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 2011

RESULTS HIGHLIGHTS

- Turnover increased by 10.3% to approximately RMB972.2 million (2010: RMB881.8 million).
- Gross profit slightly decreased by 1.8% to approximately RMB219.8 million (2010: RMB223.8 million).
- Gross profit margin reached 22.6%, representing a decrease of 2.8% (2010: 25.4%).
- Profit for the year ended 31 December 2011 increased by 2.4% to approximately RMB132.4 million (2010: RMB129.2 million).
- EBITDA increased by 5.2% to approximately RMB210.1 million (2010: RMB199.6 million).
- Basic earnings per share slightly decreased to approximately RMB0.156 (2010: RMB0.158).
- The Directors recommend a final dividend of 3.0 HKcents (2010: final dividend of 8.0 HKcents and special dividend of 1.0 HKcent) per share in respect of the year ended 31 December 2011.

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 2011 together with the comparative figures for the corresponding period in 2010 with the selected notes as follows:

CONSOLIDATED INCOME STATEMENT

		FOR THE YEAR ENDED 31 DECEMBER	
		2011	2010
	Notes	**RMB'000**	RMB'000
Turnover	3	**972,163**	881,775
Cost of sales		**(752,402)**	(658,007)
Gross profit		**219,761**	223,768
Other income		**5,023**	6,786
Revaluation gain on investment properties		**230**	860
Selling expenses		**(21,611)**	(23,089)
Administrative expenses		**(35,140)**	(30,126)
Other operating expenses		**-**	(17,701)
Finance costs		**(6,642)**	(7,237)
Profit before income tax	4	**161,621**	153,261
Income tax expense	5	**(29,261)**	(24,035)
Profit for the year		**132,360**	129,226
Proposed dividends	6	**20,760**	32,102
Earnings per share	7		
			(Restated)
- Basic		**RMB0.156**	RMB0.158
- Diluted		**RMB0.156**	RMB0.157

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	FOR THE YEAR ENDED 31 DECEMBER	
	2011	2010
	RMB'000	RMB'000
Profit for the year	**132,360**	129,226
Other comprehensive expense		
Gain on revaluation of properties	**392**	-
Deferred tax liability arising on revaluation of properties	**(98)**	-
Exchange loss on translation of financial statements of foreign operations	**(689)**	(539)
Other comprehensive expense for the year	**(395)**	(539)
Total comprehensive income for the year	**131,965**	128,687

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	AS AT 31 DECEMBER 2011 RMB'000	2010 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**399,279**	379,930
Prepaid land lease payments		**55,294**	56,587
Investment properties		**12,440**	11,710
Deposits paid for acquisition of property, plant and equipment		**2,432**	1,088
Deferred tax assets		**63**	126
		469,508	449,441
Current assets			
Inventories		**85,529**	65,364
Trade and bills receivable	8	**210,348**	117,333
Prepayments and other receivables		**15,577**	53,238
Current tax assets		**-**	1,029
Pledged bank deposits		**13,400**	10,500
Bank and cash balances		**63,889**	42,382
		388,743	289,846
Current liabilities			
Trade and bills payable	9	**37,851**	24,557
Accruals and other payables		**53,654**	67,686
Bank borrowings		**70,000**	59,900
Current tax liabilities		**9,681**	8,703
		171,186	160,846
Net current assets		**217,557**	129,000
Total assets less current liabilities		**687,065**	578,441
Non-current liabilities			
Bank borrowings		**39,000**	30,000
Deferred income		**15,931**	18,671
Deferred tax liabilities		**2,463**	2,255
		57,394	50,926
NET ASSETS		**629,671**	527,515
EQUITY			
Equity attributable to the Company's owners			
Share capital		**7,786**	4,216
Reserves		**621,885**	523,299
TOTAL EQUITY		**629,671**	527,515

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 (the "**Listing Rules**") 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 2011:

HKAS 24 (Revised)	Related Party Disclosures
HKFRSs (Amendments)	Improvements to HKFRSs 2010

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 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous years.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

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.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The standard is effective for accounting periods beginning on or after 1 July 2012. The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluation of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

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.

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.

HKFRS 11 - Joint Arrangements

The standard is effective for accounting periods beginning on or after 1 January 2013. Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting. HKFRS 11 does not allow proportionate consolidation. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under HKAS 31. HKFRS 11 will be applied retrospectively with specific restatement requirements for a joint venture which changes from proportionate consolidation to the equity method and a joint operation which changes from equity method to accounting for assets and liabilities.

HKFRS 10 – Consolidated Financial Statements

The standard is effective for accounting periods beginning on or after 1 January 2013. HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of “de facto” control where an investor can control an investee while holding less than 50% of the investee’s voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

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 amendments 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.

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	
	2011	2010
	RMB'000	RMB'000
Sales of cyanoacetic acid and its ester products	**844,268**	782,474
Sales of alcohol products	**63,955**	64,649
Sales of chloroacetic acid and its derivative products	**16,158**	4,204
Sales of fine petrochemical products	**37,092**	24,234
Sales of other by-products	**10,690**	6,214
	972,163	881,775

SEGMENT INFORMATION

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

2011

	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	**844,268**	**63,955**	**16,158**	**37,092**	**10,690**	**972,163**
Inter-segment revenue	**-**	**39,028**	**214,127**	**-**	**991**	**254,146**
Reportable segment revenue	**844,268**	**102,983**	**230,285**	**37,092**	**11,681**	**1,226,309**
Reportable segment profit	**184,412**	**5,929**	**89,461**	**1,476**	**2,820**	**284,098**
Depreciation of property, plant and equipment	**20,536**	**388**	**7,981**	**338**	**6,140**	**35,383**
Reversal of write-down of inventories to net realisable value	**12**	**142**	**1,528**	**314**	**-**	**1,996**
Reportable segment assets	**372,328**	**25,070**	**91,383**	**35,814**	**81,884**	**606,479**
Additions to non-current segment assets	**17,613**	**253**	**21,960**	**-**	**728**	**40,554**
Reportable segment liabilities	**33,665**	**1,063**	**13,181**	**34,303**	**5,672**	**87,884**

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

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	
	2011	2010
	RMB'000	RMB'000
Reportable segment revenue	**1,226,309**	1,116,773
Elimination of inter-segment revenue	**(254,146)**	(234,998)
Group revenue	**972,163**	881,775

	FOR THE YEAR ENDED 31 DECEMBER	
	2011	2010
	RMB'000	RMB'000
Reportable segment profit	**284,098**	232,566
Rental income from investment properties	**555**	468
Revaluation gain on investment properties	**230**	860
Equity-settled share-based payment expenses	**(1,020)**	(1,158)
Finance costs	**(6,642)**	(7,237)
Corporate unallocated income	**1,283**	3,293
Corporate unallocated expenses	**(34,447)**	(32,211)
Elimination of inter-segment profit	**(82,436)**	(43,320)
Profit before income tax	**161,621**	153,261

	AS AT 31 DECEMBER	
	2011	2010
	RMB'000	RMB'000
Reportable segment assets	**606,479**	496,345
Prepaid land lease payments	**56,587**	57,880
Investment properties	**12,440**	11,710
Deferred tax assets	**63**	126
Current tax assets	**-**	1,029
Pledged bank deposits	**13,400**	10,500
Bank and cash balances	**63,889**	42,382
Property, plant and equipment	**101,877**	89,374
Other corporate assets	**3,516**	29,941
Group assets	**858,251**	739,287

	AS AT 31 DECEMBER	
	2011	2010
	RMB'000	RMB'000
Reportable segment liabilities	**87,884**	85,357
Bank borrowings	**109,000**	89,900
Deferred tax liabilities	**2,463**	2,255
Current tax liabilities	**9,681**	8,703
Other corporate liabilities	**19,552**	25,557
Group liabilities	**228,580**	211,772

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

	FOR THE YEAR ENDED 31 DECEMBER	
	2011	2010
	RMB'000	RMB'000
People's Republic of China (the "**PRC**") (domicile)	**772,001**	694,029
Taiwan	**37,762**	32,426
United States of America	**31,395**	35,391
India	**21,041**	15,121
Ireland	**18,510**	16,368
Germany	**15,089**	18,396
Others	**76,365**	70,044
	972,163	881,775

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	
	2011	2010
	RMB'000	RMB'000
Profit before income tax is arrived at after charging/(crediting):		
Directors' remuneration		
- Fees	**314**	278
- Salaries and allowances	**3,363**	2,473
- Retirement benefit scheme contributions	**72**	65
	3,749	2,816
Other staff costs	**43,407**	33,472
Retirement benefit scheme contributions	**2,533**	2,112
Equity-settled share-based payments expenses	**1,020**	1,158
Total staff costs	**50,709**	39,558
Auditors' remuneration	**462**	434
Amortisation of prepaid land lease payments	**1,293**	1,293
Cost of inventories recognised as an expense (note), including	**736,654**	643,462
- Write-down of inventories to net realisable value	**-**	1,651
- Reversal of write-down of inventories to net realisable value	**(1,996)**	(687)
Depreciation on property, plant and equipment	**40,527**	37,820
Exchange losses, net	**1,599**	1,752
Impairment loss on other receivables	**-**	581
Impairment loss on property, plant and equipment (included in other operating expenses)	**-**	14,400
Loss/(Gain) on disposals of property, plant and equipment	**5**	(2,276)
Minimum lease payments under operating leases in respect of leasehold land and buildings	**594**	551
Rental income less outgoings	**(496)**	(389)
Direct operating expenses arising from investment properties that generated rental income during the year	**59**	79
Removal expenses (included in other operating expenses)	**-**	3,301
Research costs	**1,810**	1,055

Note: Cost of inventories includes RMB38,123,000 (2010: RMB35,268,000) relating to depreciation expenses and RMB36,657,000 (2010: RMB28,805,000) relating to staff costs.

The write-down of inventories of RMB1,996,000 (2010: RMB687,000) was reversed as the market price of these inventories was increased in 2011.

5. INCOME TAX EXPENSE

	FOR THE YEAR ENDED 31 DECEMBER	
	2011	2010
	RMB'000	RMB'000
Current tax - PRC Enterprise Income Tax	**29,088**	23,539
Deferred tax	**173**	496
	29,261	24,035

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 2011 (2010: 25%).

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 24% for 2011 (2010: 22%), being the applicable tax rate in Shanghai Pudong New District.

Weifang Parasia Chem Co., Ltd. （濰坊柏立化學有限公司 ）("**Weifang Parasia**") is subject to PRC Enterprise Income Tax at the rate of 25% for 2011. In 2010, PRC Enterprise Income Tax had been provided for Weifang Parasia at the preferential rate of 12.5% as this was the fifth profitable year of the tax holidays and concessions pursuant to the relevant laws and regulations in the PRC.

Pursuant to the relevant laws and regulations in the PRC, Weifang Binhai Petro-Chem Co., Ltd.（濰坊濱海石油化工有限公司）("**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 2011 (2010: 12.5%) as this was the fourth profitable year.

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 2010 amounting to HK$28,455,000 (dividend per share: 8.0 HKcents) and a special dividend for 2010 amounting to HK$3,557,000 (dividend per share: 1.0 HKcent) were approved in the annual general meeting of the Company held on 13 May 2011 and paid during the year ended 31 December 2011. The Directors recommend the payment of a final dividend of 3.0 HKcents per share for the year ended 31 December 2011, which is subject to approval by the shareholders of the Company (the “**Shareholders**”) in its forthcoming annual general meeting (the “**2012 AGM**”).

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	
	2011	2010
	RMB'000	RMB'000
Profit for the year	**132,360**	129,226

	NUMBER OF ORDINARY SHARES	
	2011	2010
		(Restated)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**846,229,704**	819,723,222
Effect of dilutive potential ordinary shares:		
- Share options	**399,646**	3,055,168
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**846,629,350**	822,778,390

The calculation of basic earnings per share for the year ended 31 December 2011 was based on the profit attributable to the owners of the Company of RMB132,360,000 (2010: RMB129,226,000) and on the weighted average of 846,229,704 (2010: 819,723,222 (restated)) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31 December 2011 was based on the profit attributable to the owners of the Company of RMB132,360,000 (2010: RMB129,226,000) and the weighted average of 846,629,350 (2010: 822,778,390 (restated)) ordinary shares in issue during the year, as used in the basic earnings per share calculation plus the weighted average of 399,646 (2010: 3,055,168 (restated)) 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 of shares made in May 2011.

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	
	2011	2010
	RMB'000	RMB'000
0 to 90 days	**179,374**	114,006
91 to 180 days	**28,647**	3,198
181 to 365 days	**2,259**	129
Over 365 days	**68**	-
	210,348	117,333

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	
	2011	2010
	RMB'000	RMB'000
0 to 90 days	**36,914**	22,814
91 to 180 days	**310**	756
181 to 365 days	**414**	331
Over 365 days	**213**	656
	37,851	24,557

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the Shareholders who are entitled to attend and vote at the 2012 AGM, the register of members of the Company will be closed from Wednesday, 23rd May 2012 to Friday, 25th May 2012, both days inclusive. In order to qualify for the right to attend and vote at the 2012 AGM, all transfers accompanied by the relevant share certificates should be lodged with the Company’s share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716 on the 17th Floor of Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 22nd May 2012.

For the purpose of ascertaining Shareholders who qualify for the proposed final dividend in respect of the year ended 31 December 2011, the register of members of the Company will be closed from Thursday, 31st May 2012 to Monday, 4th June 2012, both days inclusive. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates should be lodged with the Company’s share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716 on the 17th Floor of Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 30th May 2012.

BUSINESS REVIEW

The results of the Group were still remained stable during the year under review even though the rising raw materials price and other external factors adversely affecting the profit margin of the industry. The Group continued to capitalise on its core competence as well as implement effective strategies on sale and marketing, enhance productivity and tighten costs control to achieve higher turnover, increase market shares and strengthen its competitive edges continuously driving its business growth. In light of the fast growing consumer markets in China, the domestic sales of the Group continued to increase at a faster pace over its export sales. Turnover derived from domestic market was accounted for 79.4% (2010: 78.7%) of the Group's total turnover and the rest was derived from overseas market. Since the Group has broad products spectrum and the economic scale production system, which alleviated the influence to the unit cost due to the growing inflation causing the rising materials and operating costs during the year under review. The gross profit of the Group was only slightly decreased when compared with the last year. Due to the absence of the impairment loss on production facilities in the year, the profit for the year attributable to the owner of the Company was improved when compared with the last year.

During the year under review, the Group has kept on investing in expanding production capacities and enhancement of productivities by introduced new production techniques and upgrading the existing machinery and equipment to ensure the Group maintains its competitive edges and continuous business growth. While driving business growth and development, the Group has also made various capital expenditures with the aim of raising environmental consciousness, conserving energy, reducing harmful gases emission, enhancing recycling economy production as well as maintaining high standards of safety and environmental protection in the workplace. The constructions for the expansion of the waste water treatment capacities and various production technologies improvements have been completed in the year. The Group will continuously devote effort to promote green practices in its production facilities.

During the year under review, in order to develop more new products to create new business and revenue in future, the Group has paid more effort in research and development, such as introduction of talents and upgrading lab equipment. The Group has also strived to seize opportunities to cooperate with the local renowned universities and industrial experts aiming for improvement on production technologies and products technological innovation as well as enhancement of research and development capabilities of the Group.

Cyanoacetic acid and its ester products

Cyanoacetic acid and its ester products were regarded as the core business segment of the Group which has continuously delivered higher turnover and won the market shares during the year under review. The turnover of such products category accounting for 86.8% (2010: 88.7%) of the Group's total turnover, representing an increase of 7.9% when compared with that of in the last year. It was mainly attributable by the introduction of new products in previous years that enlarged the products application to the downstream industries and the effective marketing strategies boosting the sales volume growth. The profit from this products category was lower than the previous year mainly because of higher raw material prices and operation costs as well as the commodity price downward pressure resulting a general decline of the average selling price in the industry. In view of the business opportunities from downstream industries are still promising, the Group will enrich its products portfolio by developing new products as well as enlarge the production scale for the existing products with a good market potential which will conducive to the Group's business development in future.

Alcohol products

The performance of alcohol products still remained stable during the year under review. This products category has played a main role to maintain stable internal supply while seeking external sale. The Group will maintain appropriated production and operation for the development of such products category in future.

Chloroacetic acid and its derivative products

The performance of chloroacetic acid and its derivative products have a rapid and healthy growth momentum through the continuous expansion of production capacities during the year under review. Both the turnover and the segment profit have achieved prominent growth in the year which is conformed to the Group's expectation. This products category is mainly used for internal consumption which allows the internal resources of the Group are fully utilised through the recycling economy production. Meanwhile, the Group has continuously expanded the production capacities by phases for a few years in order to exploit the external market. Currently, the production capacities of such products category are able to meet the internal demands of the Group as well as realising external sales. In view of the foreseeable market development of such products category is strong and the business scale of the Group will also further expand in future that will increase the demands for such products category, the Group will closely monitor this products category development and make further expansion of the production capacity as and when appropriate.

Fine petrochemical products

During the year under review, the performance of fine petrochemical products has been improved obviously and achieved profitability as compared with the loss incurred that in the last year. The improvement is mainly due to (i) an one-off impairment loss on production facilities happened in previous year only; (ii) the Group has extended the materials sourcing channel to increase the materials supply; and (iii) the Group has succeeded in beating out a path to operate at lower costs of production by adopting a more efficient production technology. As a result, the overall competitive edge of such products has been enhanced. As the business scale of this product category was not sizeable to the Group, and the outlook of such market remains volatile, the Group will adopt a prudent approach and dedicate to improve the performance of such products category in coming years.

Joint venture

In order to further expand the business, the Group entered into the joint venture agreement (the "**Joint Venture Agreement**") dated 30 June 2011 to set up a joint venture company with a strategic business partner to develop a specialty chemical for industrial use product (please refer to the announcement of the Company dated 3 July 2011 for details) during the year under review. This co-operation not only enables the Group to participate in the new business but also bring positive synergy effects to the present business of the Group as well as benefit to the Group's business strategic move to sustain its long-term business growth. Up to the date of this announcement, the competition condition set out in the Joint Venture Agreement has been satisfied and the relevant governmental approvals for the establishment of the wholly foreign-owned enterprise (the "**WFOE**") will be obtained in due course. After the duly establishment of WFOE, the joint venture company will speed up the progress of the construction of production plant and facilities. At the same time, the sales and distribution networks will also be established accordingly. The Group expects that the commercial productions and operations will be commenced in 2013 and the economic benefit will be gradually emerging in the years ahead.

OUTLOOK

Looking ahead, the market of China will continue to be the growth engine to the Group as PRC has one of the fastest growing consumer markets in the world, coupled with the PRC government initiatives to stimulate domestic consumption. Accordingly, the downstream industries of the Group are able to keep a healthy growth. The Group, as a supplier of daily consumer product manufacturers, would benefit from the growing demands of its downstream industries that driving the growth of the Group's turnover and providing ample room for the Group's future business development. Thus, the Group will allocate considerable resources to reinforce the strength of research and development team to keep launching new products to cater the market with strong demands. The Group will also increase the investment in several infrastructure projects for new product lines to exploit new market, expansion and advancement of existing production capacities and facilities to support the further expansion of business scale of the Group as a whole in coming years. The Group will keep the continuous improvement of production technologies and maximising synergies of upward vertically integrated production system to uplift the overall productions and operations efficiencies of the Group as well.

The coming year is likely to be challenging. The export business shows signs of slow growth, the Renminbi continues to appreciate, the PRC government tightens monetary policy to combat inflation, the labour costs in China are keep rising, and the volatility of raw material prices is likely remain in coming operating environment as well as the capital expenditure of the Group will be increased significantly that will incur a higher borrowing costs. All of these together will adversely impact the profit margin of the Group. To cope with the ever-changing and challenging business environment, the Group will fully leverage on its solid foundations in the industry and extensive management experience over the past twenty years to formulate various effective measures. The Group will use its best endeavor to keep up profitability while continuously expanding business scale. The Group will grasp the emerging business opportunities and strive to achieve fast growth rate, bringing long-lasting and maximise Shareholder value.

FINANCIAL REVIEW

TURNOVER

During the year under review, the Group's turnover has increased to approximately RMB972.2 million, representing an increase of 10.3% as compared with that of approximately RMB881.8 million in 2010. The sustained strong turnover growth was underpinned by the adoption of effective marketing strategies and appropriate business strategies of the Group as well as the continuous growth of demand for cyanoacetic acid and its ester products of the Group.

GROSS PROFIT

The gross profit of the Group has slightly decreased to approximately RMB 219.8 million, representing a decrease of 1.8% as compared with approximately RMB223.8 million in 2010 while the gross profit margin was dropped by 2.8% to 22.6% when compared with 25.4% in

2010. The decrease is mainly due to some adverse external factors such as (i) the appreciation of Renminbi; (ii) the soaring inflation fueled the continuous rising materials and operating costs throughout the year whereas commodity price downward pressure resulting general decline of the industry average selling price; and (iii) the alignment of PRC taxes on domestic enterprises and foreign investment enterprises accordingly the Group needed to pay urban maintenance and construction tax and education levy since December 2010.

OPERATING INCOME AND EXPENSES

The other income was mainly comprised (i) release of deferred income; (ii) sundry income; (iii) rental income; (iv) interest income; and (v) government grants during the year under review.

Although the total turnover of the Group was increased by 10.3% when compared with that of in the last year, the selling expenses were slightly decreased by approximately RMB1.5 million from approximately RMB23.1 million in 2010 to approximately RMB21.6 million in 2011 as a result of the Group increased the proportion of direct sales by which sales commission was not required and formulated an effective logistic system to reduce the freight charges during the year under review. The selling expenses as a percentage of the Group's turnover were further decreased to 2.2% in 2011 (2010: 2.6%).

Administrative expenses increased by approximately RMB5.0 million from approximately RMB30.1 million in 2010 to approximately RMB35.1 million in 2011. Such increase was mainly due to the increase of directors' emoluments, staff costs, repairs and maintenance, and research and development expenses. Administrative expenses expressed as a percentage of the Group's turnover were 3.6% in 2011 (2010: 3.4%).

The other operating expenses of approximately RMB17.7 million incurred in 2010 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. No similar items occurred during the year under review.

FINANCE COSTS

The finance costs mainly represented bank loan interest, which was decreased by approximately RMB0.6 million from approximately RMB7.2 million in 2010 to approximately RMB6.6 million in 2011. The decrease was mainly due to the decrease in average 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.

INCOME TAX EXPENSE

The income tax concession for one of the key subsidiaries of the Group was expired during the year and subject to a standard applicable income tax rate of 25% (2011: 12.5%). This accounted for the increase in tax expenses in this year. In the meantime, this subsidiary is applying for High and New Technology Enterprise status. It is expects the application result will be available in next financial year.

PROFIT FOR THE YEAR

Given the absence of the impairment loss on the production facilities during the year under review, the profit of the Group for the year has recorded an increase of approximately RMB3.2 million to approximately RMB132.4 million, representing an increase of 2.4% as compared with that of approximately RMB129.2 million in 2010.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's primary source of funding included the net cash inflow generated from operating activities of approximately RMB91.3 million (2010: RMB154.5 million); newly raised bank borrowings of approximately RMB124.3 million (2010: RMB47.9 million); net proceed from the issuing of new shares of approximately RMB1.2 million (2010: RMB18.5 million); interest income of approximately RMB0.4 million (2010: RMB0.2 million), proceeds on disposal of property, plant and equipment of approximately RMB26.8 million (2010: Nil). With the financial resources obtained from the Group's operations, the Group had invested approximately RMB75.0 million (2010: RMB61.2 million) in the acquisition of the property, plant and equipment; borrowing repayments of approximately RMB105.2 million (2010: RMB107.2 million); interest paid of approximately RMB6.7 million (2010: RMB7.3 million) and dividend paid of approximately RMB32.0 million (2010: RMB8.8 million) during the year under review. As at 31 December 2011, the Group had pledged bank deposit and cash and bank balances of approximately RMB77.3 million (2010: RMB52.9 million), of which 94.4% was held in Renminbi, 0.1% was held in Hong Kong dollars and the remaining balance was held in United States dollars. During the year under review, the Group did not use any financial instruments for any hedging purposes.

As at 31 December 2011, the Group had recorded net current assets of approximately RMB217.6 million (2010: RMB129.0 million), the current ratio of the Group was approximately 2.3 times (2010: 1.8 times), bank borrowings of approximately RMB109.0 million (2010: RMB89.9 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 5.0% (2010: 7.0%).

With the continuous positive cash inflow generated from its operations and its existing cash resources and available banking facilities obtained from its banks, 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 Shareholders.

PLEDGE OF ASSETS

As at 31 December 2011, bank deposits of approximately RMB13.4 million were pledged for bills and letter of credit facilities (2010: RMB10.5 million). Prepaid land lease payments of the Group of approximately RMB23.5 million (2010: RMB27.6 million) were pledged to secure the Group's bank borrowings.

CONTINGENT LIABILITIES

As at 31 December 2011, the Group had no material contingent liabilities.

COMMITMENTS

As at 31 December 2011, the Group had commitments which has been contracted but not yet been provided for in the aggregate amount of approximately RMB150.3 million (2010: RMB1.0 million), among of that approximately RMB145.5 million relating to the commitment for the joint venture project and the rest for purchases of property, plant and equipment as well as construction in progress, while the capital commitment for authorised but not yet been contracted for in the aggregate amount of approximately RMB87.9 million (2010: Nil) is relating to the purchases of property, plant and equipment as well as construction in progress.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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 2011, the Group has 896 full-time employees (2010: 881) of whom 802 were production and warehouse employees, 18 were sales and marketing employees, 19 were research and development centre employees, and 57 were management and back-office supporting employees. The increase in the number of employees was in line with the expansion in business activities during the year under review.

For the year under review, the total staff costs incurred including Directors' remuneration increased to approximately RMB50.7 million (2010: RMB39.6 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 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 Directors has confirmed his compliance with the Model Code for the financial year ended 31 December 2011. 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 of the Company (the "**Audit Committee**") comprises the three independent non-executive Directors, namely, Mr. Leung Kam Wan, Mr. Liu Chenguang and Mr. Gao Baoyu. Mr. Leung 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, 23 March 2012

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. Gao Baoyu, Mr. Leung Kam Wan and Mr. Liu Chenguang.