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 2021

RESULTS HIGHLIGHTS

- Revenue increased by 90.1% to approximately RMB2,584.7 million (2020: RMB1,359.4 million).
- Gross profit significantly increased by 329.5% to approximately RMB777.9 million (2020: RMB181.1 million).
- Gross profit margin reached 30.1% (2020: 13.3%), representing an increase of 16.8 percentage points.
- Profit for the year attributable to owners of the Company substantially increased to approximately RMB379.7 million (2020: RMB94.8 million).
- EBITDA increased by 180.1% to approximately RMB668.1 million (2020: RMB238.5 million).
- Basic earnings per share was approximately RMB0.446 (2020: RMB0.111).
- The Directors recommend a final dividend of HK$0.20 (2020: HK$0.03) per share in respect of the year ended 31 December 2021.

The board (the "**Board**") of directors (the "**Directors**") of Tiande Chemical Holdings Limited (the "**Company**") hereby announces the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2021 together with the comparative figures for the corresponding period in 2020 with the selected notes as follows:

CONSOLIDATED INCOME STATEMENT

		FOR THE YEAR ENDED 31 DECEMBER	
		2021	2020
	Notes	**RMB'000**	RMB'000
Revenue	3	**2,584,731**	1,359,393
Cost of sales		**(1,806,861)**	(1,178,259)
Gross profit		**777,870**	181,134
Other income and gains		**8,439**	92,594
Revaluation losses on investment properties		**(1,300)**	(1,000)
Selling expenses		**(85,076)**	(51,490)
Administrative and other operating expenses		**(157,227)**	(98,712)
Finance costs		**(6,450)**	(11,407)
Profit before income tax	4	**536,256**	111,119
Income tax expense	5	**(143,806)**	(33,138)
Profit for the year		**392,450**	77,981
Profit / (Loss) for the year attributable to:			
Owners of the Company		**379,647**	94,821
Non-controlling interests		**12,803**	(16,840)
		392,450	77,981
Earnings per share for profit attributable to owners of the Company for the year	7		
- Basic and diluted		**RMB0.446**	RMB0.111

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	FOR THE YEAR ENDED 31 DECEMBER	
	2021	2020
	RMB'000	RMB'000
Profit for the year	**392,450**	77,981
Other comprehensive income		
Items that may be reclassified subsequently to the income statement:		
Exchange gains on translation of financial statements of foreign operations	**98**	1,075
Other comprehensive income for the year	**98**	1,075
Total comprehensive income for the year	**392,548**	79,056
Total comprehensive income for the year attributable to :		
Owners of the Company	**379,588**	95,552
Non-controlling interests	**12,960**	(16,496)
	392,548	79,056

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		AS AT 31 DECEMBER	
	Notes	**2021** **RMB'000**	2020 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**1,085,192**	1,044,002
Right-of-use assets		**62,382**	64,219
Investment properties		**21,600**	22,900
Intangible asset		**10,371**	12,175
Deposits paid for acquisition of property, plant and equipment		**54,893**	30,184
Deferred tax assets		**7,888**	14,894
		1,242,326	1,188,374
Current assets			
Inventories		**213,273**	110,782
Trade and bills receivable	8	**512,690**	251,233
Prepayments and other receivables		**122,090**	243,193
Pledged bank deposits		**3**	7
Bank and cash balances		**226,349**	125,314
		1,074,405	730,529
Current liabilities			
Trade payables	9	**47,378**	39,036
Accruals and other payables		**221,607**	231,427
Contract liabilities		**21,427**	14,453
Bank borrowings		**60,000**	110,000
Advances from a non-controlling shareholder		**5,175**	5,334
Advances from ultimate holding company		**94,760**	105,507
Current tax liabilities		**93,186**	10,521
		543,533	516,278
Net current assets		**530,872**	214,251
Total assets less current liabilities		**1,773,198**	1,402,625
Non-current liabilities			
Deferred tax liabilities		**18,388**	19,733
NET ASSETS		**1,754,810**	1,382,892
EQUITY			
Share capital		**7,831**	7,831
Reserves		**1,739,227**	1,380,269
Equity attributable to the Company's owners		**1,747,058**	1,388,100
Non-controlling interests		**7,752**	(5,208)
TOTAL EQUITY		**1,754,810**	1,382,892

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**"). All values are rounded to the nearest thousand except when otherwise stated.

2. ADOPTION OF NEW OR AMENDED HKFRSs

(a) New or amended standards adopted by the Group

In the current year, the Group has applied or early adopted for the first time the following new standards, amendments and interpretations ("**new or amended HKFRSs**") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2021.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 — Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "**Reform**"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates. The application of the amendments in the current year had no material impact on the Group's financial statements.

Amendment to HKFRS 16 — COVID-19-Related Rent Concessions beyond 30 June 2021

In the prior year, the Group early adopted COVID-19-Related Rent Concessions (Amendment to HKFRS 16) that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to HKFRS 16. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021.

In March 2021, the Board issued COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to HKFRS 16) that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022.

The application of the amendments in the current year had no impact on the Group's financial statements since there is no rent concessions granted by the lessors due to the early application of this amendments.

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

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Disclosure of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, plant and equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
HKFRSs 2018-2020	Annual Improvements to HKFRSs 2018-2020[1]

[1] Effective for annual periods beginning on or after 1 January 2022
[2] Effective for annual periods beginning on or after 1 January 2023

Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020) – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Interpretation 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Interpretation 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

Amendments to HKAS 1 and HKFRS Practice Statement 2 — Disclosure of Accounting Policies

The amendments change the requirements in HKAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in HKAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

Amendments to HKAS 8 — Disclosure of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the concept of changes in accounting estimates was retained following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error.

- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

Two examples (example 4-5) were added to the guidance on implementing HKAS 8, which accompanies this standard and one example (example 3) was deleted as it could cause confusion in light of the amendments.

Amendments to HKAS 12 — Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset under HKFRS 16 at the commencement date of a lease. Following the amendments to HKAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in HKAS 12. An illustrative example was also added to HKAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences, with The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

Amendments to HKAS 16 — Property, plant and equipment – Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The amendments shall be applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

Amendments to HKAS 37 — Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments shall be applied to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

Amendments to HKFRS 3 — Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Annual Improvements to HKFRSs 2018-2020

The annual improvements amends a number of standards, including:

- HKFRS 1 - First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- HKFRS 9 - Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16 - Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The directors of the Company have performed an assessment on the above amendments to standards and interpretations and have concluded on a preliminary basis that these amendments would not have a significant impact on the Group's consolidated financial statements in subsequent years.

3. REVENUE AND SEGMENT INFORMATION

The chief operating decision makers of the Group have identified that the research and development, manufacture and sale of fine chemical products of the Group operates as single operating segment. No other discrete financial information is provided other than the Group's result and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

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:

	FOR THE YEAR ENDED 31 DECEMBER	
	2021	2020
	RMB'000	RMB'000
The PRC (domicile)	**1,956,610**	1,046,813
India	**232,642**	114,814
United States of America	**93,484**	47,582
Taiwan	**43,002**	18,244
United Kingdom	**32,771**	14,667
Others	**226,222**	117,273
	2,584,731	1,359,393

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.

Information about major customer

Revenue attributed from customers that accounted for 10% or more of the Group’s total revenue during the year is as follows:

	2021	2020
	RMB'000	RMB'000
Customer A	**353,483**	#

less than 10% of the Group’s total revenue

4. PROFIT BEFORE INCOME TAX

	FOR THE YEAR ENDED 31 DECEMBER	
	2021	2020
	RMB'000	RMB'000
Profit before income tax is arrived at after charging/(crediting):		
Directors' remuneration		
- Fees	**389**	424
- Salaries, discretionary bonus and other benefits	**2,490**	1,734
- Retirement benefit scheme contributions (note (i))	**108**	6
- Equity-settled share-based payment expenses	**383**	-
	3,370	2,164
Other employee costs	**152,483**	125,314
- Retirement benefit scheme contributions (note (i))	**10,850**	901
- Equity-settled share-based payment expenses	**410**	-
Total employee costs	**167,113**	128,379
Auditor's remuneration	**801**	982
Amortisation of right-of-use assets	**1,837**	2,142
Amortisation of an intangible asset	**1,804**	1,804
Cost of inventories recognised as an expense (note (ii)), including	**1,806,861**	1,176,617
- Reversals of write-down of inventories to net realisable value, net (note (iii))	**(124)**	(2,277)
Depreciation on property, plant and equipment	**121,723**	112,068
Exchange losses, net	**4,878**	5,351
Write-off of property, plant and equipment	**18,980**	-
Provision for / (Reversal of) impairment losses on trade receivables	**522**	(1,971)
Provision for impairment loss on other receivables	**1,980**	-
Write-off of other receivables	**12**	-
Relocation and demolished expenses	**-**	8,296
Loss on disposals of property, plant and equipment, net	**128**	-
Lease payments in respect of short-term leases	**3,904**	4,136
Research costs (note (iv))	**80,598**	45,074

Notes:

(i) For the years ended 31 December 2021 and 2020, there were neither contributions forfeited by the Group nor had there been any utilisation of such forfeited contributions to reduce future contributions. As at 31 December 2021 and 2020, there were no forfeited contributions which were available for utilisation by the Group to reduce the existing level of contributions to the Mandatory Provident Fund Scheme and the central pension schemes operated by the local municipal governments.

(ii) Cost of inventories includes approximately RMB118,407,000 (2020: RMB110,985,000) relating to depreciation expenses and approximately RMB117,929,000 (2020: RMB89,644,000) relating to employee costs. These amounts are included in the respective total amounts disclosed separately above.

(iii) The reversals are mainly due to increase in net realisable value of certain finished goods held on hands.

(iv) Research costs include approximately RMB714,000 (2020: RMB693,000) relating to depreciation expenses and approximately RMB21,843,000 (2020: RMB16,562,000) relating to employee costs. These amounts are included in the respective total amounts disclosed separately above.

5. INCOME TAX EXPENSE

	FOR THE YEAR ENDED 31 DECEMBER	
	2021	2020
	RMB'000	RMB'000
Current tax - PRC Enterprise Income Tax		
- Tax for the year	**125,581**	25,730
- Over-provision in prior years	**-**	(4,361)
PRC dividend withholding tax paid	**12,564**	164
	138,145	21,533
Deferred tax		
- Derecognition of deferred tax assets in relations to tax losses previously recognised	**-**	372
- Charged for the year	**5,661**	11,233
Income tax expense	**143,806**	33,138

No provision for Hong Kong Profits Tax has been made as no assessable profit derived from Hong Kong.

The subsidiaries established in the PRC are subject to the PRC Enterprise Income Tax at the rate of 25% (2020: 25%) for the year ended 31 December 2021.

According to the PRC Enterprise Income Tax Law, a withholding tax of 5% or 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. The Group has adopted 5% or 10% (2020: 10%) withholding tax rate for PRC withholding tax purpose for the year ended 31 December 2021.

6. DIVIDEND

	FOR THE YEAR ENDED 31 DECEMBER	
	2021	2020
	RMB'000	RMB'000
Final dividend paid in respect of prior year HK$0.03 (2020: Nil) per share	**21,423**	-

The Directors recommend a final dividend of HK$0.20 (2020: HK$0.03) per ordinary share in respect of the year ended 31 December 2021. The proposed dividend is not reflected as a dividend payable in these consolidated financial statements.

7. EARNINGS PER SHARE

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

	FOR THE YEAR ENDED 31 DECEMBER	
	2021	2020
	RMB'000	RMB'000
Profit for the year attributable to owners of the Company	**379,647**	94,821

	NUMBER OF ORDINARY SHARES	
	2021	2020
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**851,954**	851,954

Diluted earnings per share for profit attributable to owners of the Company for the years ended 31 December 2021 and 2020 were the same as basic earnings per share. The computation of diluted earnings per share does not assume the exercise of the Company's share options for the years ended 31 December 2021 and 2020 because the exercise prices of the Company's share options were higher than the average market prices for shares.

8. TRADE AND BILLS RECEIVABLE

The Group allows credit periods normally ranging from one month to six months (2020: one month to six months) to its trade customers. Bills receivable are non-interest bearing bank acceptance bills and aged within a year (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 management.

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

	AS AT 31 DECEMBER	
	2021	2020
	RMB'000	RMB'000
0 to 90 days	**465,461**	206,214
91 to 180 days	**38,950**	34,038
181 to 365 days	**7,910**	9,643
Over 365 days	**369**	1,338
	512,690	251,233

9. TRADE PAYABLES

Trade payables normally have the credit periods ranging from 30 to 270 days (2020: 30 to 270 days). Ageing analysis of trade payables at the reporting date, based on the invoice date, is as follows:

	AS AT 31 DECEMBER	
	2021	2020
	RMB'000	RMB'000
0 to 90 days	**44,618**	36,856
91 to 180 days	**1,310**	818
181 to 365 days	**335**	191
Over 365 days	**1,115**	1,171
	47,378	39,036

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$0.20 (2020: HK$0.03) per share in respect of the year ended 31 December 2021. The proposed final dividend is subject to approval by the shareholders of the Company (the "**Shareholders**") in the forthcoming annual general meeting of the Company (the "**2022 AGM**"). The proposed final dividend is expected to be paid to Shareholders on or about Thursday, 4 August 2022.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the Shareholders who are entitled to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Tuesday, 21 June 2022 to Friday, 24 June 2022, both days inclusive. In order to qualify for the right to attend and vote at the 2022 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 Monday, 20 June 2022.

For the purpose of ascertaining the Shareholders who qualify for the proposed final dividend in respect of the year ended 31 December 2021, the register of members of the Company will be closed from Monday, 18 July 2022 to Wednesday, 20 July 2022, both days inclusive. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates should be lodged with the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716 on the 17th Floor of Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 15 July 2022.

BUSINESS REVIEW

During the year under review, progressive recovery of global economy was driven by the combined effects of the novel coronavirus disease pandemic (the "**COVID-19**" or "**Pandemic**") gradually brought under control following the rolling-out of COVID-19 vaccines and the unconventional fiscal and monetary policies adopted by various countries. The economy of the PRC continued to recover steadily as a result of the implementation of the effective COVID-19 prevention policies nationwide. The foregoing factors exerted favourable influences on the overall business environment and led to continued improvements in the business conditions of the downstream markets of the Group and further invigorated the market demands for the products of the Group. Benefited from the effective sales and marketing strategies adopted by the Group, the Group was able to expeditiously cope with market changes. Furthermore, the Group had launched several new products in previous years which successfully expanded the downstream markets and enhanced business scale so as to generate new revenue stream, as well as notable escalation in the market selling prices. Therefore, the revenue of the Group for the year under review increased significantly as compared with that of last year.

The costs of raw materials and manufacturing of the Group rose substantially as a result of the sharp rally in the cost of basic raw materials synchronously pushed by global economic recovery, along with a higher inflation induced by unconventional fiscal and monetary policies and a low interest rate environment. In light of the relocation of production facilities of Weifang Parasia Chem Co., Ltd. ("**Weifang Parasia**") and its consolidation with the production plant of Weifang Binhai Petro-Chem Co., Ltd. last year, the Group further consolidated its production activities and allocated its resources with greater efficiency. These moves have further enhanced the overall productivity and economies of production scale of the Group which successfully and partially offsets the adverse impact of significantly higher costs of raw materials and manufacturing. Consequently, the Group recorded substantial increases in its gross profit and gross profit margin. In addition, the Group persists with streamlining business processes and containing operating expenses at a reasonable level with an aim to improving operational efficiency. Eventually, these strategies bore fruit, the net profit of the Group for the year under review achieved a remarkable increase as compared with that of last year.

In view of the unabated volatile supply of raw materials in upstream markets and their costs continuously escalated, the Group increased research and development expenditure for improving the product portfolio and further optimising the layout of upstream products during the year; thereby minimising the uncertainties arose from external upstream supplies and building a more stable foundation for future business development. On the other hand, the Group continuously increased the investment in the improvement of production process in respect of safety and environmental protection and incessantly optimisation of its production activities, which in turn would further advance its circular economy production system and enhance its production efficiency as a whole. Sustainable development is an indispensable component in the course of business development of the Group. The main axis for realising sustainable development of the Group is underpinned by high standard of production process in relation to safety and environmental protection, as well as continuous commitment of research and development in new product and/or advancement of production process.

Outlook

In order to counteract elevating inflation, the Federal Reserve of the United States of America starts to raise interest rate and curtail the size of bonds held on its balance sheet, signaling the beginning of an era of interest rate hikes; while the European Central Bank is also considering to raise interest rates in the near future. More contagious variants of COVID-19 virus are spreading rapidly which have disturbed logistics and supply chains globally. The aforementioned changes in the macro-economic environment will inevitably affect the future balance between market supply and demand of the products of the Group as well as the trend of the costs of raw materials and the price of products. It is imperative for the Group to adopt even more resilience of sales and marketing strategies to withstand the changes in market environment, while the Group continues to dedicate its efforts in improving its internal operational efficiency. The Group will explore new potential business opportunities in a proactive and steady manner and seize them precisely. Moreover, the Group will constantly reinforce the investment in optimising its production process, especially in terms of safety and environmental protection in order to enhance its sustainable business model in the future. The Board still has full confidence in the future business development of the Group despite of the challenges in the near future. The Group will consistently adhere to its prudent and steady operating approach and endeavour to contribute the long-term stability and growth of the Group for the Shareholders.

FINANCIAL REVIEW

Revenue

During the year under review, certain downstream markets of the Group have continued to expand as a result of the change of external factors as set out in the section headed "Business Review" of this announcement. Thus, the market demands of the products of the Group remained buoyant and boosted the revenue of the Group. The selling price of certain products of the Group increased substantially and hit record high. Coupled with the flexibility and resilience of the sales and marketing strategies adopted by the Group to respond rapidly to the ever-changing market conditions. The revenue of the Group for the year ended 31 December 2021 significantly increased to approximately RMB2,584.7 million or growth of 90.1% as compared with approximately RMB1,359.4 million in 2020.

Gross profit

The gross profit of the Group also considerably increased to approximately RMB777.9 million, representing an increase of approximately RMB596.8 million or growth of 329.5% as compared with approximately RMB181.1 million in 2020. The increase in gross profit was mainly attributable to the consolidation and improvement of production activities of the Group in the previous year, thereby enhancing the overall productivities. Consequently, it helped to mitigate, to a certain extent, the negative impacts of the surge in the costs of raw materials and production overheads incurred due to the high inflation. The gross profit margin rose to 30.1%, increased by 16.8 percentage points when compared with 13.3% in 2020.

Operating income and expenses

The other income was mainly comprised of (i) various grants received from the PRC governmental authorities being incentives to encourage the Group's business development; (ii) bank interest income; (iii) rental income; and (iv) other income during the year under review.

The selling expenses increased by approximately RMB33.6 million to approximately RMB85.1 million (2020: RMB51.5 million) during the year under review. The increase was mainly attributable to (i) the inflated transportation cost related to overseas sales because of the global logistics constraint caused by the Pandemic; and (ii) the increase in export trade credit insurance expenses. The selling expenses to the Group's revenue was 3.3% (2020: 3.8%).

During the year under review, the administrative and other operating expenses increased by approximately RMB58.5 million from approximately RMB98.7 million in 2020 to approximately RMB157.2 million in 2021. The increase was mainly attributable to (i) an increase in research and development expenses which primarily incurred in relation to the optimisation of the upstream products layout and the enhancement of production efficiency; (ii) an increase in written-off of property, plant and equipment caused by impairments arising from the insignificant and uncertain future cash inflow of the production facilities; and (iii) an increase in provision for specific doubtful debts. Administrative and other operating expenses to the Group's revenue was 6.1% (2020: 7.3%).

Finance costs

Finance costs mainly represented bank borrowings interest and interest for advances from the ultimate holding company, which decreased by approximately RMB4.9 million from approximately RMB11.4 million in 2020 to approximately RMB6.5 million in 2021. The decrease was mainly attributable to the decrease in the weighted average amount of bank borrowings.

Profit for the year attributable to owners of the Company

As a result of the foregoing factors, the Group achieved an increase in profit for the year attributable to owners of the Company to approximately RMB379.7 million (2020: RMB94.8 million).

Trade and bills receivable

As at 31 December 2021, the trade receivables increased to approximately RMB337.1 million, representing an increase of approximately RMB174.8 million or 107.7% as compared with approximately RMB162.3 million recorded as at 31 December 2020. About 94.3% of trade receivables were incurred in the last quarter of 2021 and most of them were not yet due and 3.2% of trade receivables were incurred in the third quarter of 2021. Only 2.5% of trade receivables were over 180 days. Up to the date of this announcement, over 88.0% of trade receivables have been settled. Thus, the Directors considered that the current bad debt allowance is adequate on the balance of trade receivables as at 31 December 2021.

As at 31 December 2021, the bills receivable was of an amount of approximately RMB175.6 million, increased by approximately RMB86.7 million or 97.5% as compared with the balance of approximately RMB88.9 million 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 licensed banks in the PRC. As a result, the default risk is considered minimal. Accordingly, the Directors considered that no allowance for doubtful debt is required.

Prepayments and other receivables

The receivables of compensation arising from the resumption of the land (the "**Land Resumption**") which originally occupied by the production site of Weifang Parasia was recognised as other receivables under current assets in the consolidated statement of financial position. During the year under review, Weifang Parasia received a total amount of approximately RMB125.9 million (2020: RMB20.0 million) in respect of the compensation. As at 31 December 2021, the remaining balance of the compensation receivable was approximately RMB49.9 million (31 December 2020: RMB175.8 million).

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

All bank borrowings are at floating annual interest rates ranging from 4.8% to 5.66% and are denominated in Renminbi. As at 31 December 2021, bank borrowings decreased to RMB60.0 million, representing a net decrease of RMB50.0 million or 45.5% as compared with the balance of RMB110.0 million as at 31 December 2020. The principal amounts of advances from ultimate holding company were at a fixed annual interest rate of 2.0% and denominated in Hong Kong dollars and Renminbi. The principal amounts of advances from ultimate holding company decreased to approximately RMB90.0 million (2020: RMB102.1 million) as at 31 December 2021. The decreases in short-term bank borrowings and the principal amounts of advances from ultimate holding company were mainly due to the improvement of operating cash flow during the year under review.

Liquidity and financial resources

The Group's primary source of funding included the net cash inflow generated from operating activities of approximately RMB274.3 million (2020: RMB170.5 million); newly raised bank borrowings of RMB60.0 million (2020: RMB110.0 million); an increase of the principal amounts of advances from ultimate holding company of approximately RMB1.7 million (2020: RMB40.0 million); compensation received for the Land Resumption of approximately RMB125.9 million (2020: RMB20.0 million); proceeds on disposals of property, plant and equipment of approximately RMB2.4 million (2020: RMB8.4 million); and bank interest received of approximately RMB0.7 million (2020: RMB1.0 million). With the financial resources obtained from the Group's operations, the Group had spent approximately RMB213.5 million (2020: RMB215.9 million) on the acquisition of property, plant and equipment; no incurrence of payment for right-of-use assets (2020: RMB1.1 million); repayments of bank borrowings of RMB110.0 million (2020: RMB170.0 million); interest paid of approximately RMB5.4 million (2020: RMB9.4 million), repayment of advances from ultimate holding company of approximately RMB13.7 million (2020: Nil), and dividend paid of approximately RMB21.4 million (2020: Nil) during the year under review. As at 31 December 2021, the Group had bank and cash balances and pledged bank deposits of approximately RMB226.3 million (2020: RMB125.3 million), of which 92.1% was held in Renminbi, 5.8% was held in United States dollars and the remaining balances were held in Hong Kong dollars and euros.

As at 31 December 2021, the Group had net current assets of approximately RMB530.9 million (2020: RMB214.3 million), the current ratio of the Group was approximately 2.0 times (2020: 1.4 times). The total amount of outstanding borrowings of the Group was approximately RMB155.2 million (2020: RMB217.2 million). The improvement in the profitability of the Group during the year under review established a stronger financial position for the Group and attained a net cash balance (total cash and cash equivalent net of total borrowings) of approximately RMB71.2 million (2020: a net liability balance of approximately RMB91.9 million, the gearing ratio of the Group represented by the ratio of total borrowings net of bank and cash balances and pledged bank deposits to total shareholders' equity was 6.6%) as at 31 December 2021.

The Group is continuously upgrading or replacing its outdated production facilities to secure its sustainable business development in the future and devotes to uphold a solid financial position simultaneously. Benefiting from a steady positive cash inflow from operating activities, coupled with the available cash resources on hand and undrawn banking facilities from banks, the Group has sufficient financial resources to meet its present commitments and working capital requirements. The Group will monitor its cash outflow closely, cautiously and be dedicated to maintain a sound financial position as well as improving the equity return to the Shareholders.

Pledge of assets

As at 31 December 2021, a bank balance of approximately RMB3,000 was frozen to secure a litigation case under the PRC court order (2020: a bank deposit amount of approximately RMB7,000 was pledged for payable for legal proceeding fee).

Contingent liabilities

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

Commitments

As at 31 December 2021, the Group had commitments which has been contracted but not yet been provided for in the aggregate amount of approximately RMB86.3 million (2020: RMB120.5 million), for acquisition of property, plant and equipment as well as construction in progress, while the capital commitment for authorised but not contracted for in aggregate amount of approximately RMB214.3 million (2020: RMB84.3 million) related to the acquisition of property, plant and equipment as well as construction in progress.

FUNDING AND TREASURY POLICIES

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

Cash flow forecast is properly prepared and reviewed regularly by the senior management of the Group, which facilitates the Group to maintain an adequate level of cash and cash equivalents, and sufficient available banking facilities to finance the daily operations and capital expenditure requirements in foreseeable future pursuant to the funding and treasury policies of the Group.

During the year under review, the Group did not use any financial instruments for any hedging purposes as the Group's businesses are principally conducted in RMB and most of the Group's monetary assets and liabilities are denominated in RMB. Accordingly, the Group is not subject to significant currency risk and foreign exchange rate risk.

The Group's interest rate risk arises primarily from bank borrowings. In order to minimise the borrowing cost and interest rate risk, any raising of loans to meet the expected funding demand must be assessed carefully and approved by the executive Directors. The Group will consider new financing needs while maintaining an appropriate level of gearing.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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 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 2021, the Group had 1,403 (2020: 1,368) full-time employees.

For the year under review, the total staff costs including the Directors' remuneration increased to approximately RMB167.1 million (2020: RMB128.4 million).

The Group has established its human resource 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 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 offers 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 understanding 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, the Company has granted 18,000,000 share options to the Directors and the eligible employees to recognise their contribution to the Group. For further details of the grant of share options, please refer to the announcement of the Company dated 30 August 2021.

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

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 an unpredictable traffic congestion. In order to avoid the recurrence of the same issue, 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 year, in compliance with the CG Code.

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 2021. The Company has also adopted written guidelines on no less exacting terms than those set out in 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 the 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 comprises the three independent non-executive Directors, namely, Mr. Leung Kam Wan, Mr. Liu Chenguang and Mr. Gao Baoyu. Mr. Leung Kam Wan 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 2021. 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.

SCOPE OF WORK OF BDO LIMITED ON THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

By order of the Board
Tiande Chemical Holdings Limited
Liu Yang
Chairman

Hong Kong, 25 March 2022

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