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 2015

RESULTS HIGHLIGHTS

- Revenue increased by 0.2% to approximately RMB1,123.4 million (2014: RMB1,121.1 million).
- Gross profit increased by 11.5% to approximately RMB316.9 million (2014: RMB284.2 million).
- Gross profit margin reached 28.2% (2014: 25.3%), representing an increase of 2.9 percentage points.
- Profit for the year ended 31 December 2015 increased by 11.6% to approximately RMB172.4 million (2014: RMB154.5 million).
- EBITDA increased by 14.3% to approximately RMB318.8 million (2014: RMB279.0 million).
- Basic earnings per share increased to approximately RMB0.204 (2014: RMB0.182).
- The Directors recommend a final dividend of HK$0.075 per share, including the interim dividend paid of HK$0.025 per share, total dividends for the year ended 31 December 2015 were HK$0.1 (2014: HK$0.045) per share.

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 2015 together with the comparative figures for the corresponding period in 2014 with the selected notes as follows:

CONSOLIDATED INCOME STATEMENT

		FOR THE YEAR ENDED 31 DECEMBER	
		2015	2014
	Notes	**RMB'000**	RMB'000
Revenue	3	**1,123,408**	1,121,127
Cost of sales		**(806,519)**	(836,955)
Gross profit		**316,889**	284,172
Other income		**13,897**	12,394
Revaluation gain on investment properties		**1,220**	310
Selling expenses		**(35,408)**	(35,233)
Administrative and other operating expenses		**(44,698)**	(45,444)
Finance costs		**(1,063)**	(627)
Fair value gain on derivative financial instruments		**3,161**	2,110
Share of loss of a joint venture		**(6,961)**	(5,034)
Profit before income tax	4	**247,037**	212,648
Income tax expense	5	**(74,666)**	(58,143)
Profit for the year		**172,371**	154,505
Profit for the year attributable to owners of the Company		**172,371**	154,505
Earnings per share for profit attributable to owners of the Company for the year	7		
- Basic and diluted		**RMB0.204**	RMB0.182

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	FOR THE YEAR ENDED 31 DECEMBER	
	2015	2014
	RMB'000	RMB'000
Profit for the year	**172,371**	154,505
Other comprehensive income		
Items that may be reclassified subsequently to the income statement:		
Exchange (loss)/gain on translation of financial statements of foreign operations	**(3,510)**	172
Other comprehensive income for the year	**(3,510)**	172
Total comprehensive income for the year	**168,861**	154,677
Total comprehensive income for the year attributable to owners of the Company	**168,861**	154,677

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		AS AT 31 DECEMBER	
	Notes	**2015 RMB'000**	2014 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**601,933**	552,114
Prepaid land lease payments		**50,122**	51,415
Investment properties		**15,730**	14,510
Deposits paid for acquisition of property, plant and equipment		**3,876**	4,156
Interests in a joint venture		**31,576**	40,104
Finance lease receivable		**13,413**	14,210
Deferred tax assets		**2,422**	1,250
		719,072	677,759
Current assets			
Inventories		**96,301**	88,898
Trade and bills receivable	8	**394,631**	338,037
Prepayments and other receivables		**13,758**	25,006
Amount due from a joint venture		**40,546**	37,543
Finance lease receivable		**797**	797
Bank and cash balances		**117,661**	62,942
		663,694	553,223
Current liabilities			
Trade payables	9	**23,176**	16,002
Accruals and other payables		**102,556**	85,212
Bank borrowings		**32,072**	30,571
Current tax liabilities		**19,780**	18,945
		177,584	150,730
Net current assets		**486,110**	402,493
Total assets less current liabilities		**1,205,182**	1,080,252
Non-current liabilities			
Deferred income		**12,361**	12,211
Deferred tax liabilities		**7,496**	3,138
Derivative financial instruments		**7,325**	10,486
		27,182	25,835
NET ASSETS		**1,178,000**	1,054,417
EQUITY			
Equity attributable to the Company's owners			
Share capital		**7,786**	7,786
Reserves		**1,170,214**	1,046,631
TOTAL EQUITY		**1,178,000**	1,054,417

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 ("**HK$**"). The consolidated 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 or amended 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 2015. Other than as noted below, the adoption of these new or amended HKFRSs has no material impact on the consolidated financial statements.

Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. They include amendments to HKAS 24 Related Party Disclosures. HKAS 24 Related Party Disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

Amendments to HKAS 19 (2011) – Defined Benefit Plans: Employee Contributions

The amendments permit contributions that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered instead of allocating the contributions to periods of service.

The adoption of the amendments has no impact on these financial statements as the Group has no defined benefit plans.

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

At the date of this announcement, certain new or 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 or 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 or amended HKFRSs that are expected to have an impact on the Group's accounting policies is provided below.

Amendments to HKAS 1 - Disclosure Initiative

This standard is effective for accounting periods beginning on or after 1 January 2016. The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

Amendments to HKAS 16 and HKAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation

This standard is effective for accounting periods beginning on or after 1 January 2016. The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to HKAS 27 - Equity Method in Separate Financial Statements

This standard is effective for accounting periods beginning on or after 1 January 2016. The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

HKFRS 9 (2014) - Financial Instruments

This standard is effective for accounting periods beginning on or after 1 January 2018. HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("**FVTOCI**") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("**FVTPL**").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the 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.

Amendments to HKFRS 10 and HKAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 – Investment Entities: Applying the Consolidation Exception

This standard is effective for accounting periods beginning on or after 1 January 2016. The amendments clarify that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a subsidiary of an investment entity (including investment entities that account for their subsidiaries at fair value rather than consolidating them). An investment entity parent will consolidate a subsidiary only when the subsidiary is not itself an investment entity and the subsidiary's main purpose is to provide services that relate to the investment entity's investment activities. A non-investment entity applying the equity method to an associate or joint venture that is an investment entity may retain the fair value measurements that associate or joint venture used for its subsidiaries. An investment entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss should provide the disclosures related to investment entities as required by HKFRS 12.

HKFRS 15 - Revenue from Contracts with Customers

This standard is effective for accounting periods beginning on or after 1 January 2018. The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

3. REVENUE 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; and
(iv) Other chemical products: Sale of other chemical products, e.g. steam and fine

petrochemical products.

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.

REVENUE

	FOR THE YEAR ENDED 31 DECEMBER	
	2015	2014
	RMB'000	RMB'000
Sales of cyanide and its derivative products	**1,015,791**	994,200
Sales of alcohol products	**64,398**	74,787
Sales of chloroacetic acid and its derivative products	**28,550**	33,089
Sales of other chemical products	**14,669**	19,051
	1,123,408	1,121,127

SEGMENT INFORMATION

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

	2015				
	Cyanide and its derivative products RMB'000	**Alcohol products RMB'000**	**Chloroacetic acid and its derivative products RMB'000**	**Other chemical products RMB'000**	**Total RMB'000**
Revenue:					
From external customers	**1,015,791**	**64,398**	**28,550**	**14,669**	**1,123,408**
Inter-segment revenue	**-**	**8,937**	**188,853**	**416**	**198,206**
Reportable segment revenue	**1,015,791**	**73,335**	**217,403**	**15,085**	**1,321,614**
Reportable segment profit	**276,943**	**5,616**	**59,042**	**5,701**	**347,302**
Depreciation of property, plant and equipment	**42,583**	**259**	**13,410**	**10,565**	**66,817**
Reversal of write-down of inventories to net realisable value	**(43)**	**-**	**-**	**-**	**(43)**
Reportable segment assets	**772,880**	**5,897**	**89,969**	**80,599**	**949,345**
Additions to non-current segment assets	**73,621**	**-**	**4,232**	**11,700**	**89,553**
Reportable segment liabilities	**50,622**	**963**	**8,532**	**23,968**	**84,085**

	2014				
	Cyanide and its derivative products	Alcohol products	Chloroacetic acid and its derivative products	Other chemical products	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue:					
From external customers	994,200	74,787	33,089	19,051	1,121,127
Inter-segment revenue	-	51,931	271,940	1,219	325,090
Reportable segment revenue	994,200	126,718	305,029	20,270	1,446,217
Reportable segment profit	219,254	14,964	109,653	11,911	355,782
Depreciation of property, plant and equipment	39,011	316	13,350	9,279	61,956
Reversal of write-down of inventories to net realisable value	(4)	-	-	-	(4)
Reportable segment assets	651,073	31,919	95,476	83,722	862,190
Additions to non-current segment assets	54,693	-	3,251	14,782	72,726
Reportable segment liabilities	39,932	5,804	5,502	14,689	65,927

The totals presented for the Group’s operating segments reconciled to the Group’s key financial figures as presented in the consolidated financial statements are as follows:

	FOR THE YEAR ENDED 31 DECEMBER	
	2015	2014
	RMB'000	RMB'000
Reportable segment revenue	**1,321,614**	1,446,217
Elimination of inter-segment revenue	**(198,206)**	(325,090)
Consolidated revenue	**1,123,408**	1,121,127

	FOR THE YEAR ENDED 31 DECEMBER	
	2015	2014
	RMB'000	RMB'000
Reportable segment profit	**347,302**	355,782
Rental income	**727**	785
Revaluation gain on investment properties	**1,220**	310
Equity-settled share-based payment expenses	**(2,736)**	-
Finance costs	**(1,063)**	(627)
Fair value gain on derivative financial instruments	**3,161**	2,110
Corporate unallocated income	**3,958**	6,725
Corporate unallocated expenses	**(43,398)**	(37,500)
Share of loss of a joint venture	**(6,961)**	(5,034)
Elimination of inter-segment profit	**(55,173)**	(109,903)
Consolidated profit before income tax	**247,037**	212,648

	AS AT 31 DECEMBER	
	2015	2014
	RMB'000	RMB'000
Reportable segment assets	**949,345**	862,190
Interests in a joint venture	**31,576**	40,104
Amount due from a joint venture	**40,546**	37,543
Prepaid land lease payments	**51,415**	52,708
Investment properties	**15,730**	14,510
Deferred tax assets	**2,422**	1,250
Finance lease receivable	**14,210**	15,007
Bank and cash balances	**117,661**	62,942
Property, plant and equipment	**151,867**	132,940
Other corporate assets	**7,994**	11,788
Consolidated total assets	**1,382,766**	1,230,982

	AS AT 31 DECEMBER	
	2015	2014
	RMB'000	RMB'000
Reportable segment liabilities	**84,085**	65,927
Bank borrowings	**32,072**	30,571
Deferred income	**-**	5,000
Deferred tax liabilities	**7,496**	3,138
Current tax liabilities	**19,780**	18,945
Derivative financial instruments	**7,325**	10,486
Other corporate liabilities	**54,008**	42,498
Consolidated total liabilities	**204,766**	176,565

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

	FOR THE YEAR ENDED 31 DECEMBER	
	2015	2014
	RMB'000	RMB'000
The PRC (domicile)	**928,193**	912,332
United States of America	**60,661**	67,662
India	**34,350**	29,796
Ireland	**16,973**	14,922
Taiwan	**13,347**	26,399
Others	**69,884**	70,016
	1,123,408	1,121,127

The geographical location of customers is based on the location at which the goods are delivered. No geographical location of the non-current assets is presented as the substantial non-current assets are physically based in the PRC.

There was no single customer who contributed to 10% or more of the Group's revenue for the year ended 31 December 2015 (2014: Nil).

4. PROFIT BEFORE INCOME TAX

	FOR THE YEAR ENDED 31 DECEMBER	
	2015	2014
	RMB'000	RMB'000
Profit before income tax is arrived at after charging/(crediting):		
Directors' remuneration		
- Fees	**310**	301
- Salaries, discretionary bonus and other benefits	**3,766**	3,649
- Retirement benefit scheme contributions	**107**	96
	4,183	4,046
Other employee costs	**77,298**	67,097
Retirement benefit scheme contributions	**5,354**	4,655
Equity-settled share-based payment expenses	**2,736**	-
Total employee costs	**89,571**	75,798
Auditors' remuneration	**602**	561
Amortisation of prepaid land lease payments	**1,293**	1,293
Cost of inventories recognised as an expense (note i), including	**791,433**	824,918
- Reversal of write-down of inventories to net realisable value	**(43)**	(4)
Depreciation on property, plant and equipment	**69,359**	64,439
Loss on disposal of property, plant and equipment	**7**	-
Exchange gains, net	**(5,295)**	(1,240)
Impairment loss on trade receivables	**3,232**	-
Minimum lease payments under operating leases in respect of leasehold land and buildings	**892**	535
Rental income less outgoings	**(720)**	(779)
Direct operating expenses arising from investment properties that generated rental income	**7**	6
Research costs (note ii)	**4,950**	16,736

Notes:

(i) Cost of inventories recognised as an expense includes RMB66,817,000 (2014: RMB61,956,000) relating to depreciation expenses and RMB67,038,000 (2014: RMB56,417,000) relating to employee costs. These amounts are also included in the respective total amounts disclosed separately above.

The write-down of inventories of RMB43,000 (2014: RMB4,000) was reversed as the market price of these inventories increased in 2015.

(ii) Research costs include RMB539,000 (2014: RMB403,000) relating to depreciation expenses and RMB3,756,000 (2014: RMB6,047,000) relating to employee costs. These amounts are also included in the respective total amounts disclosed separately above.

5. INCOME TAX EXPENSE

	FOR THE YEAR ENDED 31 DECEMBER	
	2015	2014
	RMB'000	RMB'000
Current tax - PRC Enterprise Income Tax		
- Tax for the year	**66,321**	54,417
- Over-provision in prior year	**(777)**	-
- PRC dividend withholding tax	**5,936**	3,358
	71,480	57,775
Deferred tax	**3,186**	368
Income tax expense	**74,666**	58,143

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in nor is derived from Hong Kong.

The subsidiaries established in the PRC are subject to the PRC Enterprise Income Tax at the rate of 25% for 2015 (2014: 25%).

Pursuant to the PRC Corporate Income Tax Law and its related regulations, non-PRC-resident enterprises are levied withholding tax at 10% (unless reduced by tax treaties/arrangements) on dividends receivable from PRC enterprises for profits earned since 1 January 2008. The Group has adopted the 10% withholding tax rate for PRC withholding tax purposes during the year ended 31 December 2015.

A government grant obtained by Weifang Binhai Petro-Chem Co., Ltd. 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.

The government grants obtained by Weifang Parasia Chem Co., Ltd ("**Weifang Parasia**") for subsidising the construction of production lines which were recognised as a deferred income in 2014 and 2015. As the construction has been completed during the year, deferred income commenced to release to profit or loss over the useful lives of the relevant assets. The whole income is taxable when Weifang Parasia received the government grant in 2014 and 2015.

6. DIVIDENDS

	FOR THE YEAR ENDED 31 DECEMBER	
	2015	2014
	RMB'000	RMB'000
Interim dividend paid in respect of current year HK$0.025 (2014: Nil) per share	**17,404**	-
Final dividend paid in respect of prior year HK$0.045 (2014: HK$0.045) per share	**30,610**	30,342
	48,014	30,342

The Directors recommend a final dividend of HK$0.075 (2014: HK$0.045) per ordinary share.

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	
	2015	2014
	RMB'000	RMB'000
Profit for the year	**172,371**	154,505

	NUMBER OF ORDINARY SHARES	
	2015	2014
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**846,878**	846,878
Effect of dilutive potential ordinary shares – share options	**99**	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**846,977**	846,878

8. TRADE AND BILLS RECEIVABLE

The Group grants a credit period normally ranging from one month to six months to its trade customers (2014: ranging from one month to six months). The bills receivable are non-interest bearing bank acceptance bills and aged within a year (2014: within six months). 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	
	2015	2014
	RMB'000	RMB'000
0 to 90 days	**286,100**	254,082
91 to 180 days	**99,479**	75,616
181 to 365 days	**8,643**	7,093
Over 365 days	**409**	1,246
	394,631	338,037

9. TRADE PAYABLES

The Group was granted by its suppliers credit periods ranging from 30 to 180 days (2014: 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	
	2015	2014
	RMB'000	RMB'000
0 to 90 days	**21,659**	15,150
91 to 180 days	**199**	320
181 to 365 days	**831**	269
Over 365 days	**487**	263
	23,176	16,002

The carrying amounts of trade payables are denominated in RMB. All amounts are short term and hence the carrying values of trade payables are considered to be a reasonable approximation of their fair values.

DIVIDEND

The Directors recommended a final dividend of HK$0.075 (2014: HK$0.045) per share in respect of the year ended 31 December 2015. Together with the interim dividend paid of HK$0.025 (2014: Nil) per share, total dividends for the year amounted to HK$0.1 (2014:

HK$0.045) per share. The proposed final dividend is subject to approval by the shareholders of the Company (the "**Shareholders**") in its forthcoming annual general meeting (the "**2016 AGM**"). The proposed final dividend is expected to be paid to Shareholders on or about Friday, 24 June 2016.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the Shareholders who are entitled to attend and vote at the 2016 AGM, the register of members of the Company will be closed from Wednesday, 18 May 2016 to Friday, 20 May 2016, both days inclusive. In order to qualify for the right to attend and vote at the 2016 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, 17 May 2016.

For the purpose of ascertaining Shareholders who qualify for the proposed final dividend in respect of the year ended 31 December 2015, the register of members of the Company will be closed from Wednesday, 1 June 2016 to Friday, 3 June 2016, 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 Tuesday, 31 May 2016.

BUSINESS REVIEW

To face China's slowing growth economic situation, the Group performed diligently throughout the year. Apart from maintaining the growth of financial performance continuously, the Group has also kept business improvement. In light of the new products launched in previous year have brought positive contribution to the Group during the year under review, the turnover of the Group could maintain steady when compared to that of last year albeit the stagnant market demand and decline of overall average selling price. While the Group adopted proactive measures to counteract the adverse impacts from slowing economies and market uncertainty, including advancement of production technologies, improvement of procurement process, streamlining the operational activities, and enhancement of automated production process etc.. All of these measures have promoted the business growth of the Group. Coupled with the decrease of raw materials costs, the Group achieved stable growth earnings as well as kept a healthy balance sheet position and positive cash inflow. The Group is managed to buck the trend and achieved continuous business growth. This demonstrated that the Group's business strategy is capable to secure its profitability effectively even facing economic uncertainty.

On the other hand, the Group made ample progress in the business development for continuing growth. The management of the Group had dedicated to nurture new revenue stream by new products development during the year under review. A new product has been added to the products portfolio of the Group and will be launched to market in the future. Simultaneously, the Group had improved the procurement process so as to enhance quality of materials supplied at a more cost effective way. Besides, the Group had further consolidated its existing business advantages and integrated resources to develop downstream businesses with an aim to further expand the products chain, broaden the business scope and build a stronger business platform. Several good potential projects have been identified and planned to undergo vigorously development in near future. The Group will continuously improve its business platform to promote diversified development and create better prospect in the future so as to maintain sustainable profit growth going forward. The Board is confident that the development strategies adopted by the Group could drive its sustainable business growth.

Cyanide and its derivative products

Despite of the adverse market conditions, the new products launched in previous years to the market boosted the turnover growth during the year under review. The turnover of this category of products reached approximately RMB1,015.8 million (2014: RMB994.2 mllion) and accounted for 90.4% (2014: 88.7%) of the Group's total turnover. Benefited from the vertically integrated business model, enhancement of productivities and the decrease of raw materials costs, this segment profit has generated a satisfactory growth reached to RMB276.9 million (2014: RMB219.3 million), represented an increase of 26.3% as compared to that of the last year. As a key driver of the Group's business growth, there is still room for further growth and development. The Group has developed a new product to keep broaden its product range and capture a wider spectrum of customers as well as diversify revenue stream could mitigate market volatility risk. In addition, the Group is planned to further expand its business scope to cover more new potential markets in downstream industries in the forthcoming year. The Board is optimistic about the medium to long term prospects for this category of products.

Alcohol products

Lackluster market demand and lower selling price suppressed the turnover and profit of this category of products. Hence, the Group treated this category of products as a means to provide stable supply for internal consumption. Moreover, the Group shifted the sourcing of this category of products from outside market instead of self-producing from time to time as and when the market price is obviously lower than the cost of self-production. As the limited market upside, the survival of this category of products is largely depends on the market supply and demand. The Group will closely monitor the change of market conditions and adopted an effective procurement strategy to improve the profitability of this category of products.

Chloroacetic acid and its derivative products

Both the turnover and the profit of this category of products were dropped obviously due to the decrease of selling price in a gloomy market during the year under review. Consequently, the Group put this category of products concentrated on the internal supply role that allowed cyanide and its derivative products achieved a lower production cost. Strengthening the competitive advantages of the Group is still the primary function to be served by this category of products. The Group will continuously improve the productivity of this category of products as and when necessary in order to promote a better profit margin to the Group as a whole.

Joint venture company (the "JV Company")

During the year under review, the business performance of JV Company was substandard mainly due to the idle production capacity as the products of JV Company were still relatively new to the market and not yet widely recognised by the potential customers. The management of JV Company has strived to strengthen its sales and marketing efforts and keep to address the specific customer needs. However, the potential customers need to go through a lengthy period to test the products of the JV Company in various applications in their own production process. After passing the trial applications, certain customers had begun to place periodically orders to the JV Company and most of the potential customers are still undergoing the product characteristics review and laboratory test to meet different needs. The management of JV believes that, benefited from the marketing work done in 2015, the overall business performance would be picked up at a faster pace in the coming year.

Prospect
In forthcoming financial year, it is a market consensus that PRC's economy will grow in a slower pace. The adjustment in economic structure of the PRC will bring new challenges. The activity of manufacturing industries in the PRC is going to downsize gradually due to market demand diminish continuously. Against such current economic backdrop and uncertainty business environment, the Group will solidify the development of existing core business by improving the productivity and operations continuously. The core business of the Group is less sensitive to changes in the economy and expects to enjoy continuous growth. In the meantime, the Group is committed to place more capital and other resources to embark on new business development identified by the Directors during the year. The Directors believed that investment in new business will help to fuel the growth momentum of the Group in future. In line with the long term business development strategy, leveraging on the solid business platform and sound financial position, the Group will continuously explore, identify and capture any opportunities arise in the market. The criteria for new investment should bring synergy to the Group, broaden its income stream, improve its business competence and solidify its business platform so as to maximize the Shareholders' value.

FINANCIAL REVIEW

Turnover
The turnover of the Group for the year ended 31 December 2015 marginally increased by 0.2% to approximately RMB1,123.4 million, as compared with approximately RMB1,121.1 million in 2014. The proven sales and marketing strategy and continuous new product development over the past years, which stimulating the growth of turnover of the Group, however, offsetting by the shrinking market demand and the overall decline in the average selling price. Ultimately, the turnover of the Group recorded barely positive growth.

Gross profit
The gross profit of the Group reached approximately RMB316.9 million, representing an increase of 11.5% as compared with approximately RMB284.2 million in 2014 while the gross profit margin also improved to 28.2% when compared with 25.3% in 2014. The promising improvements were mainly attributable to the dropping of material costs outpaced the decline of selling prices, savings from the lean procurement process and intensified automated production process during the year under review.

Operating income and expenses
The other income was mainly comprised of (i) exchange gains, net; (ii) release of deferred income; (iii) bank interest income; (iv) interest income from finance lease; and (v) other miscellaneous income during the year under review.

The selling expenses increased by approximately RMB0.2 million to approximately RMB35.4 million (2014: RMB35.2 million) during the year under review. The relatively stable selling expenses were benefited from the effective cost control measures. The selling expense as a percentage of the Group's turnover was 3.2% (2014: 3.1%).

During the year under review, the administrative and other operating expenses decreased by approximately RMB0.7 million from approximately RMB45.4 million in 2014 to approximately RMB44.7 million. The decrease was mainly due to the containment of research costs and travelling expenses. Administrative and other operating expenses expressed as a percentage of the Group's turnover was 4.0% (2014: 4.1%).

Finance costs
Finance costs mainly represented bank borrowings interest, which increased by approximately RMB0.5 million from approximately RMB0.6 million in 2014 to approximately RMB1.1 million in 2015. The increase was mainly due to an increase in weight average bank borrowings during the year under review.

Fair value gain 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 an 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 set on specified future dates (please refer to the announcement of the Company dated 3 July 2011 for details). Thus, the JV Agreement is deemed to contain embedded derivative which is required to be carried at fair value under Hong Kong financial reporting standards. For the year ended 31 December 2015, the fair value gain on the embedded derivative financial instruments was, determined by an independent valuer adopting a binomial lattice model at, approximately RMB3.2 million (2014: RMB2.1 million).

Profit for the year
The profit of the Group for the year has increased by approximately RMB17.9 million to approximately RMB172.4 million, representing an increase of 11.6% as compared with that of approximately RMB154.5 million in 2014.

Liquidity and financial resources
The Group's primary source of funding included the net cash inflow generated from operating activities of approximately RMB199.4 million (2014: RMB152.6 million); newly raised bank borrowings of approximately RMB49.7 million (2014: RMB30.6 million); interest received of approximately RMB1.7 million (2014: RMB0.2 million); proceeds on disposals of property, plant and equipment of approximately RMB1,000 (2014: RMB2.6 million); and government grant received of approximately RMB4.0 million (2014: RMB5.0 million). With the financial resources obtained from the Group's operations, the Group had spent approximately RMB99.1 million (2014: RMB85.5 million) in the acquisition of property, plant and equipment; no loan has made to the JV Company (2014: RMB28.1 million); repayments of bank borrowings of approximately RMB49.5 million (2014: RMB33.3 million); interest paid of approximately RMB1.1 million (2014: RMB0.7 million) and dividend paid of approximately RMB48.0 million (2014: RMB30.3 million) during the year under review. As at 31 December 2015, the

Group had bank and cash balances of approximately RMB117.7 million (2014: RMB62.9 million), of which 90.0% was held in Renminbi, 8.0% was held in United States dollars and the remaining balances were 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 2015, the Group had recorded net current assets of approximately RMB486.1 million (2014: RMB402.5 million), the current ratio of the Group was approximately 3.7 times (2014: 3.7 times), and bank borrowings of approximately RMB32.1million (2014: RMB30.6 million), which were mainly for working capital purposes. The Group retains its strong financial position and attained a net cash balance of approximately RMB85.6 million (total cash and cash equivalent net of total borrowings) as at 31 December 2015 (2014: RMB32.4 million).

With continuous positive net cash inflow generated from its operations and the available cash resources on hand and undrawn banking facilities 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 the Shareholders.

Pledge of assets
There was no pledge on the Group's assets as at 31 December 2015 (2014: Nil).

Contingent liabilities
As at 31 December 2015, the Group had no material contingent liabilities.

Commitments
As at 31 December 2015, the Group had commitments which has been contracted but not yet been provided for in the aggregate amount of approximately RMB69.3 million (2014: RMB72.0 million), among which approximately RMB58.9 million (2014: RMB61.9 million) relates to the loan 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 RMB88.9 million (2014: RMB150.8 million) related to the acquisition of property, plant and equipment as well as construction in progress.

FUNDING AND TREASURY POLICY

The Group adopts a prudent approach on its funding and treasury policy, which aims to maintain an optimal financial position and minimise the Group's financial risks. The Group regularly reviews the funding requirements to ensure adequate financial resources to support its business operations and future investments as and when needed.

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 impact of Renminbi exchange rate movements 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 adoption of cost-efficient hedging methods in future foreign currency transactions as and when appropriate.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, the Group had 1,180 (2014: 1,009) full-time employees. The increase in the number of employees was in line with the expansion in business activities during the year under review.

For the year under review, the total staff costs incurred including directors' remuneration increased to approximately RMB89.6 million (2014: RMB75.8million).

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 2015. 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 Rules.

The Audit Committee has reviewed the full year financial statements and reports of the Group for the year ended 31 December 2015. 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 also reviewed the internal control measures adopted by the Group during the year under review.

By order of the Board
Gao Feng
Chairman

Hong Kong, 7 March 2016

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