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 2022

RESULTS HIGHLIGHTS

- Revenue for the six months ended 30 June 2022 increased to approximately RMB1,854.2 million, representing an increase of 79.2% as compared with that of the corresponding period last year.
- Gross profit increased substantially by 247.8% to approximately RMB812.8 million.
- Gross profit margin also increased to 43.8%, representing an increase of 21.2 percentage points as compared with that of the corresponding period last year.
- Profit for the period attributable to owners of the Company was substantially increased to approximately RMB502.0 million (six months ended 30 June 2021: RMB101.9 million).
- Basic earnings per share was approximately RMB0.589 (six months ended 30 June 2021: RMB0.120).
- The Board has declared an interim dividend of HK$0.12 per share for the six months ended 30 June 2022 (six months ended 30 June 2021: 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 2022 together with the comparative figures for the corresponding period in 2021 and the selected notes as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2022	2021
	Notes	**RMB'000**	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	**1,854,244**	1,034,498
Cost of sales		**(1,041,421)**	(800,810)
Gross profit		**812,823**	233,688
Other income and gains		**22,490**	4,602
Selling expenses		**(42,503)**	(39,222)
Administrative and other operating expenses		**(68,311)**	(63,532)
Finance costs	5	**(1,710)**	(3,690)
Profit before income tax	6	**722,789**	131,846
Income tax expense	7	**(171,187)**	(39,754)
Profit for the period		**551,602**	92,092
Profit / (Loss) for the period attributable to :			
Owners of the Company		**502,032**	101,944
Non-controlling interests		**49,570**	(9,852)
		551,602	92,092
Earnings per share for profit attributable to owners of the Company for the period	9		
– Basic		**RMB0.589**	RMB0.120
– Diluted		**RMB0.584**	RMB0.120

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Proift for the period	**551,602**	92,092
Other comprehensive income		
Item that may be reclassified subsequently to income statement:		
– Exchange (loss) / gain on translation of financial statements of foreign operations	**(12)**	240
Other comprehensive income for the period	**(12)**	240
Total comprehensive income for the period	**551,590**	92,332
Total comprehensive income attributable to:		
Owners of the Company	**502,256**	102,118
Non-controlling interests	**49,334**	(9,786)
	551,590	92,332

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2022 RMB'000 (Unaudited)**	31 December 2021 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**1,092,075**	1,085,192
Right-of-use assets		**61,463**	62,382
Investment properties		**21,600**	21,600
Intangible asset		**9,469**	10,371
Deposits paid for acquisition of property, plant and equipment		**87,314**	54,893
Deferred tax assets		**7,841**	7,888
		1,279,762	1,242,326
Current assets			
Inventories		**182,375**	213,273
Trade and bills receivable	10	**879,823**	512,690
Prepayments and other receivables		**93,568**	122,090
Pledged bank deposits		**-**	3
Bank and cash balances		**360,936**	226,349
		1,516,702	1,074,405
Current liabilities			
Trade payables	11	**43,048**	47,378
Accruals and other payables		**345,611**	221,607
Contract liabilities		**19,242**	21,427
Bank borrowings		**40,000**	60,000
Advances from a non-controlling shareholder		**5,414**	5,175
Advances from a substantial shareholder / ultimate holding company		**45,320**	94,760
Current tax liabilities		**104,352**	93,186
		602,987	543,533
Net current assets		**913,715**	530,872
Total assets less current liabilities		**2,193,477**	1,773,198
Non-current liabilities			
Deferred tax liabilities		**28,189**	18,388
		28,189	18,388
NET ASSETS		**2,165,288**	1,754,810
EQUITY			
Share capital		**7,870**	7,831
Reserves		**2,100,332**	1,739,227
Equity attributable to owners of the Company		**2,108,202**	1,747,058
Non-controlling interests		**57,086**	7,752
Total equity		**2,165,288**	1,754,810

SELECTED NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

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.

The shareholdings of Cheerhill Group Limited ("**Cheerhill**") were restructured on 15 February 2022, thereby the number of issued shares of the Company (the "**Shares**") held by Cheerhill decreased to 27.15%. The Directors consider Cheerhill has ceased to be the ultimate holding company of the Company but become a substantial shareholder of the Company. Further details are set out in the Company's announcement dated 15 February 2022.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022 (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 2021 (the "**2021 Annual Financial Statements**").

The Unaudited Condensed Financial Information has been prepared in accordance with the same accounting policies adopted in the 2021 Annual Financial Statements, except for the adoption of the amendments to 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 2022.

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 amendments to standards and interpretations ("**amended HKFRSs**") issued by the HKICPA, which are relevant or effective for the Group's financial year beginning on 1 January 2022:

Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs that are relevant and effective from 1 January 2022 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 amendments to 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[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimate[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after 1 January 2024.

The Directors 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.

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. 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:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The PRC (domicile)	**1,387,988**	770,987
India	**217,377**	109,249
United States of America	**39,325**	25,208
Singapore	**33,149**	2,117
Spain	**32,983**	9,153
Others	**143,422**	117,784
	1,854,244	1,034,498

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

Information about major customer

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	**285,071**	#

less than 10% of the Group's total revenue.

5. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings, all of which contain a repayment on demand clause	**1,150**	2,666
Interest on advances from a substantial shareholder / ultimate holding company	**560**	1,024
	1,710	3,690

6. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before income tax is arrived at after charging/(crediting):		
Directors' remuneration		
– Fees	**206**	195
– Salaries, discretionary bonus and other benefits	**1,232**	1,196
– Retirement benefit scheme contributions	**59**	55
– Equity-settled share-based payment expenses	**574**	-
	2,071	1,446
Other employee costs	**78,054**	71,554
Retirement benefit scheme contributions	**6,947**	5,333
Equity-settled share-based payment expenses	**613**	-
Total employee costs	**87,685**	78,333
Amortisation of right-of-use assets	**919**	919
Amortisation of intangible assets	**902**	902
Cost of inventories recognised as an expense (note (i)), including	**1,041,421**	800,810
– Reversal of write-down of inventories to net realisable value	**-**	(99)
– Write-down of inventories to net realisable value	**-**	257
Depreciation on property, plant and equipment	**62,403**	59,961
Exchange loss, net	**-**	1,414
Reversal of impairment losses of trade receivables	**-**	(42)
Lease payments in respect of short-term leases	**1,799**	1,970
Rental income less outgoings	**(213)**	(293)
Research costs (note (ii))	**40,645**	36,926

Notes:

(i) Cost of inventories recognised as an expense includes RMB60,691,000 (six months ended 30 June 2021: RMB58,313,000) relating to depreciation expenses and RMB60,600,000 (six months ended 30 June 2021: RMB55,958,000) relating to employee costs. These amounts are also included in the respective total amounts disclosed separately above.

The reversals of write-down of inventories were mainly due to increase in net realisable value of certain finished goods held on hands for the six months ended 30 June 2021.

(ii) Research costs include RMB417,000 (six months ended 30 June 2021: RMB356,000) relating to depreciation expenses and RMB12,288,000 (six months ended 30 June 2021: RMB10,174,000) 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	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax - PRC Enterprise Income Tax		
- Tax for the period	**170,983**	34,483
- PRC dividend withholding tax	**-**	1,128
- Over-provision in prior year	**(9,644)**	-
	161,339	35,611
Deferred tax		
- Charged for the period	**9,848**	4,143
Income tax expense	**171,187**	39,754

No provision for Hong Kong profits tax has been made as no assessable profit derived from Hong Kong (six months ended 30 June 2021: 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 2021: 25%).

The Group has adopted 5% or 10% withholding tax rate for PRC withholding tax purpose for the period (six months ended 30 June 2021: 5% or 10%).

8. DIVIDEND

The proposed 2021 final dividend of HK$0.20 cents (2020: HK$0.03 cents) per share, totaling RMB147,900,000 (2020: RMB21,423,000) was approved by the Company's shareholders at the annual general meeting held on 24 June 2022. It was recorded in "accruals and other payables" in the interim condensed consolidated statement of financial position and was subsequently distributed on 4 August 2022.

The Board has declared an interim dividend of HK$0.12 per share (six months ended 30 June 2021: Nil) for the six months ended 30 June 2022.

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	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company	**502,032**	101,944

	Number of ordinary shares	
	Six months ended 30 June	
	2022	2021
	'000 shares	'000 shares
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**852,847**	851,954
Effect of dilutive potential ordinary shares:		
- Share options	**7,209**	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**860,056**	851,954

For the six months ended 30 June 2021, 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 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 2021: 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 2021: 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 2022	31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
0 to 90 days	**706,846**	465,461
91 to 180 days	**166,560**	38,950
181 to 365 days	**1,143**	7,910
Over 365 days	**5,274**	369
	879,823	512,690

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 PAYABLES

The Group was granted by its suppliers with credit periods ranging from 30 to 270 days (31 December 2021: ranging from 30 to 270 days). Ageing analysis of trade payables at the reporting date, based on the invoice date, is stated as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
0 to 90 days	**39,972**	44,618
91 to 180 days	**320**	1,310
181 to 365 days	**1,411**	335
Over 365 days	**1,345**	1,115
	43,048	47,378

The carrying amounts of trade payables are short-term and hence the carrying values of trade payables are considered to be a reasonable approximation of fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In order to overcome the negative impacts brought by the novel coronavirus disease (the "**COVID-19**") on the economy, various developed countries implemented unconventional fiscal and monetary policies to stimulate economic recovery, in conjunction with the outbreak of geopolitical conflicts, causing the rapid rise in global inflation. The global inflation has shifted the equilibrium of market demand and supply in the fine chemical industry which provided favourable market conditions for the products of the Group during the period under review. Furthermore, the Group adopted flexible and resilient of sales and marketing strategies which allow expeditiously respond to the market changes by fully leverage on such favourable market conditions. In addition, the several newly developed products launched by the Group in previous years had contributed notable revenue to the Group during the period under review. As a result, the revenue of the Group for the period under review increased significantly as compared with that of the corresponding period last year.

Affected by the surge in global inflation, the costs of basic raw materials procured by the Group were staying at a higher level during the period under review. Owing to the Group's persistent efforts in improving its productivity and enhancing production efficiency, as well as consolidation of the production activities which realised more efficiency in resources allocation and strengthened the circular economy production system, thereby the production costs of the Group were contained. Consequently, the Group recorded substantial increases in both gross profit and gross profit margin. Moreover, the Group has further been optimising and streamlining the business processes to contain its operating expenses at a reasonable level. As a result of the combined effects of the aforementioned measures, the Group achieved a significant increase in the profit attributable to owners of the Company for the period under review as compared with that of the corresponding period last year.

Apart from achieving notable improvement in financial results, the Group also optimised its business efficiencies for future sustainable development incessantly. During the period under review, the Group continuously intensified its layout of upstream raw materials supply with an aim to mitigating the negative impacts arising from unstable supply and / or price increase of raw materials in the future. The Group also constantly increased the investment in research and development to promote products development. Concurrently, the Group also ceaselessly enhanced the production processes in relation to safety and environmental protection and elevated the governance standards for environmental protection, so as to support its future sustainable development of business and strengthen the business competitive advantages of the Group.

Outlook

As global inflation has remained unabated, the Federal Reserve of the United States of America and the European Central Bank have been curbing inflation through raising interest rates and accelerating the tightening of monetary policy. Moreover, the outbreak of geopolitical conflicts led to weakening of the global supply chain. In addition, the negative impacts of variants of the COVID-19 have not been eliminated which will exert certain pressures on the overall economy of the PRC. The change of aforementioned macroeconomic environment will bring uncertainties to the business environment of the Group. The trend of future market demand of the products of the Group will be volatile which may increase the downward pressure on the operations of the Group. The Group will closely monitor the volatility of external factors and counteract expeditiously with appropriate measures. On the other hand, the Group will continue to focus on optimising the overall productivity and operational efficiency internally as well as sparing no effort in exploring new potential business opportunities in a proactive and steady manner in order to give impetus for the future business growth of the Group. The Group will uphold its sustainable business approach by continuously increasing the investment in improving the production processes in relation to safety and environmental protection, thus solidifying the business foundation for long-term development. The Board will consistently adhere to its prudent and steady operating approach and strive to reward the shareholders of the Company (the "**Shareholders**") with excellent business performance.

FINANCIAL REVIEW

Revenue and gross profit

During the period under review, the Group recorded a notable increase in revenue mainly attributable to the external economic conditions which were still in favour of fine chemical industry in the PRC and provided good market conditions for the products of the Group. The revenue of the Group reached approximately RMB1,854.2 million for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB1,034.5 million), representing an increase of approximately RMB819.7 million or 79.2% as compared with that of the corresponding period last year.

The combined effect of (i) the growth in turnover and (ii) the streamlining of production activities by consolidation of production plants has further optimised overall productivity and efficiency of the Group resulting in containment of the Group's production costs, the gross profit of the Group increased to approximately RMB812.8 million (six months ended 30 June 2021: RMB233.7 million), representing an increase of approximately RMB579.1 million or 247.8% as compared with that of the corresponding period last year. The gross profit margin also increased significantly by 21.2 percentage points to 43.8% (six months ended 30 June 2021: 22.6%).

Operating expenses

Selling expenses increased by approximately RMB3.3 million from approximately RMB39.2 million of the corresponding period last year to approximately RMB42.5 million for the period under review. Such increase was mainly due to (i) the increase in costs of transportation arising from inflation; and (ii) the increase in credit insurance costs for overseas sales. The selling expenses to the Group's revenue ratio was 2.3% (six months ended 30 June 2021: 3.8%).

Administrative and other operating expenses amounted to approximately RMB68.3 million (six months ended 30 June 2021: RMB63.5 million), representing an increase of approximately RMB4.8 million or 7.6% as compared with those of the corresponding period last year. The increase in administrative and other operating expenses was mainly attributable to (i) the uninterrupted increase in the investment in research and development in order to sustain the future business growth of the Group; and (ii) the increase in other local tax expenses. The administrative and other operating expenses to the Group's revenue ratio was 3.7% (six months ended 30 June 2021: 6.1%).

Finance costs represented interests on bank borrowings and advances from a substantial Shareholder, which decreased by approximately RMB2.0 million to approximately RMB1.7 million (six months ended 30 June 2021: RMB3.7 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 and advances from a substantial Shareholder during the period under review.

Profit for the period

In view of the above, the Group succeeded in achieving satisfactory financial results. The profit for the period under review attributable to owners of the Company amounted to approximately RMB502.0 million (six months ended 30 June 2021: RMB101.9 million).

Trade and bills receivable

As at 30 June 2022, trade receivables (net of loss allowance) increased to approximately RMB419.0 million, representing an increase of approximately RMB81.9 million or 24.3% as compared with approximately RMB337.1 million recorded as at 31 December 2021. About 91.2% of trade receivables were incurred in the second quarter of this year and most of them were not yet due, whilst 7.4% of trade receivables were incurred in the first quarter of this year and only 1.4% of trade receivables were over 180 days. Up to the date of this announcement, over 76.0% of trade receivables have been subsequently settled. After assessing the creditworthiness of these customers, the Directors considered that no additional bad debt allowance was required on the trade receivables as at 30 June 2022.

As at 30 June 2022, bills receivable amounted to approximately RMB460.8 million and increased by approximately RMB285.2 million or 162.4% as compared with the balance of approximately RMB175.6 million recorded as at 31 December 2021. 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 debts was required because of the associated low default risk.

Prepayments and other receivables

The receivable of compensation arising from the resumption of the land (the "**Land Resumption**") which was originally occupied by the production plant of Weifang Parasia Chem Co., Ltd. ("**Weifang Parasia**") 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 RMB10,000,000 (six months ended 30 June 2021: RMB74,915,000) in respect of the compensation. As at 30 June 2022, the remaining balance of the compensation receivable for the Land Resumption was approximately RMB39.9 million (31 December 2021: RMB49.9 million).

Short-term bank borrowings and advances from a substantial Shareholder

All bank borrowings are at floating annual interest rates ranging from 3.85% to 5.22% and are denominated in Renminbi. As at 30 June 2022, bank borrowings decreased to RMB40.0 million, representing a net decrease of RMB20.0 million or 33.3% as compared with the balance of RMB60.0 million as at 31 December 2021. The advances from a substantial Shareholder are at a fixed annual interest rate of 2.0% and are denominated in Renminbi. The principal amount of advances from a substantial Shareholder decreased to RMB40.0 million (31 December 2021: RMB90.0 million) as at 30 June 2022. The short-term bank borrowings and advances from a substantial Shareholder 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 2022, the Group's primary sources of funding included the net cash inflow generated from operating activities of approximately RMB314.9 million (six months ended 30 June 2021: RMB127.7 million), newly raised bank borrowing of RMB10.0 million (six months ended 30 June 2021: RMB10.0 million), bank interest received of approximately RMB0.8 million (six months ended 30 June 2021: RMB0.3 million), net proceeds from disposal of property, plant and equipment of approximately RMB0.1 million (six months ended 30 June 2021: RMB2.5 million), net proceeds from issue of Shares under share option scheme of approximately RMB5.6 million (six months ended 30 June 2021: Nil), and no newly raised principal amount of advances from a substantial Shareholder (six months ended 30 June 2021: RMB1.7 million). With the financial resources generated from the Group's operations, the Group spent approximately RMB115.9 million (six months ended 30 June 2021: RMB112.9 million) in the acquisition of the property, plant and equipment, repayments of bank borrowings of RMB30.0 million (six months ended 30 June 2021: RMB50.0 million), interest paid of approximately RMB1.2 million (six months ended 30 June 2021: RMB2.8 million) and repayment of advances from a substantial Shareholder of RMB50.0 million (six months ended 30 June 2021: Nil).

As at 30 June 2022, the Group had bank and cash balances of approximately RMB360.9 million (31 December 2021: RMB226.3 million). The total amount of outstanding borrowings was RMB85.3 million (31 December 2021: RMB155.2 million). The improvement in the profitability of the Group during the period under review helped to establish a stronger financial position for the Group and attained a net cash balance (total cash and cash equivalent net of total borrowings) of approximately RMB275.6 million (31 December 2021: RMB71.2 million) as at 30 June 2022. The net current assets amounted to approximately RMB913.7 million (31 December 2021: RMB530.9 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 substantial Shareholder, 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 2022, no bank deposit was pledged (31 December 2021: a bank balance of approximately RMB3,000 was frozen to secure a litigation case under the PRC court order).

Contingent liabilities
As at 30 June 2022, the Group had no material contingent liabilities (31 December 2021: Nil).

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 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.

DIVIDEND

The Board has declared an interim dividend of HK$0.12 per ordinary share for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil). The interim dividend will be payable on 27 October 2022 to the Shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on 12 October 2022.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining Shareholders' entitlement to the interim dividend, the Register of Members will be closed from 10 October 2022 to 12 October 2022, both days inclusive, during which no transfer of shares of the Company will be registered. In order to qualify for the interim dividend for the six months ended 30 June 2022, all transfer documents accompanied by the relevant share certificate(s) must 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 no later than 4:30 p.m. on 7 October 2022.

HUMAN RESOURCES

As at 30 June 2022, the Group had 1,421 full-time employees (31 December 2021: 1,403 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 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

CORPORATE GOVERNANCE PRACTICES

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not during the six months ended 30 June 2022, in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct with standards no less 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 2022.

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 by 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 by the Remuneration Committee.

AUDIT COMMITTEE

The audit committee of the Company (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; and (iv) reviewed the independent auditor's management letter and made recommendations to the Board for improvement (if any). 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, 26 August 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.