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 2012

RESULTS HIGHLIGHTS

- Turnover for the six months ended 30 June 2012 was approximately RMB509.8 million, representing an increase of 11.3% as compared with that of the corresponding period last year.
- Gross profit increased by 7.1% to approximately RMB118.5 million.
- Gross profit margin reached 23.2%, representing a slight decrease of 0.9% as compared with that of the corresponding period last year.
- Profit for the period increased by 8.8% to approximately RMB72.3 million.
- Basic earnings per share increased to approximately RMB8.5 cents (six months ended 30 June 2011: RMB7.9 cents).
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2012.

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 2012 together with the comparative figures for the corresponding period in 2011 and the selected notes as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2012	2011
	Notes	**RMB'000**	RMB'000
		(unaudited)	(unaudited)
Turnover	4	**509,808**	457,861
Cost of sales		**(391,347)**	(347,309)
Gross profit		**118,461**	110,552
Other income		**2,955**	2,186
Selling expenses		**(11,433)**	(11,010)
Administrative expenses		**(15,166)**	(15,400)
Finance costs	5	**(5,686)**	(3,336)
Profit before income tax	6	**89,131**	82,992
Income tax expense	7	**(16,793)**	(16,497)
Profit for the period attributable to the owners of the Company		**72,338**	66,495
Earnings per share for profit attributable to the owners of the Company for the period	9		
– Basic		**RMB0.085**	RMB0.079
– Diluted		**RMB0.085**	RMB0.079

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period	**72,338**	66,495
Other comprehensive income/(expense)		
Exchange gain/(loss) on translation of financial statements of foreign operations	**105**	(372)
Other comprehensive income/(expense) for the period	**105**	(372)
Total comprehensive income for the period attributable to the owners of the Company	**72,443**	66,123

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2012 RMB'000 (unaudited)**	31 December 2011 RMB'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**411,779**	399,279
Prepaid land lease payments		**54,647**	55,294
Investment properties		**12,440**	12,440
Deposits paid for acquisition of property, plant and equipment		**17,880**	2,432
Interests in a jointly controlled entity		**28,773**	-
Deferred tax assets		**31**	63
		525,550	469,508
Current assets			
Inventories		**63,850**	85,529
Trade and bills receivable	10	**217,647**	210,348
Prepayments and other receivables		**15,252**	15,577
Amount due from a jointly controlled entity		**524**	-
Pledged bank deposits		**-**	13,400
Bank and cash balances		**74,655**	63,889
		371,928	388,743
Current liabilities			
Trade payables	11	**20,260**	37,851
Accruals and other payables		**46,007**	53,654
Bank borrowings		**88,000**	70,000
Current tax liabilities		**11,646**	9,681
		165,913	171,186
Net current assets		**206,015**	217,557
Total assets less current liabilities		**731,565**	687,065
Non-current liabilities			
Bank borrowings		**33,000**	39,000
Deferred income		**14,560**	15,931
Deferred tax liabilities		**2,489**	2,463
		50,049	57,394
NET ASSETS		**681,516**	629,671
EQUITY			
Equity attributable to the Company's owners			
Share capital		**7,786**	7,786
Reserves		**673,730**	621,885
TOTAL EQUITY		**681,516**	629,671

SELECTED NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

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 2012 (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 2011 (the "2011 Annual Financial Statements").

The Unaudited Condensed Financial Information has been prepared in accordance with the same accounting policies adopted in the 2011 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 current period, 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 2012:

HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets
HKAS 12 Amendments	Amendments to HKAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets

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 2011 Annual Financial Statements.

HKAS 12 Amendments

From 1 January 2012, the Group adopted Deferred Tax: Recovery of Underlying Assets – Amendments to HKAS 12 and changed its accounting policy on measuring deferred tax arising from investment property that is measured using the fair value model in HKAS 40 Investment Property. As a result of the change, the Group now measures any deferred tax arising from investment property using a rebuttable presumption that the carrying amount of the property will be recovered entirely through sale. The presumption is rebutted if the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the properties over time. The adoption of HKAS 12 Amendments does not have any impact on the results and the financial position of the Group.

The Directors anticipate that the application of 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 Group's five product and service lines 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	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of cyanoacetic acid and its ester products	**423,929**	413,630
Sales of alcohol products	**27,378**	26,130
Sales of chloroacetic acid and its derivative products	**19,804**	4,309
Sales of fine petrochemical products	**29,553**	9,396
Sales of other by-products	**9,144**	4,396
	509,808	457,861

SEGMENT INFORMATION

These 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.

Six months ended 30 June 2012

	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:						
External customers	423,929	27,378	19,804	29,553	9,144	509,808
Inter-segment revenue	102	69,791	99,298	-	-	169,191
Reportable segment revenue	424,031	97,169	119,102	29,553	9,144	678,999
Reportable segment profit	98,112	6,454	48,508	729	1,809	155,612
Reportable segment assets	404,686	22,614	90,926	24,367	70,200	612,793

	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:						
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

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	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Reportable segment profit	**155,612**	137,115
Rental income from investment properties	**289**	274
Equity-settled share-based payments expenses	**(162)**	(519)
Finance costs	**(5,686)**	(3,336)
Corporate unallocated income	**588**	491
Corporate unallocated expenses	**(15,881)**	(15,096)
Elimination of inter-segment profit	**(45,629)**	(35,937)
Profit before income tax	**89,131**	82,992

5. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest charges on:		
– Bank loans wholly repayable within five years	**5,058**	3,336
– Discounted bills	**628**	-
	5,686	3,336

6. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit before income tax is arrived at after charging/(crediting):		
Directors' remuneration		
– Fees	**154**	158
– Salaries and allowances	**1,668**	1,576
– Retirement benefit scheme contributions	**39**	36
	1,861	1,770
Other staff costs	**23,471**	19,074
Retirement benefit scheme contributions	**1,453**	1,204
Equity-settled share-based payments expenses	**162**	519
Total staff costs	**26,947**	22,567
Amortisation of prepaid land lease payments	**647**	647
Cost of inventories recognised as expense (note), including	**382,769**	339,406
– Write-down of inventories to net realisable value	**300**	1
– Reversal of write-down of inventories to net realisable value	**(106)**	(553)
Depreciation on property, plant and equipment	**21,625**	19,791
Exchange (gain)/loss, net	**(60)**	478
Minimum lease payments under operating leases in respect of leasehold properties	**399**	278
Rental income less outgoings	**(283)**	(251)
Direct operating expenses arising from investment properties that generated rental income	**6**	23
Research costs	**1,195**	852

Note:

Cost of inventories includes approximately RMB20,434,000 (six months ended 30 June 2011: RMB18,607,000) relating to depreciation expenses and approximately RMB19,758,000 (six months ended 30 June 2011: RMB16,052,000) relating to staff costs.

The write-down of inventories of approximately RMB106,000 (six months ended 30 June 2011: RMB553,000) was reversed as the market price of these inventories was increased during the period.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax - People's Republic of China ("PRC") Enterprise Income Tax	**16,735**	16,440
Deferred tax	**58**	57
	16,793	16,497

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 2011: Nil).

Weifang Common Chem Co., Ltd. and Weifang Parasia Chem Co., Ltd. are subject to PRC Enterprise Income Tax at the rate of 25% for the period (six months ended 30 June 2011: 25%).

Shanghai Dehong Chemical Company Limited is subject to PRC Enterprise Income Tax at the rate of 25% for the period (six months ended 30 June 2011: 24%, being the applicable 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 as this is the fifth profitable year (six months ended 30 June 2011: 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.

8. DIVIDENDS

During the period, a final dividend for the year ended 31 December 2011 of 3.0 HK cents per ordinary share (six months ended 30 June 2011: 8.0 HK cents per ordinary share), amounting to approximately RMB20,760,000 (six months ended 30 June 2011: RMB28,455,000) was paid to the shareholders of the Company. No special dividend for the year ended 31 December 2011 was paid to the shareholders of the Company (six months ended 30 June 2011: 1.0 HK cent per ordinary share amounting to approximately RMB3,557,000).

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

9. 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:

	Six months ended 30 June	
	2012	2011
	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	**72,338**	66,495

	Number of ordinary shares Six months ended 30 June	
	2012	2011
	'000 shares	'000 shares
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**846,878**	845,571
Effect of dilutive potential ordinary shares:		
- Share options	**-**	856
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**846,878**	846,427

The calculation of basic earnings per share for the six months ended 30 June 2012 was based on the profit attributable to the owners of the Company of RMB72,338,000 (six months ended 30 June 2011: RMB66,495,000) and on the weighted average of 846,878,000 (six months ended 30 June 2011: 845,571,000) ordinary shares in issue during the period.

There were no dilutive potential ordinary shares for the six months ended 30 June 2012 (six months ended 30 June 2011: the calculation of diluted earnings per share was based on the profit attributable to the owners of the Company of RMB66,495,000 and the weighted average of 846,427,000 ordinary shares in issue during the period, as used in the basic earnings per share calculation plus the weighted average of 856,000 ordinary shares deemed to be issued at no consideration as if all the Company's share options have been exercised).

10. 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 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
0 to 90 days	**178,751**	179,374
91 to 180 days	**36,674**	28,647
181 to 365 days	**2,158**	2,259
Over 365 days	**64**	68
	217,647	210,348

11. 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 stated as follows:

	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
0 to 90 days	**19,001**	36,914
91 to 180 days	**539**	310
181 to 365 days	**432**	414
Over 365 days	**288**	213
	20,260	37,851

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group kept striving to move forward and delivered satisfactory growth in turnover and net profit during the period under review in spite of a tough business environment. The Group faced economic slowdown in the PRC and the domestic consumption slowed markedly that adversely affected the business of those downstream industries (mainly engaged in consumable goods). The growth of turnover is mainly contributed by enlarging a wider market of downstream industries through continuous expansion of products portfolio over the past few years and effective marketing strategies stimulated the demands for new and existing products of the Group. Domestic market is still the key revenue contributor of the Group. Turnover of domestic and overseas markets grew by 12.4% and 7.6% respectively when compared with last corresponding period. As the global gloomier economy weakens the consumer sentiment and the PRC government imposed tightening monetary measures to curb inflation and the over-heating economy, the overall average product selling prices of the industry were dipping continuously. Despite this backdrop, the Group has maintained the gross profit margin through its well established effective and intensive processing production chain and the economies of scale production to further strengthen the cost control. Furthermore, the efficient management and operations were also factors contributed to the improved results of the Group.

In line with the development strategies, the Group continued to invest more resources in the development and production of promising products, including further enhancement of the production capacities and advancement of the production technologies during the period under review. At the same time, the Group also places great effort on the capabilities in products innovation and research and development in order to sharpen the Group's competitive edge and generate new stream of revenue to sustain the success of the Group. The Group has planned to construct a production line for a new product and expand the production capacities of certain existing products in the second half of the year.

In addition, the Company entered into a conditional joint venture agreement with Henkel Hong Kong Holding Limited ("Henkel") in 2011. The joint venture company and its wholly foreign-owned enterprise (the "JV") have been duly established during the period under review. The strategic co-operation with Henkel focuses on the development of a specialty chemical product for industrial use. The construction of the plant facilities of the JV is underway and the Company will closely monitor the development progress.

Cyanoacetic acid and its ester products

Due to the general weakness in the global market, the average selling prices of cyanoacetic acid and its ester products were declining remarkably during the period under review. The turnover of such product category still increased by 2.5% as compared with that of last corresponding period, which accounted for 83.2% of the Group's total turnover, was the direct result of the Group's continuous products development over the past few years and its effective marketing strategies supporting the sales volume growth. The segment profit of this product category has also been increased by 3.3% as compared with that of last corresponding period by fully leveraging the continuous improvement of the integrated internal supply that achieved better production efficiency. In light of a good potential development of this product category in long term, the Group will redouble its efforts to develop new products, lift capacity caps and improve the production technologies of this product category continuously so as to seize additional market share. The Group has embarked on the enhancement of the production capacities of some existing products with high growth potential during the period under review.

Alcohol products

The business of alcohol products has still maintained steady during the period under review. The improved segment results are mainly contributed by one of the alcohol products achieved a remarkable growth due to the boosted market demand. The Group will keep a stable development of this product category in line with its business development strategies.

Chloroacetic acid and its derivative products
In the past, Chloroacetic acid and its derivative products were used mainly internally. Given the further enhancement of the production capacity in last few years, the turnover and the segment profit of chloroacetic acid and its derivative products from external market rose rapidly during the period under review. The production advantages of such products category has significantly improved through the economies of scale and the recycling economy production model after the expansion of the production capacity. As a result, the production efficiency of its downstream products i.e. cyanoacetic acid and its ester products were also uplifted considerably. In view of the further production scale expansion of cyanoacetic acid and its ester products as well as the buoyant external market demands, the fourth phase expansion of this product category will be commenced in the second half of this year. The Directors firmly believe that the expansion of production capacity of this product category is capable to enhance the profitability of its downstream products as well as bolster the business growth through external sales simultaneously. Since there is still room for development, the Group will spare no efforts to foster and develop this product category in order to truly and fully reflect its intrinsic value in coming future.

Fine petrochemical products
The market conditions of fine petrochemical products remain uncertain. The shrinking margin is mainly due to the slow-down market demand and fierce market competition. Facing with unpredictable future, it is essential for reducing operating costs. The Group will continuously monitor and rapidly react on whatever changed market conditions to maintain positive return as well as manage this products category in a prudent manner.

Outlook

While the Group had outperformed the market with a good performance and growth in profit for the period under review, it is also facing a number of challenges ahead. The business environment is foreseen to become harsher as the global gloomier economic situation triggered by the debt crisis in Europe. Coupled with the domestic manufacturing shrinkage broadly and the downturn economic in the PRC became apparent as a result of persistent impacts to domestic consumption and exports during the period under review. Such volatility and uncertainties will affect the business of the Group. The PRC government has already begun to relax certain monetary policies in order to rejuvenate a stable Gross Domestic Product growth in the long term. However, the raw materials prices, labour costs and inflation are anticipated to rise gradually in the second half of this year which will exert operating pressure on enterprises in the PRC.

Despite in the midst of unfavourable market conditions and difficult economic situation, the Group will still strive to maintain its competitiveness through effective cost control, efficient integrated production system and continuous development of new products in order to achieve business growth and continuously improved its foothold and built on excellent platform to sustain future business development. The fiscal years of 2012 and 2013 are the seeding period of the Group where several new development projects have been launched in the first half of this year including expansion of the production scale of good potential products, development of new products and improvement of production technologies to enhance production efficiency etc. A combination of these efforts would secure the future business growth of the Group. Notwithstanding such investments would certainly had a short term impact on the results of the Group, the Directors strongly believe that these business strategic moves will allow the Group to reinforce its business edge further, broaden the source of revenue in future and sustain business growth in the long run.

The persistent track records of turnover growth and profitability of the Group has (i) proved its underlying strengths and resilience to overcome the myriad challenges and harsh business environment; and (ii) demonstrated that there are plentiful development opportunities for the Group to further expand its business going forward. The Group remains committed to sustain business growth through exploration of new business and faces upcoming challenges with a positive attitude.

FINANCIAL REVIEW

The Group continued to improve its financial results during the period under review. Turnover and gross profit of the Group for the six months ended 30 June 2012 which amounted to approximately RMB509.8 million and RMB118.5 million respectively, representing an increase of approximately RMB51.9 million and RMB7.9 million or 11.3% and 7.1% as compared with approximately RMB457.9 million and RMB110.6 million recorded in the corresponding period of last year. The satisfactory results were primarily attributable to the expanded products portfolio which could be widely applied by the relevant downstream industries and the implementation of effective sales promotion and aggressive marketing strategies that pushing the growth in sales volume during the period under review. By capitalising the advantages of economies of scale production, intensive vertically integrated production system and further improved recycling economy production model which have been well established by the Group, the Group can still maintain the gross profit margins level continuously albeit the average selling prices were declining due to the economic slow down during the period under review.

The selling expenses slightly increased by approximately RMB0.4 million from approximately RMB11.0 million in the corresponding period of last year to approximately RMB11.4 million. It was mainly attributable to the increase in transportation costs during the period under review. The selling expenses as a percentage of the Group’s turnover was 2.2% (six months ended 30 June 2011: 2.4%).

The administrative expenses amounted to approximately RMB15.2 million, which was slightly decreased by approximately RMB0.2 million from approximately RMB15.4 million in the corresponding period of last year. Such a decrease was principally due to the decrease in repairs and maintenance and absence of exchange loss during the period under review. The administrative expenses accounted for 3.0% of the Group’s turnover, which was lower than 3.4% in the corresponding period of last year.

The finance costs represented interest on bank borrowings and discounted bank acceptance bills which were increased by approximately RMB2.4 million to approximately RMB5.7 million (six months ended 30 June 2011: RMB3.3 million). The increase was mainly due to increase of bank borrowing amounts and increase in bank borrowing interest rates during the period under review.

Despite the weakness market conditions, the Group achieved an outperformed turnover, improved gross profit and well controlled operating costs, the net profit amounted to approximately RMB72.3 million, representing an increase of approximately RMB5.8 million or 8.8% as compared with approximately RMB66.5 million recorded in the corresponding period of last year.

Liquidity and financial resources

For the six months ended 30 June 2012, the Group's primary source of funding included the net cash inflow generated from operating activities of approximately RMB96.3 million (six months ended 30 June 2011 RMB88.5 million); newly raised bank borrowings of approximately RMB89.6 million (six months ended 30 June 2011: RMB66.3 million) and interest received of approximately RMB0.4 million (six months ended 30 June 2011: RMB0.2 million); but no newly raised fund from issue of shares under share option scheme (six months ended 30 June 2011: RMB1.2 million). With the financial resources obtained from the Group's operations, the Group had spent approximately RMB55.8 million (six months ended 30 June 2011: RMB39.9 million) in the acquisition of the property, plant and equipment, bank borrowing repayments of approximately RMB77.6 million (six months ended 30 June 2011: RMB32.2 million); investment in a jointly controlled entity of approximately RMB28.8 million (six months ended 30 June 2011: Nil); advanced to a jointly controlled entity of approximately RMB0.5 million (six months ended 30 June 2011: Nil); interest paid of approximately RMB5.7 million (six months ended 30 June 2011: RMB3.4 million) and dividends paid of approximately RMB20.8 million (six months ended 30 June 2011: RMB32.0 million).

As at 30 June 2012, the Group had pledged bank deposits and bank and cash balances of approximately RMB74.7 million (31 December 2011: RMB77.3 million). The total amount of outstanding borrowings was approximately RMB121.0 million (31 December 2011: RMB109.0 million). The Group still kept a well liquidity level, the gearing ratio (which is represented by the ratio of net debts (total borrowings net of cash and cash equivalents) to total shareholders' equity) of the Group increased to 6.8% (31 December 2011: 5.0%) and the net current assets slightly decreased to approximately RMB206.0 million (31 December 2011: RMB217.6 million) as a result of the certain amounts of capital expenditure had been raised for various development projects during the period under review. The Group will invest several capital projects in near future but the planned capital expenditure would not have significant impact to the overall liquidity of the Group. Besides, given the positive cash inflow from the Group's operations, existing cash resources and its available banking facilities obtained from its banks, 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 2012, no bank deposit was pledged by the Group for banking facilities (31

December 2011: RMB13.4 million). The Group has pledged prepaid land lease payments of approximately RMB30.6 million (31 December 2011: RMB23.5 million) to secure the Group's bank borrowings.

Contingent liabilities

As at 30 June 2012, 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 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 2012, the Group has 894 full time employees (31 December 2011: 896 full time employees).

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 2012, neither the Company nor any of its subsidiaries had redeemed, purchased or sold any of the Company's listed shares.

CORPORATE GOVERNANCE PRACTICES

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not during the six months ended 30 June 2012, in compliance with the Code on Corporate Governance Practices (effective until March 31, 2012) and the Corporate Governance Code (the "CG Code") (effective from April 1, 2012) as set out in Appendix 14 of the Listing Rules.

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 2012.

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.

NOMINATION COMMITTEE

The Nomination Committee currently comprises an executive Director, namely Mr. Liu Hongliang (Chairman of the Nomination Committee) and the two independent non-executive Directors, namely Mr. Leung Kam Wan and Mr. Liu Chenguang. During the period under review, the Nomination Committee has reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board, assessed the independence of independent non-executive Directors; and made recommendations to the Board on the re-appointment of Directors.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises the three independent non-executive Directors, namely Mr. Liu Chenguang (Chairman of the Remuneration Committee), Mr. Guo Baoyu, Mr. Leung Kam Wan and an executive Director Mr. Liu Hongliang. 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 2012 by reference to the scope duties and responsibilities of the Directors, 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, namely Mr. Leung Kam Wan (Chairman of the Audit Committee), Mr. Guo 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 2012. 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, 31 August 2012

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