates during the period under review. Besides, the Group will consider cost-efficient hedging methods to cope with future foreign currency transactions when appropriate.

HUMAN RESOURCES

As at 30 June 2011, the Group has 784 full time employees (31 December 2010: 881 full time employees) of which 695 were production and warehouse, 18 were sales and marketing, 17 were research and development centre, and 54 were back-office supportive employees. The number of employees was reduced due to the enhancement in operation efficiency.

The Group has established its human resources policies and procedures with a view to deploying more motivated incentives and rewards of the remuneration system which include a wide range of training and personal development programs to the employees. The remuneration package offered to the staff was in line with the duties and the prevailing market terms. Staff benefits, including medical insurance and provident funds, have also been provided to the employees of the Group.

Employees of the Group would receive discretionary bonuses and monetary rewards based on their ratings in annual performance appraisals. The Group also offered other incentives or supports to the employees in order to motivate their personal growth and career development, such as ongoing training to enhance their technical and product knowledge as well as their knowledge of industry quality standards. All new staff of the Group is required to attend an introductory course and there are also various types of training courses available to all the Group's employees.

The Group has also adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Company has granted 4,000,000 share options to eligible employees and a supplier to recognise their contribution to the Group so far. No share option of the Company was granted during the period under review.

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

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries had redeemed, purchased or sold any of the Company's listed shares.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the applicable code provisions of the Corporate Governance Practices as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct with standards no less than those prescribed under the Model Code as set out in Appendix 10 to the Listing Rules for securities transactions by Directors. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards as set out in the Model Code and the Company's code of conduct regarding securities transactions by Directors throughout the six months ended 30 June 2011.

The senior management, who, because of their office in the Company, are likely to be in possession of unpublished price sensitive information, have been requested to comply with the provisions of the Model Code and the Company's code of conduct regarding securities transactions by Directors.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises an executive Director of the Company, namely Mr. Liu Hongliang (Chairman of the Remuneration Committee) and three independent non-executive Directors of the Company, Mr. Leung Kam Wan, Mr. Gao Baoyu and Mr. Liu Chenguang. During the period under review, the Remuneration Committee has reviewed and approved the remuneration package of all Directors and senior management of the Company for the year ended 31 December 2011 by reference to the scope duties and responsibilities of the Directors of the Company, corporate goals and objectives of the Group, after taking into account also the comparable market conditions. No Director shall participate in any discussion and decision about his own remuneration.

AUDIT COMMITTEE

The Audit Committee of the Company comprises the three independent non-executive directors of the Company, namely Mr. Leung Kam Wan (Chairman of the Audit Committee), Mr. Gao Baoyu and Mr. Liu Chenguang. The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed internal control and financial reporting matters with our management and independent auditor relating to the preparation of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2011. There is no disagreement raised by the Audit Committee on the accounting treatment adopted by the Company during the period under review.

By order of the Board
Tiande Chemical Holdings Limited
Liu Hongliang
Chairman

Hong Kong, 26 August 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.