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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 2014

RESULTS HIGHLIGHTS

- Turnover for the six months ended 30 June 2014 was approximately RMB561.7 million, representing a decrease of 9.6% as compared with that of the corresponding period last year.
- Gross profit decreased by 11.7% to approximately RMB155.1 million.
- Gross profit margin reached 27.6%, representing a decrease of 0.7 percentage points as compared with that of the corresponding period last year.
- Profit for the period decreased by 10.8% to approximately RMB89.0 million.
- Basic earnings per share decreased to approximately RMB10.5 cents (six months ended 30 June 2013: RMB11.8 cents).
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2014.

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 2014 together with the comparative figures for the corresponding period in 2013 and the selected notes as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	**Six months ended 30 June** **2014** **RMB'000** **(unaudited)**	2013 RMB'000 (unaudited)
Turnover	4	**561,741**	621,474
Cost of sales		**(406,612)**	(445,757)
Gross profit		**155,129**	175,717
Other income		**8,265**	2,149
Selling expenses		**(18,157)**	(14,416)
Administrative expenses		**(21,747)**	(20,341)
Finance costs	5	**(289)**	(3,107)
Fair value loss on derivative financial instruments		**(504)**	-
Share of loss of a joint venture		**(1,812)**	(1,586)
Profit before income tax	6	**120,885**	138,416
Income tax expense	7	**(31,864)**	(38,624)
Profit for the period		**89,021**	99,792
Profit for the period attributable to owners of the Company		**89,021**	99,792
Earnings per share for profit attributable to owners of the Company for the period	9		
– Basic and diluted		**RMB0.105**	RMB0.118

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June **2014** **RMB'000** **(unaudited)**	2013 RMB'000 (unaudited)
Profit for the period	**89,021**	99,792
Other comprehensive income		
Items that may be reclassified subsequent to the income statement:		
– Exchange gains on translation of financial statements of foreign operations	**88**	41
Other comprehensive income for the period	**88**	41
Total comprehensive income for the period attributable to owners of the Company	**89,109**	99,833

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2014 RMB'000 (unaudited)**	31 December 2013 RMB'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**527,506**	537,269
Prepaid land lease payments		**52,061**	52,708
Investment properties		**14,200**	14,200
Deposits paid for acquisition of property, plant and equipment		**11,625**	2,514
Interests in a joint venture		**44,008**	45,824
Loan to a joint venture		**354**	-
Finance lease receivable		**15,658**	16,085
Deferred tax assets		**-**	1,488
		665,412	670,088
Current assets			
Inventories		**96,100**	82,477
Trade and bills receivable	10	**287,173**	280,379
Prepayments and other receivables		**29,506**	21,594
Amount due from a joint venture		**1,742**	522
Finance lease receivable		**854**	854
Pledged bank deposits		**10,286**	-
Bank and cash balances		**63,220**	49,551
		488,881	435,377
Current liabilities			
Trade and bills payable	11	**19,357**	25,072
Accruals and other payables		**72,945**	77,607
Bank borrowings		**30,571**	33,297
Current tax liabilities		**17,356**	13,352
		140,229	149,328
Net current assets		**348,652**	286,049
Total assets less current liabilities		**1,014,064**	956,137
Non-current liabilities			
Deferred income		**9,080**	10,451
Deferred tax liabilities		**3,035**	3,008
Derivative financial instruments		**13,100**	12,596
		25,215	26,055
NET ASSETS		**988,849**	930,082
EQUITY			
Equity attributable to the Company's owners			
Share capital		**7,786**	7,786
Reserves		**981,063**	922,296
TOTAL EQUITY		**988,849**	930,082

SELECTED NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

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 Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 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 2014 (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 (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 2013 (the "2013 Annual Financial Statements").

The Unaudited Condensed Financial Information has been prepared in accordance with the same accounting policies adopted in the 2013 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 functional currency of the Company is Hong Kong Dollars ("HK$"). The Unaudited Condensed Financial Information is presented in Renminbi ("RMB") because the main operations of the Group are located in the People's Republic of China (the "PRC"). 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 2014:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) 21	Levies

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 2013 Annual Financial Statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities
The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Unaudited Condensed Financial Information as the Company does not qualify to be an investment entity.

Amendments to HKAS 32, Offsetting financial assets and financial liabilities
The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Unaudited Condensed Financial Information as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets
The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired assets or the cash-generating unit whose recoverable amount is based on fair value less costs of disposal. These amendments do not have an impact on the Unaudited Condensed Financial Information.

Amendments to HKAS 39, Novation of derivatives and continuation of hedge accounting
The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on the Unaudited Condensed Financial Information as the Group has not novated any of its derivatives.

HK(IFRIC) 21, Levies
The interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on the Unaudited Condensed Financial Information as the guidance is consistent with the Group's existing accounting policies.

The Director 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 Group manages its businesses by product and service lines. For the six months ended 30 June 2014, the Group has identified the following five product and service lines as its operating 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.

TURNOVER

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of cyanide and its derivative products	**500,135**	538,100
Sales of alcohol products	**33,126**	34,633
Sales of chloroacetic acid and its derivative products	**16,775**	10,088
Sales of fine petrochemical products	**-**	26,867
Sales of other by-products	**11,705**	11,786
	561,741	621,474

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.

During the six months ended 30 June 2014, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

Six months ended 30 June 2014

	Cyanide and its derivative products RMB'000 (unaudited)	**Alcohol products RMB'000 (unaudited)**	**Chloroacetic acid and its derivative products RMB'000 (unaudited)**	**Fine petrochemical products RMB'000 (unaudited)**	**Other by-products RMB'000 (unaudited)**	**Total RMB'000 (unaudited)**
Revenue:						
External customers	**500,135**	**33,126**	**16,775**	**-**	**11,705**	**561,741**
Inter-segment revenue	**-**	**29,104**	**146,684**	**-**	**496**	**176,284**
Reportable segment revenue	**500,135**	**62,230**	**163,459**	**-**	**12,201**	**738,025**
Reportable segment profit	**124,473**	**9,092**	**75,148**	**-**	**6,123**	**214,836**
Reportable segment assets	**577,616**	**29,044**	**96,909**	**9,830**	**79,386**	**792,785**

Six months ended 30 June 2013

	Cyanide and its derivative products RMB'000 (unaudited)	Alcohol products RMB'000 (unaudited)	Chloroacetic acid and its derivative products RMB'000 (unaudited)	Fine petrochemical products RMB'000 (unaudited)	Other by-products RMB'000 (unaudited)	Total RMB'000 (unaudited)
Revenue:						
External customers	538,100	34,633	10,088	26,867	11,786	621,474
Inter-segment revenue	-	45,351	145,941	-	19,657	210,949
Reportable segment revenue	538,100	79,984	156,029	26,867	31,443	832,423
Reportable segment profit/(loss)	156,825	9,833	72,247	(2,073)	4,431	241,263
Reportable segment assets	554,704	18,764	107,139	40,063	62,696	783,366

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	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Reportable segment profit	**214,836**	241,263
Rental income	**432**	437
Finance costs	**(289)**	(3,107)
Corporate unallocated income	**4,425**	338
Corporate unallocated expenses	**(23,628)**	(20,449)
Fair value loss on derivative financial instruments	**(504)**	-
Share of loss of a joint venture	**(1,812)**	(1,586)
Elimination of inter-segment profit	**(72,575)**	(78,480)
Consolidated profit before income tax	**120,885**	138,416

5. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest charges on:		
– Bank loans wholly repayable within five years	**289**	2,239
– Discounted bills	**-**	868
	289	3,107

6. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit before income tax is arrived at after charging/(crediting):		
Directors' remuneration		
– Fees	**150**	150
– Salaries, discretionary bonus and other benefits	**1,799**	1,828
– Retirement benefit scheme contributions	**47**	42
	1,996	2,020
Other staff costs	**31,833**	29,859
Retirement benefit scheme contributions	**2,244**	1,797
Total staff costs	**36,073**	33,676
Amortisation of prepaid land lease payments	**647**	647
Cost of inventories recognised as an expense (note i), including	**397,874**	437,209
– Write-down of inventories to net realisable value	**-**	33
– Reversal of write-down of inventories to net realisable value	**(33)**	(186)
Depreciation on property, plant and equipment	**31,469**	26,520
Exchange (gain)/loss, net	**(1,674)**	1,337
Minimum lease payments under operating leases in respect of leasehold land and buildings	**269**	263
Rental income less outgoings	**(429)**	(434)
Direct operating expenses arising from investment properties that generated rental income	**3**	3
Research costs (note ii)	**8,398**	1,065

Notes:

i. Amount of inventories includes approximately RMB30,239,000 (six months ended 30 June 2013: RMB25,251,000) relating to depreciation expenses and approximately RMB26,507,000 (six months ended 30 June 2013: RMB25,898,000) relating to staff costs. These amounts are also included in the respective total amounts disclosed separately above.

The write-down of inventories of approximately RMB33,000 (six months ended 30 June 2013: RMB186,000) was reversed as the market price of these inventories was increased during the period.

ii. Research costs include approximately RMB169,000 (six months ended 30 June 2013: RMB84,000) relating to depreciation expenses and approximately RMB2,929,000 (six months ended 30 June 2013: RMB374,000) relating to staff costs. These amounts are also included in the respective total amounts disclosed separately above.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax - PRC Enterprise Income Tax	**30,349**	38,598
Deferred tax	**1,515**	26
	31,864	38,624

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 2013: Nil).

Weifang Common Chem Co., Ltd., Shanghai Dehong Chemical Company Limited, Weifang Parasia Chem Co., Ltd. and Weifang Binhai Petro-Chem Co., Ltd. ("Weifang Binhai") are subject to PRC Enterprise Income Tax at the rate of 25% for the period (six months ended 30 June 2013: 25%).

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.

8. DIVIDENDS

During the period, a final dividend for the year ended 31 December 2013 of 4.5 HKcents per ordinary share (six months ended 30 June 2013: 3.8 HKcents per ordinary share), amounting to approximately RMB30,342,000 (six months ended 30 June 2013: RMB25,750,000) was paid to the shareholders of the Company.

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

9. 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:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period	**89,021**	99,792

	Number of ordinary shares Six months ended 30 June	
	2014	2013
	'000 shares	'000 shares
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**846,878**	846,878

There were no dilutive potential ordinary shares for the six months ended 30 June 2014 and 2013.

10. TRADE AND BILLS RECEIVABLE

The Group allows a credit period normally ranging from one month to six months to its trade customers (31 December 2013: ranging from one month to six months). The bills receivable are non-interest bearing bank acceptance bills and expired in six months upon issuance. 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 as follows:

	30 June 2014	31 December 2013
	RMB'000	RMB'000
	(unaudited)	(audited)
0 to 90 days	**219,433**	206,678
91 to 180 days	**63,035**	70,032
181 to 365 days	**4,419**	3,630
Over 365 days	**286**	39
	287,173	280,379

Trade and bills receivable related to a large number of diversified customers for whom there was no recent history of default. Based on past credit policy, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of trade receivables past due but not impaired.

The Directors considered that the fair values of trade and bills receivable are not materially different from their carrying amounts because these amounts have short maturity periods.

During the period, no bills receivable was discounted to the financial institutions. For the year ended 31 December 2013, the Group discounted part of its bills receivable with full recourse to financial institutions. In the event of default by the debtors, the Group is obliged to pay the financial institutions the amount in default. Interest was charged ranging from 4.69% to 7.35% per annum on the proceeds received from the financial institutions until the date the debtors pay. The Group is therefore exposed to the risks of credit losses and late payment in respect of the discounted bills receivable.

The discounting transactions do not meet the requirements in HKAS 39 for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the discounted bills receivable. As at 31 December 2013, bills receivable of approximately RMB2,341,000 continued to be recognised in the Group's financial statements even though they have been legally transferred to the financial institutions. The proceeds of the discounting transactions are included in bank borrowings until the bills receivable is expired or the Group settles any losses suffered by the financial institutions. As at 31 December 2013, the advances obtained from the financial institutions in respect of the unexpired discounted bills receivable included in bank borrowings amounted to approximately RMB2,341,000.

11. TRADE AND BILLS PAYABLE

The Group was granted by its suppliers credit periods ranging from 30 to 365 days (31 December 2013: 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:

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
0 to 90 days	**13,481**	22,491
91 to 180 days	**3,609**	1,503
181 to 365 days	**1,911**	868
Over 365 days	**356**	210
	19,357	25,072

The carrying amounts of trade and bills payable are denominated in RMB and United States Dollars. All amounts are short term and hence the carrying amounts of trade and bills payable are considered to be a reasonable approximation of fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, the PRC government imposed a series of measures to avoid overheating of the Chinese economy, thus causing the contraction of PRC's manufacturing sector. Most customers were reluctant to keep a high inventory level due to shrinkage of market demand. Besides, the sluggish demand also entailed decrease in the selling price which reduced the gross profit margin of the Group. These negative factors were of detriment to the turnover of the Group. The turnover of the Group derived from the domestic market was decreased by 15.1% but the turnover of the Group derived from the overseas market was increased by 23.0% as compared with the corresponding period last year. The turnover arising from the PRC accounted for 80.3% (2013: 85.5%) of the total turnover of the Group. By virtue of the Group's determination to implement, including, the launching of new products and the raising of its production effectiveness continuously, the negative market environment did not cause significant adverse impact to the overall business of the Group. The Group has also taken prudent cost control steps to withstand the challenging business environment throughout the period under review. Thus, the Group achieved fair results albeit facing unfavorable market conditions.

Despite facing a challenging business environment, the Group continues to pursue its sustainable business practices to invest in product development and production advancement. The Group has identified some promising products and planned for the next phase of productivity capacity expansion. Besides, additional investment was allocated in productivity enhancement and advancement, such as upgrading production facilities to conserve energy, recycle and reuse resources, reduce wastes and polluted water etc., with an aim to improve energy efficiency, mitigate emission, save costs and provide sustainable initiatives to meet the continuous growth of business. Apart from these, the Group has also dedicated to the product development. The Group has launched new products to the market and received encouraging market response during the period under review. Expansions of production capacity of these new products are being implemented as at the date of this announcement. Besides, the design, prototype and market research for another new product has been completed. Commercial production will be commenced soon after the completion of production line construction in the near future. More new product development will be implemented in the remainder of the fiscal year which will further enhance the product portfolio of the Group and will be a catalyst for the business growth of the Group. The Group will strive to develop new products and expand product range to secure continuous business growth with new markets and customers in foreseeable future.

Cyanide and its derivative products

Cyanide and its derivative products remains the major revenue contributor and growth engine of the Group. The decrease of turnover and segment profit was mainly attributable to the decline in selling price and a diminishing market demand though the satisfactory performance of new products had partially mitigated the loss in turnover and profit from established products during the period under review. The new products introduced during the period under review gained market foothold and are expected to boost the growth in turnover of the Group in the forthcoming periods. The capacity expansion project of such new products is in the construction stage as at the date of this announcement. Since the potential business opportunity of this product segment has not yet fully tapped, the Board remains highly optimistic about its long term prospects. Hence, the Group will keep devoting additional effort and resources in product development in order to create new revenue streams and minimise the impact of various detrimental and uncertain factors in the future. Through continuous improvement, advancement and expansion of the production capacities for potential products, the competitive edge of this category of products will be enhanced further. The Group is poised to capture emerging business opportunities ahead.

Alcohol products

The turnover of alcohol products remained steady as the selling price of this category of products was flattened as compared with the corresponding period last year. The dropped in segment profit was mainly attributable to the higher transportation costs. As there is limited room for further development, the priority of this category of products is to maintain a secured internal supply, and external sales will only be for excess production of products.

Chloroacetic acid and its derivative products

During the period under review, chloroacetic acid and its derivative products recorded a growth of turnover as the advancement of production process and facilities allowed better utilisation of resources and uplifting of productivity to meet a broader market demand. This segment profit has only increased marginally mainly due to the increase of raw material costs which held the profit margin. Based on the current estimation, raw material costs are anticipated to stay flat in the second half of this year, the performance of this category of products would be able to improve further. This category of products still plays a pivotal supportive role of the Group's products chain as a whole. The Group will continuously focus on enhancement of productivity of this category of products to cope with the boost in demand in the foreseeable future.

Fine petrochemical products

Due to a persistent and a broader uncertainty of the market conditions, the management has strategically diverted the Group’s resources to other product segments. Accordingly, no turnover was generated from this category of products during the period under review. The Group will re-launch the business activity when the material costs decline to a level enabling this category of products to become profitable again. The future development of this category of products heavily relies on a stable cost effectiveness sourcing to improve its future prospect. Having said that, the future prospect of this category of products remains bleak and fragile. The Group will closely monitor the ever-changing market conditions and seek a remedy for this category of products.

Joint venture company (the “JV Company”)

The pre-operating setup was under construction in an orderly pace during the period under review. The trial production is expected to be commenced in the second half of this year and the management of JV Company is gearing up for the commercial operation and marketing activities aggressively. The business operation will not reach full capacity during the startup phase, and the Group believes there will be no significant economic benefits arising from the JV Company during the fiscal year. However, it is believes that the market potential of its product is promising and will bring excitement to the industry. The launching of JV Company’s commercial operation will add new dimensions to the Group's growth path and bring new revenue for the Group in the foreseeable future.

Outlook

Despite the tough business environment dragging down the turnover and profit during the period under review, the Group has achieved strategic improvement in its business platform, especially in product development and production technology advancement. The Group still adheres to its business development strategies to extend its product chain to expand business coverage and to consolidate its business competitive ability so as to alleviate market volatility risk and to intensify its risk defensive ability. Continuous improvements in productivity allow comprehensive utilisation of the Group's resources. The Group will implement further automotive manufacturing system to enhance production efficiency and to mitigate cost pressure in order to achieve continuous improvement of productivity. The Group will also take appropriate actions to withstand a volatile business environment ahead in order to uphold and retain the Group's sustainable competitive business advantages.

Given that the PRC economy is relatively stabilised recently and the momentum of the manufacturing industry is forecasted to keep at the current trend, the outlook of the Group is neutral for the fiscal year. The Group experienced stable growth in turnover and profit over the past few years in spite of the slowdown in the PRC economy currently. The Board remains optimistic about the medium to long term prospects of the Group on the back of its solid market share, optimum productivity and strong product development ability. The Group has laid a solid foundation for comprehensive development with the aim to achieve sustainable growth and creating more value for the Shareholders.

FINANCIAL REVIEW

Turnover and gross profit of the Group for the six months ended 30 June 2014 amounted to approximately RMB561.7 million and RMB155.1 million respectively, representing a decrease of approximately RMB59.8 million and RMB20.6 million or 9.6% and 11.7% as compared with approximately RMB621.5 million and RMB175.7 million recorded in the corresponding period last year. The gross profit margin was slightly decreased by 0.7 percentage points to 27.6% (six months ended 30 June 2013: 28.3%). The overall performance of the Group was fallen behind the same period last year which is mainly attributable to the subdued market conditions have put pressure on the selling price that negatively impacted the turnover and gross profit of the Group although this shortfall has been partially mitigated by the good performance of newly launched products during the period under review.

The selling expenses increased by approximately RMB3.8 million from approximately RMB14.4 million in the corresponding period last year to approximately RMB18.2 million. It was mainly attributable to the increase in overseas transportation costs as a result of the increase in overseas sales during the period under review. The selling expenses as a percentage of the Group's turnover was 3.2% (six months ended 30 June 2013: 2.3%).

The administrative expenses amounted to approximately RMB21.7 million, which was increased by approximately RMB1.4 million from approximately RMB20.3 million in the corresponding period last year. Such increase was principally due to the increase in research and development expenses as the Group has kept investing significantly in new products development during the period under review. The administrative expenses accounted for 3.9% of the Group's turnover, which was higher than 3.3% from the corresponding period last year.

The finance costs represented interest on bank borrowings which were decreased by approximately RMB2.8 million to approximately RMB0.3 million (six months ended 30 June 2013: RMB3.1 million). The decrease was mainly due to decrease in weighted average bank borrowing amounts during the period under review.

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 joint venture company. 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 derivatives financial instruments which are required to be carried at fair value under relevant Hong Kong financial reporting standard. For the six months ended 30 June 2014, the fair value loss on the derivative financial instruments was, determined by an independent valuer by adoption of a binomial lattic model, approximately RMB 0.5 million.

In line with the decrease of turnover and gross profit, the net profit amounted to approximately RMB89.0 million, representing a decrease of approximately RMB10.8 million or 10.8% as compared with approximately RMB99.8 million recorded in the corresponding period last year.

Liquidity and financial resources

For the six months ended 30 June 2014, the Group's primary source of funding included the net cash inflow generated from operating activities of approximately RMB95.5 million (six months ended 30 June 2013 RMB83.2 million); newly raised bank borrowings of approximately RMB30.6 million (six months ended 30 June 2013: RMB38.6 million); net proceeds on disposal of property, plant and equipment of approximately RMB2.6 million (six months ended 30 June 2013: RMB0.4 million) and interest received of approximately RMB0.1 million (six months ended 30 June 2013: RMB0.1million). With the financial resources obtained from the Group's operations, the Group had spent approximately RMB40.6 million (six months ended 30 June 2013: RMB67.9 million) in the acquisition of the property, plant and equipment, bank borrowing repayments of approximately RMB33.3 million (six months ended 30 June 2013: RMB16.0 million); loan to a joint venture approximately RMB0.4 million (six months ended 30 June 2013: Nil); interest paid of approximately RMB0.3 million (six months ended 30 June 2013: RMB3.1 million) and dividend paid of approximately RMB30.3 million (six months ended 30 June 2013: RMB25.8 million).

As at 30 June 2014, the Group had pledged bank deposits and bank and cash balances of approximately RMB73.5 million (31 December 2013: RMB49.6 million). The total amount of outstanding borrowings was approximately RMB30.6 million (31 December 2013: RMB33.3 million). The Group maintained a sound financial position, the net bank and cash balance of approximately RMB42.9 million (31 December 2013: RMB16.3 million) (total cash and cash equivalent net of total borrowings) as at 30 June 2014. The net current assets also further increased to approximately RMB348.7 million (31 December 2013: RMB286.0 million) as a result of the continuous positive operating results during the period under review.

The Group will continue to invest in several capital projects in the foreseeable future to expand its business scale and improve its long term operating results. By virtue of the Group's healthy financial position with promising cash inflow generated from the operating activities and available banking facilities obtained from banks, the Group is enabled to meet its foreseeable commitments and working capital requirements. Nevertheless, the Group will continue to 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 2014, bank deposits of approximately RMB10.3 million (31 December 2013: Nil) were pledged for bank acceptance bills facilities. No prepaid land lease payments of the Group (31 December 2013: RMB29.6 million) were pledged to secure the Group's bank borrowings.

Contingent liabilities

As at 30 June 2014, 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 RMB, Hong Kong dollars and United States dollars.

The Group's foremost exposure to the foreign exchange risk was caused by the fluctuation of RMB during the period under review. Most of the Group's income and expenses are denominated in RMB 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 2014, the Group has 957 full time employees (31 December 2013: 997 full time employees).

The Group has established its human resources policies and scheme with a view to deploy more motivated 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 their duties and the prevailing market trends. Staff benefits, including medical coverage 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 rewards or other incentives 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 employees of the Group are required to attend an introduction 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. No share option of the Company has been granted during the period under review.

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

During the six months ended 30 June 2014, 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 2014, in compliance with the Corporate Governance Code as set out in Appendix 14 to 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 for Securities Transactions by Directors of Listed Issuers (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 2014.

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 (i) reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board; (ii) reviewed the diversity policy of the Company; (iii) assessed the independence of independent non-executive Directors; and (iv) approved and recommended a revised Director succession plan for the Board to approve.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises 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 (i) reviewed the terms of services contract with executive Director; and (ii) reviewed and approved the remuneration package of all Directors and senior management of the Company 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. During the period under review, the Audit Committee has (i) reviewed the accounting principles and practices adopted by the Company; (ii) reviewed the external auditor's independence and objectivity of the Company and made recommendation to the Board for reappointment of the independent auditor of the Company; (iii) approved the continue connected transactions of the Company; (iv) discussed with the independent auditor of the Company the nature and scope of the audit and reporting obligations; and (v) reviewed the independent auditor's management letter and made recommendations to the Board for improvement. Audit Committee has discussed internal control and financial reporting matters with management and the independent auditor of the Company relating to the preparation of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2014. 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, 22 August 2014

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.