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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 2021

RESULTS HIGHLIGHTS

- Revenue for the six months ended 30 June 2021 was approximately RMB1,034.5 million, representing an increase of 53.9% as compared with that of the corresponding period last year.
- Gross profit increased by 86.0% to approximately RMB233.7 million.
- Gross profit margin increased to 22.6%, representing an increase of 3.9 percentage points as compared with that of the corresponding period last year.
- Profit for the period attributable to owners of the Company was approximately RMB101.9 million (six months ended 30 June 2020: RMB48.0 million).
- Basic earnings per share was approximately RMB0.120 (six months ended 30 June 2020: RMB0.056).
- The Board does not recommend the payment of interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

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 2021 together with the comparative figures for the corresponding period in 2020 and the selected notes as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	1,034,498	672,416
Cost of sales		(800,810)	(546,762)
Gross profit		233,688	125,654
Other income and gains		4,602	8,354
Selling expenses		(39,222)	(24,918)
Administrative and other operating expenses		(63,532)	(43,064)
Finance costs	5	(3,690)	(6,586)
Profit before income tax	6	131,846	59,440
Income tax expense	7	(39,754)	(19,030)
Profit for the period		92,092	40,410
Profit / (Loss) for the period attributable to :			
Owners of the Company		101,944	48,034
Non-controlling interests		(9,852)	(7,624)
		92,092	40,410
Earnings per share for profit attributable to owners of the Company for the period			
– Basic and diluted	9	RMB0.120	RMB0.056

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	92,092	40,410
Other comprehensive income		
Item that may be reclassified subsequently to income statement:		
– Exchange gain / (loss) on translation of financial statements of foreign operations	<u>240</u>	<u>(421)</u>
Other comprehensive income for the period	<u>240</u>	<u>(421)</u>
Total comprehensive income for the period	<u>92,332</u>	<u>39,989</u>
Total comprehensive income attributable to:		
Owners of the Company	102,118	47,753
Non-controlling interests	<u>(9,786)</u>	<u>(7,764)</u>
	<u>92,332</u>	<u>39,989</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		1,086,507	1,044,002
Right-of-use assets		63,300	64,219
Investment properties		22,900	22,900
Intangible asset		11,273	12,175
Deposits paid for acquisition of property, plant and equipment		25,779	30,184
Deferred tax assets		10,552	14,894
		1,220,311	1,188,374
Current assets			
Inventories		137,018	110,782
Trade and bills receivable	10	335,341	251,233
Prepayments and other receivables		165,539	243,193
Pledged bank deposits		13	7
Bank and cash balances		101,816	125,314
		739,727	730,529
Current liabilities			
Trade and bills payable	11	47,698	39,036
Accruals and other payables		217,502	231,427
Contract liabilities		10,891	14,453
Bank borrowings		70,000	110,000
Advances from a non-controlling shareholder		5,267	5,334
Advances from ultimate holding company		108,040	105,507
Current tax liabilities		27,305	10,521
		486,703	516,278
Net current assets		253,024	214,251
Total assets less current liabilities		1,473,335	1,402,625
Non-current liabilities			
Deferred tax liabilities		19,534	19,733
		19,534	19,733
NET ASSETS		1,453,801	1,382,892
EQUITY			
Share capital		7,831	7,831
Reserves		1,460,964	1,380,269
Equity attributable to owners of the Company		1,468,795	1,388,100
Non-controlling interests		(14,994)	(5,208)
Total equity		1,453,801	1,382,892

SELECTED NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 sale of fine chemical products.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021 (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 2020 (the "**2020 Annual Financial Statements**").

The Unaudited Condensed Financial Information has been prepared in accordance with the same accounting policies adopted in the 2020 Annual Financial Statements, except for the adoption of the new or 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, which are effective for the Group's financial year beginning on 1 January 2021.

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 thousand except when otherwise stated.

The Unaudited Condensed Financial Information is unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the HKICPA.

3. PRINCIPAL ACCOUNTING POLICIES

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations ("**new or revised HKFRSs**") issued by the HKICPA, which are relevant or effective for the Group's financial year beginning on 1 January 2021:

Amendments to HKAS 39,
HKFRS 4, HKFRS 7,
HKFRS 9 and HKFRS 16

Interest Rate Benchmark Reform – Phase 2

The application of new or revised HKFRSs that are relevant and effective from 1 January 2021 did not have any significant impact on the Group's accounting policies and no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

The following new or revised HKFRSs, potentially relevant to the Group's condensed consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Hong Kong Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁴
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁴
Amendments to HKAS 8	Definition of Accounting Estimate ⁴
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁴
Amendments to HKAS 16	Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendment to HKFRS 3	Reference to the Conceptual Framework ³
Amendment to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021 ¹
Annual Improvements to HKFRSs 2018-2020 Cycle	Amendment to HKFRS 9, Financial Instruments ²
Annual Improvements to HKFRSs 2018-2020 Cycle	Amendment to illustrative examples accompanying HKFRS 16, Leases ²

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period on or after 1 January 2022.

⁴ Effective for annual periods beginning on or after 1 January 2023.

The Group is not yet in a position to state whether these amendments will result in substantial changes to the Group's accounting policies and financial statements.

4. REVENUE AND SEGMENT INFORMATION

The chief operating decision makers (i.e. executive Directors) have identified that the research and development, manufacture and sale of fine chemical products of the Group as a single operating segment.

Revenue for sale of fine chemical products is recognised at point in time as when there is evidence that the control of goods has been transferred to the customer, the customer has adequate control over the goods and the Group has no unfulfilled obligations that affect customer accepting the goods.

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The PRC (domicile)	770,987	507,286
India	109,249	49,549
Taiwan	25,844	11,369
United States of America	25,208	27,263
Netherlands	18,219	1,447
Others	84,991	75,502
	<u>1,034,498</u>	<u>672,416</u>

The geographical location of customers is based on the location at which the goods are delivered.

5. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings, all of which contain a repayment on demand clause	2,666	5,923
Interest on advances from ultimate holding company	1,024	663
	<u>3,690</u>	<u>6,586</u>

6. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before income tax is arrived at after charging/(crediting):		
Directors' remuneration		
– Fees	195	215
– Salaries, discretionary bonus and other benefits	1,196	839
– Retirement benefit scheme contributions	55	5
	1,446	1,059
Other employee costs	71,554	62,511
Retirement benefit scheme contributions	5,333	813
Total employee costs	78,333	64,383
Amortisation of right-of-use assets	919	1,071
Cost of inventories recognised as an expense (note (i)), including	800,810	545,288
– Reversal of write-down of inventories to net realisable value	(99)	(198)
– Write-down of inventories to net realisable value	257	1,906
Depreciation on property, plant and equipment	59,961	54,347
Exchange loss, net	1,414	-
Reversal of impairment losses of trade receivables	(42)	(2,489)
Lease payments in respect of short-term leases	1,970	2,147
Rental income less outgoings	(293)	(293)
Research costs (note (ii))	36,926	21,076

Notes:

- (i) Cost of inventories recognised as an expense includes RMB58,313,000 (six months ended 30 June 2020: RMB52,515,000) relating to depreciation expenses and RMB55,958,000 (six months ended 30 June 2020: RMB44,718,000) relating to employee costs. These amounts are also included in the respective total amounts disclosed separately above.

The write-down of inventories in the previous financial periods of RMB99,000 (six months ended 30 June 2020: RMB198,000) was reversed as the net realisable values of these inventories were increased during the period.

- (ii) Research costs include RMB356,000 (six months ended 30 June 2020: RMB337,000) relating to depreciation expenses and RMB10,174,000 (six months ended 30 June 2020: RMB7,853,000) relating to employee costs. These amounts are also included in the respective total amounts disclosed separately above.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current tax - PRC Enterprise Income Tax		
- Tax for the period	34,483	17,695
- PRC dividend withholding tax	1,128	163
	<u>35,611</u>	<u>17,858</u>
Deferred tax		
- Charged for the period	4,143	1,172
Income tax expense	<u>39,754</u>	<u>19,030</u>

No provision for Hong Kong profits tax has been made as no assessable profit derived from Hong Kong (six months ended 30 June 2020: Nil).

The subsidiaries established in the PRC are subject to PRC Enterprise Income Tax at the rate of 25% for the period (six months ended 30 June 2020: 25%).

The Group has adopted 5% or 10% withholding tax rate for PRC dividend withholding tax purpose for the period (six months ended 30 June 2020: 10%).

8. DIVIDEND

The proposed 2020 final dividend of HK0.03 cents per share, totaling RMB21,423,000 was approved by the Company's shareholders at the annual general meeting held on 11 June 2021. It was recorded in "accruals and other payables" in the interim condensed consolidated statement of financial position and was subsequently distributed on 15 July 2021.

The Directors do not recommend the payment of interim dividend (six months ended 30 June 2020: Nil) in respect of the six months ended 30 June 2021.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company	<u>101,944</u>	<u>48,034</u>
	Number of ordinary shares	
	Six months ended 30 June	
	2021	2020
	'000 shares	'000 shares
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>851,954</u>	<u>851,954</u>

For the six months ended 30 June 2021 and 2020, diluted earnings per share for profit attributable to owners of the Company was the same as basic earnings per share. There were no dilutive potential ordinary shares for the six months ended 30 June 2021 and 2020 because the exercise prices of the Company's share options were higher than the average market prices for shares.

10. TRADE AND BILLS RECEIVABLE

The Group allows a credit period normally ranging from 1 to 6 months (31 December 2020: 1 to 6 months) to its trade customers. Bills receivable are non-interest bearing bank acceptance bills and are aged within a year (31 December 2020: within a year) 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 the management of the Group.

Ageing analysis of trade and bills receivable (net of loss allowance) at the reporting date, based on the invoice date, is stated as follows:

	30 June	31 December
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
0 to 90 days	296,913	206,214
91 to 180 days	35,489	34,038
181 to 365 days	1,970	9,643
Over 365 days	969	1,338
	<u>335,341</u>	<u>251,233</u>

As at 30 June 2021, bills receivable included an amount of RMB1,000,000 (31 December 2020: Nil) which was pledged for bills payable of RMB1,000,000 (31 December 2020: Nil).

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.

11. TRADE AND BILLS PAYABLE

The Group was granted by its suppliers with credit periods ranging from 30 to 270 days (31 December 2020: ranging from 30 to 270 days). Bills payable are non-interest bearing bank acceptance bills and aged within 6 months upon issuance. Ageing analysis of trade and bills payable at the reporting date, based on the invoice date, is stated as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
0 to 90 days	44,526	36,856
91 to 180 days	1,109	818
181 to 365 days	555	191
Over 365 days	1,508	1,171
	47,698	39,036

As at 30 June 2021, bills receivable of RMB1,000,000 (31 December 2020: Nil) was pledged for bills payable of RMB1,000,000 (31 December 2020: Nil).

The carrying amounts of trade and bills payable 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, with the mass vaccinations against the COVID-19 pandemic (the “**Pandemic**”) underway, the Pandemic showed signs of being contained gradually. Coupled with unconventional fiscal and monetary policies implemented by various countries, the combined effects have been driving the progressive global economy recovery. In addition, benefiting from the quick achievement of zero local COVID-19 case in the PRC during the period under review, the economic recovery of the PRC continued to gather pace and thereby boosting market demands. Owing to such changes of external factors affecting the equilibrium of the market demand and supply of certain products of the Group, the revenue of these products achieved a fair increase as compared with those of the corresponding period last year.

As the global economic recovery has simultaneously caused a sharp increase in the costs of basic raw materials and induced a higher inflation, the production costs of the Group have also risen significantly. However, after the production facilities of Weifang Parasia Chem Co., Ltd. (“**Weifang Parasia**”) had been relocated and consolidated in the production plant of Weifang Binhai Petro-Chem Co., Ltd. in last year completely, the overall productivity and economies of scale of the Group were further enhanced and thereby the negative impacts owing to the higher inflation on the costs of production were offset partially. Consequently, the Group has successfully contained its costs of production. Due to the increase in turnover, the gross profit of the Group recorded a notable growth. In addition, in order to continuously enhance the production capability and efficiency of promising products and explore new products with good market potential, the Group continued to increase the investment in research and development. The Group also implemented stringent control on general operating expenses and streamlined business processes to improve operation efficiency. Finally, the net profit of the Group for the period under review achieved certain increase as compared with that of the corresponding period last year.

Outlook

The outlook for the remaining months of this financial year is rife with uncertainties due to ever changing macro-economic factors. The spreading of the variants of COVID-19 virus may pose negative concerns on the progress of global economic recovery. The costs of production are also under mounting pressure due to the soaring inflation all over the world. The extreme climate events occurred frequently in many countries which severely hit their economies. Looking ahead, both the trend of costs of raw materials of the Group and the interaction between market supply and demand of the products of the Group are becoming more volatile. If the costs of production keep rising, the risks of the business downturn of the Group for the second half of this year will be intensified. The Group will keep focusing on enhancing the business operations by improving its internally controllable factors, strengthening its research and development capabilities as well as reinforcing investment in environment protection, in order to staunchly safeguard the sustainable development of the Group ahead. Meanwhile, the Group will further advance its circular economy production system to improve its overall productivity and vigorously control its costs to enhance its competitiveness. The Board will continue to monitor closely the fluctuating external factors so that appropriate strategies can be implemented in a timely fashion; while consistently adhering to the prudent and steady operational approach of the Group so as to industriously create long-term growth and sustainable development of the business, with the aim of achieving long-term stability and growth in our shareholders’ value.

DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

FINANCIAL REVIEW

Revenue and gross profit

During the period under review, the change of external factors as described under the section head “Business review” above caused the equilibrium shift in market demand and supply of certain products favourable to the business operations of the Group. Consequently, the revenue of the Group reached approximately RMB1,034.5 million for the six months ended 30 June 2021 (six months ended 30 June 2020: RMB672.4 million), representing an increase of RMB362.1 million or 53.9% as compared with that of the corresponding period last year.

As a result of (i) the growth in turnover and (ii) the overall further enhancement of productivity and efficiency due to the consolidation of production activities of the Group after the relocation of production plant of Weifang Parasia which mitigated the negative impacts from soaring cost of raw materials, the gross profit of the Group increased to approximately RMB233.7 million (six months ended 30 June 2020: RMB125.7 million), representing an increase of approximately RMB108.0 million or 85.9% as compared with that of the corresponding period last year. However, the PRC economy has taken off in full force as a result of the containment of the Pandemic by mobilising the whole country to beat the virus. The strong economic rebound led to a strong market demand on upstream raw materials and generated a higher inflation. As a result, the Group faced a surge in the cost of raw materials as well as the costs of production of the Group increased notably. The gross profit margin then only increased by 3.9 percentage points to 22.6% (six months ended 30 June 2020: 18.7%).

Operating expenses

Selling expenses increased by approximately RMB14.3 million from approximately RMB24.9 million of the corresponding period last year to approximately RMB39.2 million. Such increase was mainly due to the increase in costs of transportation for overseas sales induced by the disruption in global logistics network arising from the Pandemic. The selling expenses accounted for 3.8% of the Group's revenue (six months ended 30 June 2020: 3.7%).

Administrative and other operating expenses amounted to approximately RMB63.5 million (six months ended 30 June 2020: RMB43.1 million), representing an increase of approximately RMB20.4 million or 47.3% as compared with those of the corresponding period last year. The increase of administrative and other operating expenses was mainly attributable to (i) continuous increase in the investment in research and development in order to sustain the future business growth of the Group; and (ii) the absence of the reversal of provision for impairment losses on trade receivables during the period under review. The administrative and other operating expenses accounted for 6.1% of the Group's revenue (six months ended 30 June 2020: 6.4%).

Finance costs represented interests on bank borrowings and advances from the ultimate holding company, which decreased by approximately RMB2.9 million to approximately RMB3.7 million (six months ended 30 June 2020: RMB6.6 million) as compared with those of the corresponding period last year. The decrease was mainly attributable to the decrease in the weighted average amount of bank borrowings which bore higher interest rates during the period under review.

Profit for the period

In view of the above, the Group succeeded in achieving satisfactory improvement in financial results. The profit for the period under review attributable to owners of the Company amounted to approximately RMB101.9 million (six months ended 30 June 2020: RMB48.0 million).

Trade and bills receivable

As at 30 June 2021, trade receivables (net of loss allowance) increased to approximately RMB239.7 million, representing an increase of approximately RMB77.4 million or 47.7% as compared with approximately RMB162.3 million recorded as at 31 December 2020. About 88.6% of trade receivables were incurred in the second quarter of this year and most of them were not yet due, whilst 10.3% of trade receivables were incurred in the first quarter of this year and only 1.1% of trade receivables were over 180 days. Up to the date of this

announcement, over 65.8% of trade receivables have been subsequently settled. After assessing the creditworthiness of these customers, the Directors considered that no further bad debt allowance was required on the trade receivables as at 30 June 2021.

As at 30 June 2021, bills receivable amounted to approximately RMB95.7 million and increased by approximately RMB6.8 million or 7.6% as compared with the balance of approximately RMB88.9 million recorded as at 31 December 2020. Since all bills receivable are bank acceptance bills, which are non-interest bearing and most of them have a maximum maturity period of six months, the payments of which were guaranteed by the reputable licensed banks in the PRC. Accordingly, the Directors considered that no allowance for doubtful debt was required because of the associated low default risk.

Prepayments and other receivables

Regarding the industrial land originally occupied by Weifang Parasia was then resumed by Weifang Municipal Government in December 2020 (the “**Land Resumption**”), the compensation for the Land Resumption was recognised as other receivables under current assets in the condensed consolidated statement of financial position. During the period under review, Weifang Parasia received a total amount of approximately RMB74,915,000 in respect of the compensation. As at 30 June 2021, the remaining balance of the compensation receivable for the Land Resumption was approximately RMB100,886,000 (31 December 2020: RMB175,801,000).

Short-term bank borrowings and advances from the ultimate holding company

All bank borrowings are at floating annual interest rates ranging from 4.8% to 5.7% and are denominated in Renminbi. As at 30 June 2021, bank borrowings decreased to RMB70.0 million, representing a net decrease of RMB40.0 million or 36.4% as compared with the balance of RMB110.0 million as at 31 December 2020. The advances from ultimate holding company are at a fixed annual interest rate of 2.0% and are denominated in either Hong Kong dollars or Renminbi. The principal amount of advances from ultimate holding company increased to approximately RMB103.6 million (31 December 2020: RMB102.1 million) as at 30 June 2021. The Group sought additional financial support from its ultimate holding company instead of bank borrowings in order to reduce the overall finance costs during the period under review. The short-term bank borrowings and advances from ultimate holding company were mainly used to finance the capital expenditure incurred in the production facilities and the general working capital of the Group.

Liquidity and financial resources

For the six months ended 30 June 2021, the Group’s primary sources of funding included the net cash inflow generated from operating activities of approximately RMB127.7 million (six months ended 30 June 2020: RMB44.2 million), newly raised bank borrowing of RMB10.0 million (six months ended 30 June 2020: RMB50.0 million), newly raised principal amount of advances from the ultimate holding company of approximately RMB1.7 million (six months ended 30 June 2020: RMB10.0 million), interest received of approximately RMB0.3 million (six months ended 30 June 2020: RMB0.8 million), net proceeds from disposal of property, plant and equipment of approximately RMB2.5 million (six months ended 30 June 2020: RMB0.4 million). With the financial resources generated from the Group’s operations, the Group spent approximately RMB112.9 million (six months ended 30 June 2020: RMB146.1 million) in the acquisition of the property, plant and equipment, bank borrowings repayment of RMB50.0 million (six months ended 30 June 2020: RMB20.0 million), interest paid of approximately RMB2.8 million (six months ended 30 June 2020: RMB5.5 million) and no acquisition of right-of-use assets (six months ended 30 June 2020: RMB1.1 million).

As at 30 June 2021, the Group had pledged bank deposits and bank and cash balances of approximately RMB101.8 million (31 December 2020: RMB125.3 million). The total amount of outstanding borrowings was approximately RMB178.7 million (31 December 2020: RMB217.2 million). The gearing ratio of the Group (which is represented by the ratio of net debts (total borrowings net of bank and cash balances and pledged bank deposits) to total shareholders' equity) was 5.3% (31 December 2020: 6.6%). The net current assets amounted to approximately RMB253.0 million (31 December 2020: RMB214.3 million).

By virtue of the Group's financial position with cash inflow generated from the operating activities and available credit facilities from the banks and the ultimate holding company, the Group is capable of meeting its foreseeable capital commitments and working capital requirements. Nevertheless, the Group will continue to manage its working capital closely and cautiously and dedicate itself to keeping a sound liquidity position to support future business expansion.

During the period under review, the Group did not use any financial instruments for hedging purposes.

Pledge of assets

As at 30 June 2021, bank deposits amount of approximately RMB13,000 (31 December 2020: RMB7,000) were pledged for payable to legal proceedings fee and certain piece of land and premises amount of approximately RMB67.9 million were pledged to bank to secure credit facilities.

Contingent liabilities

As at 30 June 2021, the Group had no material contingent liabilities (31 December 2020: Nil).

Exposure to fluctuations in exchange rate

The Group's operations are mainly in the PRC and its assets, liabilities, revenues and transactions are mainly denominated in RMB, United States dollars and Hong Kong dollars.

The Group's foremost exposure to the foreign exchange fluctuations was caused by the impact of Renminbi exchange rate movements during the period 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 period under review. Besides, the Group will consider adoption of cost efficient hedging methods in future foreign currency transactions as and when appropriate.

HUMAN RESOURCES

As at 30 June 2021, the Group had 1,372 full-time employees (31 December 2020: 1,368 full time employees).

The Group has established its human resources policies and scheme with a view to deploying 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 employees was in line with their 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 product 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 of 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 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

CORPORATE GOVERNANCE PRACTICES

In respect of code provisions E.1.2 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**CG Code**"), the Company has formally informed in advance and agreed by the independent auditor of the Company to attend the annual general meeting of the Company held on 11 June 2021 (the "**2021 AGM**"). Unfortunately, the representative of independent auditor of the Company failed to attend the 2021 AGM due to stuck in unpredictable traffic congestion. In order to avoid the same issue happen again, the audit committee of the Company (the "**Audit Committee**") has reminded the independent auditor of the Company that attending annual general meeting is part of its obligation under CG Code and it should comply with it in the future annual general meetings.

Save as disclosed above, 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 2021, in compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct with standards no less exact 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 the Directors. Upon enquiry by the Company, each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code and the Company's

code of conduct regarding securities transactions by the Directors throughout the six months ended 30 June 2021.

The senior management, who, because of their offices 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 of the Company (the "**Nomination Committee**") is chaired by Mr. Liu Yang, an executive Director, with Mr. Leung Kam Wan and Mr. Liu Chenguang, who are the independent non-executive Directors, as the two other members. During the period under review, no meeting has been held for the Nomination Committee.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") is chaired by Mr. Liu Chenguang, an independent non-executive Director, with Mr. Gao Baoyu, an independent non-executive Director, Mr. Leung Kam Wan, an independent non-executive Director, and Mr. Liu Yang, an executive Director, as the three other members. During the period under review, no meeting has been held for the Remuneration Committee.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Leung Kam Wan (chairman of the Audit Committee), Mr. Gao Baoyu and Mr. Liu Chenguang. During the period under review, the Audit Committee had (i) reviewed the compliance of accounting principles and practices, the Listing Rules, internal controls and statutory requirements, and financial reporting matters adopted by the Company; (ii) reviewed the independence and objectivity of the independent auditor of the Company; (iii) reviewed with the independent auditor of the Company on the nature and scope of the audit and reporting obligations; (iv) reviewed the independent auditor's management letter and made recommendations to the Board for improvement (if any); and (v) discussed with the independent auditor of the Company on their failure to attend 2021 AGM. The Audit Committee has reviewed the Unaudited Condensed Financial Information. There is no disagreement raised by the Audit Committee on the accounting treatment adopted by the Company during the period under review.

On behalf of the Board
Tiande Chemical Holdings Limited
Liu Yang
Chairman

Hong Kong, 27 August 2021

As at the date of this announcement, the executive Directors are Mr. Liu Yang, Mr. Wang Zijiang and Mr. Chen Xiaohua; the non-executive Director is Mr. Guo Yucheng; whilst the

independent non-executive Directors are Mr. Gao Baoyu, Mr. Leung Kam Wan and Mr. Liu Chenguang.