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 2013

RESULTS HIGHLIGHTS

- Turnover increased by 19.1% to approximately RMB1,195.2 million (2012: RMB1,003.9 million).
- Gross profit increased by 31.1% to approximately RMB342.9 million (2012: RMB261.6 million).
- Gross profit margin reached 28.7% (2012: 26.1%), representing an increase of 2.6 percentage points.
- Profit for the year ended 31 December 2013 increased by 18.2% to approximately RMB188.1 million (2012: RMB159.2 million).
- EBITDA increased by 27.7% to approximately RMB320.6 million (2012: RMB251.0 million).
- Basic earnings per share increased to approximately RMB0.222 (2012: RMB0.188).
- The Directors recommend a final dividend of 4.5 HKcents (2012: final dividend of 3.8 HKcents) per share in respect of the year ended 31 December 2013.

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 2013 together with the comparative figures for the corresponding period in 2012 with the selected notes as follows:

CONSOLIDATED INCOME STATEMENT

		FOR THE YEAR ENDED 31 DECEMBER	
		2013	2012
	Notes	**RMB'000**	RMB'000
Turnover	3	**1,195,178**	1,003,895
Cost of sales		**(852,290)**	(742,292)
Gross profit		**342,888**	261,603
Other income		**4,457**	5,962
Revaluation gain on investment properties		**1,170**	590
Selling expenses		**(27,361)**	(22,212)
Administrative expenses		**(48,086)**	(33,808)
Finance costs		**(5,643)**	(8,692)
Fair value loss on derivative financial instruments		**(5,606)**	(6,990)
Share of (loss)/profit of a joint venture		**(2,690)**	373
Profit before income tax	4	**259,129**	196,826
Income tax expense	5	**(71,043)**	(37,644)
Profit for the year		**188,086**	159,182
Profit for the year attributable to owners of the Company		**188,086**	159,182
Proposed dividend	6	**30,342**	25,750
Earnings per share for profit attributable to owners of the Company for the year	7		
- Basic and diluted		**RMB0.222**	RMB0.188

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	FOR THE YEAR ENDED 31 DECEMBER	
	2013	2012
	RMB'000	RMB'000
Profit for the year	**188,086**	159,182
Other comprehensive income		
Items that may be reclassified subsequent to the income statement:		
Exchange losses on translation of financial statements of foreign operations	**(45)**	(464)
Other comprehensive income for the year	**(45)**	(464)
Total comprehensive income for the year	**188,041**	158,718
Total comprehensive income for the year attributable to owners of the Company	**188,041**	158,718

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	AS AT 31 DECEMBER 2013 RMB'000	2012 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**537,269**	473,262
Prepaid land lease payments		**52,708**	54,001
Investment properties		**14,200**	13,030
Deposits paid for acquisition of property, plant and equipment		**2,514**	22,008
Interests in a joint venture		**45,824**	48,511
Finance lease receivable		**16,085**	-
Deferred tax assets		**1,488**	-
		670,088	610,812
Current assets			
Inventories		**82,477**	58,814
Trade and bills receivable	8	**280,379**	210,666
Prepayments and other receivables		**21,594**	29,913
Amount due from a joint venture		**522**	443
Finance lease receivable		**854**	-
Bank and cash balances		**49,551**	49,962
		435,377	349,798
Current liabilities			
Trade payables	9	**25,072**	17,498
Accruals and other payables		**77,607**	65,056
Bank borrowings		**33,297**	57,000
Current tax liabilities		**13,352**	13,421
		149,328	152,975
Net current assets		**286,049**	196,823
Total assets less current liabilities		**956,137**	807,635
Non-current liabilities			
Bank borrowings		-	17,000
Deferred income		**10,451**	13,191
Deferred tax liabilities		**3,008**	2,663
Derivative financial instruments		**12,596**	6,990
		26,055	39,844
NET ASSETS		**930,082**	767,791
EQUITY			
Equity attributable to the Company's owners			
Share capital		**7,786**	7,786
Reserves		**922,296**	760,005
TOTAL EQUITY		**930,082**	767,791

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 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 functional currency of the Company is Hong Kong Dollars. The financial statements are presented in Renminbi ("**RMB**") because the main operations of the Group are located in the People's Republic of China (the "**PRC**") 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 and derivative financial instruments which are stated at fair values.

2. ADOPTION OF NEW OR AMENDED HKFRSs

(a) New and revised standards adopted by the Group

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 2013:

Amendments to HKAS 1 (Revised)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Annual Improvements to HKFRSs 2009-2011 Cycle	

Other than as noted below, the adoption of these new and revised HKFRSs has no material impact on the Group's financial statements.

Amendments to HKAS 1 (Revised), Presentation of financial statements – Presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in the financial statements has been modified accordingly.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, Consolidated and Separate Financial Statements relating to the preparation of consolidated financial statements and HK SIC Interpretation 12, Consolidation – Special Purpose Entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 11, Joint arrangements

HKFRS 11, which replaces HKAS 31, Interests in Joint Ventures, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 12 disclosures are provided in the financial statements. As the new standard affects only disclosure, there is no effect on the Group's financial position and performance.

HKFRS 13, Fair value measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 is applied prospectively.

HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance. The standard requires additional disclosures about fair value measurements and these are included in the financial statements. Comparative disclosures have not been presented in accordance with the transitional provisions of the standard.

(b) New/amended HKFRSs that have been issued but are not yet effective

At the date of this announcement, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The Directors are currently assessing the impact of the new and amended HKFRSs upon initial application. So far, the Directors have preliminarily concluded that the initial application of these HKFRSs will not result in material financial impact on the consolidated financial statements. Information on new and amended HKFRSs that are expected to have an impact on the Group's accounting policies is provided below.

Amendments to HKAS 32, Offsetting Financial Assets and Financial Liabilities

This standard is effective for accounting periods beginning on or after 1 January 2014. The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

HKFRS 9, Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

3. TURNOVER AND SEGMENT INFORMATION

The Group has identified the following reportable segments:

(i) Cyanide and its derivative products: Research and development, manufacture and sale of cyanide and its derivative 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	
	2013	2012
	RMB'000	RMB'000
Sales of cyanide and its derivative products	**1,036,127**	882,478
Sales of alcohol products	**71,923**	43,121
Sales of chloroacetic acid and its derivative products	**16,244**	32,661
Sales of fine petrochemical products	**54,614**	30,200
Sales of other by-products	**16,270**	15,435
	1,195,178	1,003,895

SEGMENT INFORMATION

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

2013

	Cyanide and its derivative 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	**1,036,127**	**71,923**	**16,244**	**54,614**	**16,270**	**1,195,178**
Inter-segment revenue	**-**	**115,448**	**303,454**	**-**	**19,762**	**438,664**
Reportable segment revenue	**1,036,127**	**187,371**	**319,698**	**54,614**	**36,032**	**1,633,842**
Reportable segment profit / (loss)	**308,817**	**19,781**	**159,157**	**(5,083)**	**6,649**	**489,321**
Depreciation of property, plant and equipment	**30,531**	**548**	**11,618**	**3,118**	**6,298**	**52,113**
Reversal of write-down of inventories to net realisable value	**(128)**	**-**	**-**	**(81)**	**-**	**(209)**
Write-down of inventories to net realisable value	**42**	**-**	**-**	**-**	**-**	**42**
Reportable segment assets	**563,298**	**18,972**	**93,210**	**14,575**	**74,033**	**764,088**
Additions to non-current segment assets	**65,078**	**-**	**5,083**	**-**	**5,151**	**75,312**
Reportable segment liabilities	**36,175**	**4,216**	**7,694**	**12,274**	**7,595**	**67,954**

2012

	Cyanide and its derivative 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	882,478	43,121	32,661	30,200	15,435	1,003,895
Inter-segment revenue	-	74,824	230,788	20,678	-	326,290
Reportable segment revenue	882,478	117,945	263,449	50,878	15,435	1,330,185
Reportable segment profit	224,906	8,913	123,864	2,075	4,819	364,577
Depreciation of property, plant and equipment	22,324	498	9,850	272	6,199	39,143
Reversal of write-down of inventories to net realisable value	-	-	-	(230)	-	(230)
Write-down of inventories to net realisable value	140	-	-	49	-	189
Reportable segment assets	445,969	27,047	98,661	16,433	70,185	658,295
Additions to non-current segment assets	79,284	-	15,580	-	143	95,007
Reportable segment liabilities	34,937	4,689	10,840	14,074	1,474	66,014

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	
	2013	2012
	RMB'000	RMB'000
Reportable segment revenue	**1,633,842**	1,330,185
Elimination of inter-segment revenue	**(438,664)**	(326,290)
Consolidated revenue	**1,195,178**	1,003,895

	FOR THE YEAR ENDED 31 DECEMBER	
	2013	2012
	RMB'000	RMB'000
Reportable segment profit	**489,321**	364,577
Rental income	**861**	837
Revaluation gain on investment properties	**1,170**	590
Equity-settled share-based payment expenses	**-**	(162)
Fair value loss on derivative financial instruments	**(5,606)**	(6,990)
Finance costs	**(5,643)**	(8,692)
Share of (loss)/profit of a joint venture	**(2,690)**	373
Corporate unallocated income	**768**	1,280
Corporate unallocated expenses	**(48,805)**	(35,161)
Elimination of inter-segment profit	**(170,247)**	(119,826)
Consolidated profit before income tax	**259,129**	196,826

	AS AT 31 DECEMBER	
	2013	2012
	RMB'000	RMB'000
Reportable segment assets	**764,088**	658,295
Interests in a joint venture	**45,824**	48,511
Prepaid land lease payments	**54,001**	55,294
Investment properties	**14,200**	13,030
Deferred tax assets	**1,488**	-
Finance lease receivable	**16,939**	-
Amount due from a joint venture	**522**	443
Bank and cash balances	**49,551**	49,962
Property, plant and equipment	**144,807**	112,006
Other corporate assets	**14,045**	23,069
Consolidated total assets	**1,105,465**	960,610

	AS AT 31 DECEMBER	
	2013	2012
	RMB'000	RMB'000
Reportable segment liabilities	**67,954**	66,014
Bank borrowings	**33,297**	74,000
Deferred tax liabilities	**3,008**	2,663
Current tax liabilities	**13,352**	13,421
Derivative financial instruments	**12,596**	6,990
Other corporate liabilities	**45,176**	29,731
Consolidated total liabilities	**175,383**	192,819

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

	FOR THE YEAR ENDED 31 DECEMBER	
	2013	2012
	RMB'000	RMB'000
The PRC (domicile)	**1,030,147**	787,279
United States of America	**40,255**	32,651
India	**28,423**	32,276
Germany	**20,101**	17,671
Taiwan	**17,736**	47,992
Ireland	**13,525**	16,592
Others	**44,991**	69,434
	1,195,178	1,003,895

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.

Certain comparative figures in the segment information for the year ended 31 December 2012 has been reclassified. Previously, the segments of "cyanoacetic acid and its ester products" and "sodium cyanide and its derivative products" were reported as separate segments. For the year ended 31 December 2013, they were reported under the new segment of "cyanide and its derivative products" as a result of the change in information reported internally for the purposes of resources allocation and assessment of business performance. Comparative figures have been reclassified accordingly.

4. PROFIT BEFORE INCOME TAX

	FOR THE YEAR ENDED 31 DECEMBER	
	2013	2012
	RMB'000	RMB'000
Profit before income tax is arrived at after charging/(crediting):		
Directors' remuneration		
- Fees	**301**	310
- Salaries, discretionary bonus and other benefits	**3,684**	3,544
- Retirement benefit scheme contributions	**88**	78
	4,073	3,932
Other staff costs	**62,108**	49,826
Retirement benefit scheme contributions	**3,880**	3,086
Equity-settled share-based payment expenses	**-**	162
Total staff costs	**70,061**	57,006
Auditors' remuneration	**564**	528
Amortisation of prepaid land lease payments	**1,293**	1,293
Cost of inventories recognised as an expense (note i), including	**839,605**	725,186
- Write-down of inventories to net realisable value	**42**	189
- Reversal of write-down of inventories to net realisable value	**(209)**	(230)
Depreciation on property, plant and equipment	**54,498**	44,203
Exchange losses, net	**2,348**	436
Written off on property, plant and equipment	**-**	174
Minimum lease payments under operating leases in respect of leasehold land and buildings	**575**	663
Rental income less outgoings	**(854)**	(823)
Direct operating expenses arising from investment properties that generated rental income	**7**	14
Research costs (note ii)	**12,251**	2,187

Notes:

(i) Amount of inventories includes approximately RMB52,113,000 (2012: RMB41,884,000) relating to depreciation expenses and approximately RMB53,831,000 (2012: RMB42,180,000) relating to staff costs.

The write-down of inventories of approximately RMB209,000 (2012: RMB230,000) was reversed as the market price of these inventories was increased in 2013.

(ii) Research costs include approximately RMB231,000 (2012: RMB167,000) relating to depreciation expenses and approximately RMB1,279,000 (2012: RMB1,061,000) relating to staff costs. These amounts are also included in the respective total amounts disclosed separately above.

5. INCOME TAX EXPENSE

	FOR THE YEAR ENDED 31 DECEMBER	
	2013	2012
	RMB'000	RMB'000
Current tax - PRC Enterprise Income Tax		
- Tax for the year	**71,989**	37,381
- Under provision in prior year	**197**	-
	72,186	37,381
Deferred tax	**(1,143)**	263
Income tax expense	**71,043**	37,644

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）, Shanghai Dehong Chemical Company Limited（上海德弘化工有限公司）and Weifang Parasia Chem Co., Ltd.（濰坊柏立化學有限公司）are subject to the PRC Enterprise Income Tax at the rate of 25% for 2013 (2012: 25%).

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**") was 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 2012 as this was the fifth profitable year. Weifang Binhai is subject to PRC Enterprise Income Tax at the rate of 25% for the year ended 31 December 2013.

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 chloroacetic 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.

6. DIVIDENDS PER SHARE

A final dividend for 2012 amounting to RMB25,750,000 (dividend per share: 3.8 HKcents) was approved in the annual general meeting of the Company held on 24 May 2013 and paid during the year ended 31 December 2013. The Directors recommend the payment of a final dividend amounting to RMB30,342,000 (dividend per share: 4.5 HKcents) in respect of the year ended 31 December 2013, which is subject to approval by the shareholders of the Company (the "**Shareholders**") in its forthcoming annual general meeting (the "**2014 AGM**").

7. EARNINGS PER SHARE

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

	FOR THE YEAR ENDED 31 DECEMBER	
	2013	2012
	RMB'000	RMB'000
Profit for the year	**188,086**	159,182

	NUMBER OF ORDINARY SHARES	
	2013	2012
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**846,878,000**	846,878,000

The calculation of basic and diluted earnings per share for the year ended 31 December 2013 was based on the profit attributable to owners of the Company of RMB188,086,000 (2012: RMB159,182,000) and on the weighted average of 846,878,000 (2012: 846,878,000) ordinary shares in issue during the year.

There were no dilutive potential ordinary shares for the years ended 31 December 2013 and 2012.

8. TRADE AND BILLS RECEIVABLE

The Group allows a credit period normally ranging from one month to six months to its trade customers (2012: ranging from one month to six months). 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	
	2013	2012
	RMB'000	RMB'000
0 to 90 days	**206,678**	177,754
91 to 180 days	**70,032**	31,167
181 to 365 days	**3,630**	1,622
Over 365 days	**39**	123
	280,379	210,666

9. TRADE PAYABLES

The Group was granted by its suppliers credit periods ranging from 30 to 365 days (2012: 30 to 365 days). The ageing analysis of trade payables at the reporting date, based on the invoice date, is as follows:

	AS AT 31 DECEMBER	
	2013	2012
	RMB'000	RMB'000
0 to 90 days	**22,491**	15,865
91 to 180 days	**1,503**	757
181 to 365 days	**868**	480
Over 365 days	**210**	396
	25,072	17,498

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the Shareholders who are entitled to attend and vote at the 2014 AGM, the register of members of the Company will be closed from Wednesday, 21 May 2014 to Friday, 23 May 2014, both days inclusive. In order to qualify for the right to attend and vote at the 2014 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, 20 May 2014.

For the purpose of ascertaining Shareholders who qualify for the proposed final dividend in respect of the year ended 31 December 2013, the register of members of the Company will be closed from Tuesday, 3 June 2014 to Thursday, 5 June 2014, 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 Friday, 30 May 2014.

BUSINESS REVIEW

The achievement of satisfactory financial results for the year ended 31 December 2013 was due to the Group's dedicated efforts on improving its products development, optimising and expanding its productivity over the past years. Besides, the Group adopted effective marketing programs to gain more market share through sales and marketing resilience. The turnover of the Group achieved an encouraging growth during the year under review. Turnover of the Group derived from domestic market grew by 30.8% being a payback for the Group's devotion in more efforts and resources to develop and explore new market in the PRC. Besides, the Group hit a new record in both gross profit and gross profit margin benefited from the decrease of raw materials costs during the year under review. While the Group has proactively developed and expanded new products to sustain its future business growth thus research and development expenses was increased substantially. The Group continuously achieved profit growth via its sound business strategies during the year under review.

During the year under review, the Group has succeeded to capture a bigger slice of market share by the enhancement of production capacities to meet the robust market demands in respect of products with good market potential. Besides, the Group has integrated the overall production facilities and relocated resources to promising products in order to facilitate and cope with the Group's future business developments. Furthermore, the Group has deployed additional efforts to enhance research and development competence in order to streamline its production process, explore more new promising products, and solicit viable new business opportunities to capture emerging markets. The Group has investigated and studied certain new products during the year under review. One of the new products has been planned to be included in the product portfolio of the Group in the year ahead. The Group will continue to strive diligently in research and development to expand the range of products, which will be seen as driver for further turnover growth in the years ahead and as a means to support the business profitability.

Cyanide and its derivative products

After an internal reorganization at the beginning of the year under review for the purpose of resources allocation and performance assessment of the Group, cyanoacetic acid and its ester products category and sodium cyanide and its derivative products category have been combined into cyanide and its derivative products category. The continuous turnover growth of this category of products was mainly due to the expansion of production capacities enable to meet growing market demands. The turnover of this category of products accounted for 86.7% (2012: 87.9%) of the Group's total turnover. Benefited from the decrease of raw materials cost during the year under review, the profit of this category of products shown prominent growth. As the biggest contributor to the total turnover of the Group, cyanide and its derivative products spurred the main growth of the overall turnover of the Group and considered to be the key products of driving the overall strategic direction. The Group is confident that there is still room for further development of this product category and believe new products are able to provide further opportunities to drive sales growth momentum for the Group. A plan was formulated to put a newly developed product into commercial production in the foreseeable future during the year under review. As this product category is facing prosperous growth opportunities, the Group will continuously capitalise its competitive edge to derive growth momentum through an expanding market-relevant product portfolio in future.

Alcohol products

As a result of the positive market momentum and effective market strategies, both of the turnover and profit of alcohol products have been increased during the year under review. In view of limited market development, the Group will constantly treat this product category as a way to provide stable internal supply and excess for external sale. In addition, the Group will continuously implement effective marketing and procurement strategies to promote development of this product category in future.

Chloroacetic acid and its derivative products

Leveraging on steady expansion of production capacities has been achieved over the last few years that allowed chloroacetic acid and its derivative products established a competitive edge on economic of scales, the overall performance of this products category kept a healthy growth during the year under review. As the production capacities of cyanide and its derivative products have been further expanded, vast majority of this products category was used to support the production of cyanide and its derivative products while the remaining for external sales. This product category is playing a critical role within the whole production chain of the Group, which not only realises profit growth from external sales but also allows further costs saving via internal supply and recycling economy production. The Group will place additional focus on the coming development of this products category and make further expansion of the production capacity as and when appropriate so as to extend the competitive advantages of the Group.

Fine petrochemical products

Given the volatile market conditions and the dwindling order of fine petrochemical products caused the shrinkage of profit margins, the Group recorded a loss of this products category during the year under review. Since the market prospect of this products category is still uncertain, the Group diverted resource to other promising products since last financial year. The Group will closely monitor the market conditions as well as fine tune the production operations to deal with reduced sales orders in order to achieve a positive margin in future.

Joint venture company (the "JV Company")

The Group has recorded a share of loss of the JV Company amount of approximately RMB2.7 million which represented the initial set up costs and pre-operating expenses during the year under review. The pre-production stage of the JV Company has been primarily completed. According to current timetable provided by the JV Company, the commercial production will be commenced immediately once the trial production is declared success. However, during the early stage of new business, the JV Company is unlikely to make substantial economic benefits to the Group in near term. The Group will spare no effort to support the business development of the JV Company so as to realise the intrinsic value of the JV Company as soon as possible.

Prospect

Looking ahead, it is predicted the global economy (including PRC) to have slower growth rates, which in turn will adversely affect global industrial performance. The overall average selling price of the Group's products has been decreasing since December 2013 and the price pressures are expected to narrow margins of the Group in the near future. The Group will face severe challenges to sustain high business growth in the year ahead. Fortunately, the future performance of the Group will be benefited from groundwork laid in prior years. The Group realised an encouraging growth pattern over the past few years owing to the implementation of appropriate business strategies and its solid business foundation. Hence, the management of the Group maintains a neutral outlook for the next financial year.

In the face of uncertain business environment, the Group's development strategy remains cautious and will progressively develop and expand its range of products for the promising markets. The long term business strategy of the Group is leveraging its core competitive advantages as an integrated fine chemical company to grow the downstream chemicals businesses of the Group by replicating the proven business model of the Group. In order to achieve the long term business strategy, the Group will take advantage of the existing resources to strengthen the Group's operations and productivities, and rapid product development in the years ahead. Besides, the Group will put additional efforts to promote and explore new markets as well as to expedite marketing campaigns to capture additional market shares. With solid management and healthy assets base, the Group will fully capitalise on business opportunities to realise steady and healthy development for continuous business growth and maximise Shareholders' value.

FINANCIAL REVIEW

TURNOVER

The turnover of the Group reached approximately RMB1,195.2 million, representing an increase of 19.1% as compared with approximately RMB1,003.9 million in 2012. The encouraging growth in turnover was mainly attributable to the continuous expansion of the production capacities of promising products in past few years and the implementation of proven marketing strategies.

GROSS PROFIT

The gross profit of the Group has recorded strong increase to approximately RMB 342.9 million, representing an increase of 31.1% as compared with approximately RMB261.6 million in 2012 while the gross profit margin was also grew further to 28.7% when compared with 26.1% in 2012. The increase was due to (i) the decrease of raw material prices and (ii) the enhanced productivity to save production costs further.

OPERATING INCOME AND EXPENSES

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

The selling expenses were increased by approximately RMB5.2 million to approximately RMB27.4 million (2012: RMB22.2 million) during the year under review. The increase was principally as a result of the increase in the transportation costs which was generally in line with the growth of turnover of the Group. The selling expense as a percentage of the Group’s turnover was fairly stable at 2.3% (2012: 2.2%).

During the year under review, the administrative expenses increased by approximately RMB14.3 million from approximately RMB33.8 million in 2012 to approximately RMB48.1 million. The increase was mainly due to the increase of research and development expenses as the Group continues to invest significantly in new products development, as well as other local tax and exchange loss. Administrative expenses expressed as a percentage of the Group’s turnover was 4.0% (2012: 3.4%).

FINANCE COSTS

The finance costs mainly represented bank borrowings interest and discounted bills interest, which was decreased by approximately RMB3.1 million from approximately RMB8.7 million in 2012 to approximately RMB5.6 million in 2013. The decrease was mainly due to the improvement of business results so as reduced the amount of bank borrowings 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.

FAIR VALUE LOSS ON DERIVATIVE FINANCIAL INSTRUMENTS

On 30 June 2011, the Company entered into a joint venture agreement (the "**JV Agreement**") with Henkel Hong Kong Limited ("**Henkel**") to set up a JV Company for developing a specialty chemical for industrial use product and the JV Agreement became effective from 23 February 2012. Under the JV Agreement, (i) the Company was granted with a call option to require Henkel to sell or cause the sale of all of the equities of the JV Company held by Henkel and/or its affiliates to the Company at the call option price; and (ii) Henkel was granted with a put option to require the Company to purchase or cause the purchase of all of the equities of the JV Company held by Henkel and/or its affiliates at the put option price. Such options can only be exercised during the option period which set on a specified future dates (please refer to the announcement of the Company dated 3 July 2011 for details). Thus, the JV Agreement deemed to contain embedded derivative which is required to be carried at fair value under relevant Hong Kong financial reporting standard. For the year ended 31 December 2013, the fair value loss on the embedded derivative financial instruments was, determined by an independent valuer adopting a binomial lattice model, approximately RMB5.6 million.

PROFIT FOR THE YEAR

The profit of the Group for the year has recorded an increase of approximately RMB28.9 million to approximately RMB188.1 million, representing an increase of 18.2% as compared with that of approximately RMB159.2 million in 2012.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's primary source of funding included the net cash inflow generated from operating activities of approximately RMB174.7 million (2012: RMB218.6 million); newly raised bank borrowings of approximately RMB16.3 million (2012: RMB104.1 million); interest received of approximately RMB0.1 million (2012: RMB0.5 million); proceeds on disposal of property, plant and equipment of approximately RMB0.4 million (2012: RMB0.06 million). With the financial resources obtained from the Group's operations, the Group had spent approximately RMB103.4 million (2012: RMB133.3 million) in the acquisition of the property, plant and equipment; no investment made to the JV Company (2012: RMB48.4 million); repayments of borrowing approximately RMB57.0 million (2012: RMB139.1 million); interest paid of approximately RMB5.7 million (2012: RMB8.8 million) and dividend paid of approximately RMB25.8 million (2012: RMB20.8 million) during the year under review. As at 31 December 2013, the Group had bank and cash balances of approximately RMB49.6 million (2012: RMB50.0 million), of which 67.8% was held in Renminbi, 28.0% was held in United States dollars and the remaining balance was held in Hong Kong dollars and EUROs. During the year under review, the Group did not use any financial instruments for any hedging purposes.

As at 31 December 2013, the Group had recorded net current assets of approximately RMB286.0 million (2012: RMB196.8 million), the current ratio of the Group was approximately 2.9 times (2012: 2.3 times), and bank borrowings of approximately RMB33.3 million (2012: RMB74.0 million). The Group improved its financial position and attained a net cash balance of approximately RMB16.3 million (total cash and cash equivalent net of total borrowings) as at 31 December 2013 (the gearing ratio which represented by the ratio of net debts (total borrowings net of bank and cash balances) to total shareholders' equity was 3.1% in 2012).

With the continuous positive net cash inflow generated from its operations and its cash resources on hand and undrawn banking facilities obtained from its banks, the Group has sufficient financial resources to meet its commitments and working capital requirements. The Group will continuously monitor 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 2013, prepaid land lease payments of the Group of approximately RMB29.6 million (2012: RMB30.3 million) were pledged to secure the Group's bank borrowings.

CONTINGENT LIABILITIES

As at 31 December 2013, the Group had no material contingent liabilities.

COMMITMENTS

As at 31 December 2013, the Group had commitments which has been contracted but not yet been provided for in the aggregate amount of approximately RMB104.6 million (2012: RMB115.7 million), among of that approximately RMB100.0 million (2012: RMB98.8 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 RMB115.8 million (2012: RMB50.2 million) 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 RMB, 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 RMB except for 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 as and when appropriate.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2013, the Group has 997 full-time employees (2012: 903). 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 RMB70.1 million (2012: RMB57.0 million).

The Group has established its human resources policies and scheme with a view to deploy the incentives and rewards of the remuneration system which includes 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 coverage and provident funds, have also been provided to the employees of the Group.

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

The Company 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. During the year under review, no share option of the Company has been granted.

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 Company has applied the principles and complied with the requirements set out in the "Corporate Governance Code and Corporate Governance Report" contained in Appendix 14 of the Listing Rules during the year under review.

MODEL CODE 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 2013. 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 inside 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 the full year financial statements and reports of the Group for the year ended 31 December 2013. The Audit Committee was satisfied that the accounting policies and methods of computation adopted by the Group are in accordance with the current best practices in Hong Kong. The Audit Committee found no unusual items that were omitted from the financial statements and was satisfied with the disclosures of data and explanations shown in the financial statements. The Audit Committee was also reviewed the internal control measures adopted by the Group during the year under review.

By order of the Board
Liu Hongliang
Chairman

Hong Kong, 21 March 2014

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.