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 2022

RESULTS HIGHLIGHTS

- Revenue increased by 36.2% to approximately RMB3,520.6 million (2021: RMB2,584.7 million).
- Gross profit significantly increased by 90.1% to approximately RMB1,478.4 million (2021: RMB777.9 million).
- Gross profit margin reached 42.0% (2021: 30.1%), representing an increase of 11.9 percentage points.
- Profit for the year attributable to owners of the Company substantially increased to approximately RMB870.9 million (2021: RMB379.7 million).
- EBITDA significantly increased by 112.1% to approximately RMB1,416.9 million (2021: RMB668.1 million).
- Basic earnings per share was approximately RMB1.014 (2021: RMB0.446).
- The Directors recommend a final dividend of HK$0.20 (2021: HK$0.20) per share in respect of the year ended 31 December 2022.

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 2022 together with the comparative figures for the corresponding period in 2021 with the selected notes as follows:

CONSOLIDATED INCOME STATEMENT

		FOR THE YEAR ENDED 31 DECEMBER	
		2022	2021
	Notes	**RMB'000**	RMB'000
Revenue	3	**3,520,608**	2,584,731
Cost of sales		**(2,042,173)**	(1,806,861)
Gross profit		**1,478,435**	777,870
Other income and gains		**19,972**	8,439
Revaluation losses on investment properties		**(700)**	(1,300)
Selling expenses		**(77,782)**	(85,076)
Administrative and other operating expenses		**(132,207)**	(157,227)
Finance costs		**(2,767)**	(6,450)
Profit before income tax	4	**1,284,951**	536,256
Income tax expense	5	**(326,964)**	(143,806)
Profit for the year		**957,987**	392,450
Profit for the year attributable to:			
Owners of the Company		**870,924**	379,647
Non-controlling interests		**87,063**	12,803
		957,987	392,450
Earnings per share for profit attributable to owners of the Company for the year	7		
- Basic		**RMB1.014**	RMB0.446
- Diluted		**RMB1.004**	RMB0.446

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	FOR THE YEAR ENDED 31 DECEMBER	
	2022	2021
	RMB'000	RMB'000
Profit for the year	**957,987**	392,450
Other comprehensive income		
Items that will not be reclassified to the income statement:		
Exchange gains on translation differences	**14,672**	98
Other comprehensive income for the year	**14,672**	98
Total comprehensive income for the year	**972,659**	392,548
Total comprehensive income for the year attributable to :		
Owners of the Company	**886,070**	379,588
Non-controlling interests	**86,589**	12,960
	972,659	392,548

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	AS AT 31 DECEMBER 2022 RMB'000	2021 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**1,141,012**	1,085,192
Right-of-use assets		**83,318**	62,382
Investment properties		**20,900**	21,600
Intangible asset		**8,567**	10,371
Deposits paid for acquisition of property, plant and equipment		**131,071**	54,893
Deferred tax assets		**7,795**	7,888
		1,392,663	1,242,326
Current assets			
Inventories		**183,897**	213,273
Trade and bills receivable	8	**792,226**	512,690
Prepayments and other receivables		**99,311**	122,090
Pledged bank deposits		**-**	3
Time deposits		**197,463**	-
Bank and cash balances		**294,667**	226,349
		1,567,564	1,074,405
Current liabilities			
Trade payables	9	**49,840**	47,378
Accruals and other payables		**210,296**	221,607
Contract liabilities		**25,520**	21,427
Bank borrowings		**-**	60,000
Advances from a non-controlling shareholder		**5,655**	5,175
Advances from a substantial shareholder / ultimate holding company		**45,724**	94,760
Current tax liabilities		**71,297**	93,186
		408,332	543,533
Net current assets		**1,159,232**	530,872
Total assets less current liabilities		**2,551,895**	1,773,198
Non-current liabilities			
Deferred tax liabilities		**47,733**	18,388
NET ASSETS		**2,504,162**	1,754,810
EQUITY			
Share capital		**7,986**	7,831
Reserves		**2,401,835**	1,739,227
Equity attributable to the Company's owners		**2,409,821**	1,747,058
Non-controlling interests		**94,341**	7,752
TOTAL EQUITY		**2,504,162**	1,754,810

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) Amended standards adopted by the Group

In the current year, the Group has applied or early adopted for the first time, the following amended standards and interpretations ("**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 2022.

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

The application of the amended 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 financial statements.

(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 and HKFRS Practice Statement 2	Disclosure of Accounting Policies [1]
Amendments to HKAS 8	Definition of Accounting Estimates [1]
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "**2022 Amendments**") [2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the "**2020 Amendments**") [2, 3]

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
[3] As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

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 — Definition 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 1 — 2022 Amendments and 2020 Amendments

Amendments to HKAS 1 Non-current Liabilities with Covenants clarify how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. The 2022 Amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The 2022 Amendments clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current.

The 2020 Amendments provide clarification that if an entity's right to defer settlement of a liability is subject to compliance with future covenants, the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The 2020 Amendments also clarify the situations that are considered as a settlement of a liability.

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.

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.

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	
	2022	2021
	RMB'000	RMB'000
The PRC (domicile)	**2,601,514**	1,956,610
India	**420,009**	232,642
United States of America	**84,078**	93,484
Singapore	**54,429**	30,241
Spain	**52,735**	32,050
Others	**307,843**	239,704
	3,520,608	2,584,731

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

Information about major customer

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

	2022	2021
	RMB'000	RMB'000
Customer A	**531,624**	353,483

4. PROFIT BEFORE INCOME TAX

	FOR THE YEAR ENDED 31 DECEMBER	
	2022	2021
	RMB'000	RMB'000
Profit before income tax is arrived at after charging/(crediting):		
Directors' remuneration		
- Fees	**430**	389
- Salaries, discretionary bonus and other benefits	**2,518**	2,490
- Retirement benefit scheme contributions (note (i))	**114**	108
- Equity-settled share-based payment expenses	**934**	383
	3,996	3,370
Other employee costs	**166,651**	152,483
- Retirement benefit scheme contributions (note (i))	**13,986**	10,850
- Equity-settled share-based payment expenses	**994**	410
Total employee costs	**185,627**	167,113
Auditor's remuneration	**893**	801
Amortisation of right-of-use assets	**1,939**	1,837
Amortisation of an intangible asset	**1,804**	1,804
Cost of inventories recognised as an expense (note (ii)), including	**2,042,173**	1,806,861
- Reversals of write-down of inventories to net realisable value, net (note (iii))	**-**	(124)
Depreciation on property, plant and equipment	**125,472**	121,723
Write-off of property, plant and equipment	**-**	18,980
Exchange (gain) / losses, net	**(10,395)**	4,878
(Reversal of) / Provision for impairment losses on trade receivables, net	**(235)**	522
(Reversal of) / Provision for impairment loss on other receivables	**(1,703)**	1,980
Write-off of other receivables	**-**	12
Write-off of trade receivables	**2**	-
(Gain) / Loss on disposals of property, plant and equipment, net	**(249)**	128
Lease payments in respect of short-term leases	**3,380**	3,904
Research costs (note (iv))	**83,431**	80,598

Notes:

(i) For the years ended 31 December 2022 and 2021, 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 2022 and 2021, 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 RMB122,005,000 (2021: RMB118,407,000) relating to depreciation expenses and approximately RMB130,317,000 (2021: RMB117,929,000) relating to employee costs. These amounts are included in the respective total amounts disclosed separately above.

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

(iv) Research costs include approximately RMB900,000 (2021: RMB714,000) relating to depreciation expenses and approximately RMB25,733,000 (2021: RMB21,843,000) relating to employee costs. These amounts are included in the respective total amounts disclosed separately above and included in the administrative and other operating expenses.

5. INCOME TAX EXPENSE

	FOR THE YEAR ENDED 31 DECEMBER	
	2022	2021
	RMB'000	RMB'000
Current tax - PRC Enterprise Income Tax		
- Tax for the year	**302,370**	125,581
- Over-provision in prior years	**(9,644)**	-
PRC dividend withholding tax paid	**4,800**	12,564
	297,526	138,145
Deferred tax		
- Charged for the year	**29,438**	5,661
Income tax expense	**326,964**	143,806

No provision for Hong Kong Profit Tax has been made as no assessable profit derives from Hong Kong.

The Company's subsidiaries established in the PRC are subject to the PRC Enterprise Income Tax at the rate of 25% (2021: 25%) for the year ended 31 December 2022.

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 10% (2021: 5% or 10%) withholding tax rate for PRC withholding tax purpose for the year ended 31 December 2022.

6. DIVIDEND

	FOR THE YEAR ENDED 31 DECEMBER	
	2022	2021
	RMB'000	RMB'000
Final dividend paid in respect of prior year HK$0.20 (2021: HK$0.03) per share	**147,900**	21,423
Interim dividend paid in respect of current year HK$0.12 (2021: Nil) per share	**95,390**	-
	243,290	21,423

The Directors recommended a final dividend of HK$0.20 (2021: HK$0.20) per ordinary share in respect of the year ended 31 December 2022. The proposed dividend is not reflected as a dividend payable in these 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	
	2022	2021
	RMB'000	RMB'000
Profit for the year attributable to owners of the Company	**870,924**	379,647

	NUMBER OF ORDINARY SHARES	
	2022	2021
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per shares	**858,525**	851,954
Effect of dilutive potential ordinary shares - share options	**8,985**	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**867,510**	851,954

The computation of diluted earnings per share does not assume the exercise of the Company's share options for the year ended 31 December 2021 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 (2021: one month to six months) to its trade customers. Bills receivable are non-interest bearing bank acceptance bills and aged within a year (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 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:

	AS AT 31 DECEMBER	
	2022	2021
	RMB'000	RMB'000
0 to 90 days	**697,822**	465,461
91 to 180 days	**92,955**	38,950
181 to 365 days	**911**	7,910
Over 365 days	**538**	369
	792,226	512,690

9. TRADE PAYABLES

Trade payables normally have the credit periods ranging from 30 to 270 days (2021: 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	
	2022	2021
	RMB'000	RMB'000
0 to 90 days	**39,366**	44,618
91 to 180 days	**6,260**	1,310
181 to 365 days	**2,122**	335
Over 365 days	**2,092**	1,115
	49,840	47,378

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.

DIVIDENDS

The Directors recommended a final dividend of HK$0.20 (2021: HK$0.20) per share in respect of the year ended 31 December 2022. 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 "**2023 AGM**"). The proposed final dividend is expected to be paid to the Shareholders on or about Thursday, 10 August 2023. Together with the interim dividend of HK$0.12 (2021: Nil) per Share paid to the Shareholders on 27 October 2022, the total aggregated dividends for the year under review is HK$0.32 (2021: HK$0.20) per share.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the Shareholders who are entitled to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Tuesday, 13 June 2023 to Friday, 16 June 2023, both days inclusive. In order to qualify for the right to attend and vote at the 2023 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, 12 June 2023.

For the purpose of ascertaining the Shareholders who qualify for the proposed final dividend in respect of the year ended 31 December 2022, the register of members of the Company will be closed from Wednesday, 26 July 2023 to Friday, 28 July 2023, both days inclusive. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates should be lodged with the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716 on the 17th Floor of Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 25 July 2023.

BUSINESS REVIEW

The novel coronavirus disease (the "**COVID-19**" or "**Pandemic**") has ravaged the world for three years, such public health emergency of international concerns and related affairs have affected the global economy negatively. In order to counteract the negative impacts caused by the Pandemic, many countries implemented unconventional fiscal and monetary policies. In conjunction with the outbreak of the Russia-Ukraine War since February 2022, worldwide surge in inflation was resulted. In view of the majority of the products of the Group are being used for the production of daily consumables, the inflationary environment prompted favourable market conditions for the products of the Group. Besides, the notable contribution to the revenue of the Group during the year under review was generated by several relatively new products launched by the Group in previous years. As a result, the revenue of the Group for the year under review increased significantly as compared with that of last year.

As a consequence of the escalation in global inflation, the costs of basic raw materials used by the Group were stayed at a relatively high level. Benefitting from the Group's persistent efforts in enhancing its production efficiency and streamlining its production activities, as well as the realisation of a more efficient resources allocation and strengthened circular economy production system through the consolidation of production plants, the Group managed to lower its production costs effectively. Therefore, both of the gross profit and gross profit margin of the Group recorded remarkable increases during the year under review. In addition, the Group continuously optimised and streamlined business processes to improve operational efficiency, thereby containing operating expenses at a reasonable level. Consequently, the Group recorded a very satisfactory growth in the profit attributable to owners of the Company for the year under review.

During the year under review, the Group relentlessly improved its operational efficiency for sustainable business development ahead. On the one hand, the Group proactively increased the investment in research and development in order to strengthen the horizontal products portfolio to achieve better products quality. Concurrently, the Group has developed certain new products in the pipeline with good market potential in downstream industries by leveraging on its prevailing business advantages and market trends. All these measures can further augment products layout and incessantly optimise the circular economy production system of the Group. On the other hand, the Group also strived to improve its production activities in relation to safety and environmental protection by increasing investment in the enhancement of production technologies and processes, which could result in continuously elevating the governance standards of environmental protection and simultaneously raising production efficiency. The aforesaid measures have been implemented to establish a solid business foundation of the Group and facilitate the enhancement of flexibilities to map out development plan of the Group in the future.

Outlook

Currently, the central banks of Europe and the United States of America continue to hike interest rates and adopt tightened monetary policies to curb inflation. Economic activities will be decelerated under a high interest rate environment. In addition, the escalating geopolitical risks are intensifying the uncertainties on the economy of the PRC and the unpredictability of business environment. These negative factors of the macro-environment have started to exert influence on the overall economic development in the PRC which would inevitably lead a mounting downward pressure on the PRC manufacturing industries. It is anticipated that the arduous business environment will impair the business performance of the Group in the next fiscal year. To cope with the aforementioned challenges, the Group will sustain its ongoing efforts on improvements in internal operational efficiency, optimisation of products chain, magnification of the effective allocation of resources, enhancement of production processes and adoption of flexible marketing strategies etc. By taking these concerted actions, it should enable the Group to uplift business resilience and reinforce its capability to resist economic headwind even in a challenging environment. Based on the current business foundation and development direction of the Group, the Board remains optimistic about the medium and long-term development prospects of the Group. Moving forward, the Group will adhere to its sustainable business approach to adjust its business strategies in accordance with the different pace of development stages, and rigorously explore more business opportunities with good potential, by which the Group can create new path for its long-term business growth as well as spare no efforts in increasing value for the Shareholders.

FINANCIAL REVIEW

Revenue

During the year under review, the economic environment was still in favour of fine chemical industry in the PRC which provided good market conditions for the products of the Group resulting in a notable increase in revenue of the Group. The revenue of the Group for the year ended 31 December 2022 increased remarkably to approximately RMB3,520.6 million or growth of 36.2% as compared with approximately RMB2,584.7 million in 2021.

Gross profit

The Group further optimised its overall productivity and efficiency by streamlining its production activities, thereby containing its costs of production effectively and improving its gross profit and gross profit margin substantially. During the year under review, the gross profit of the Group reached to approximately RMB1,478.4 million, representing an increase of approximately RMB700.5 million or growth of 90.1% as compared with approximately RMB777.9 million in 2021. The gross profit margin also rose to 42.0%, increased by 11.9 percentage points when compared with 30.1% in 2021.

Operating income and expenses

The other income was mainly comprised (i) net amount of exchange gain; (ii) various grants received from the PRC governmental authorities for being incentives to encourage the Group’s business development; (iii) bank interest income; (iv) compensation received on settlement after the PRC’s court decision; (v) rental income; and (vi) other income during the year under review.

The selling expenses decreased by approximately RMB7.3 million to approximately RMB77.8 million (2021: RMB85.1 million) during the year under review. The decrease was mainly attributable to the decline of transportation cost related to overseas sales as the negative impact from the Pandemic induced global logistics constraint no longer existed. The selling expenses to the Group's revenue was 2.2% (2021: 3.3%).

During the year under review, the administrative and other operating expenses decreased by approximately RMB25.0 million from approximately RMB157.2 million in 2021 to approximately RMB132.2 million in 2022. The decrease was mainly attributable to (i) the absence of the loss arising from written-off property, plant and equipment during the year; (ii) no net exchange loss occurred during the year; and (iii) decrease in provision for doubtful debts. Administrative and other operating expenses to the Group's revenue was 3.8% (2021: 6.1%).

Finance costs

Finance costs mainly represented bank borrowings interest and interest for advances from a substantial Shareholder, which decreased by approximately RMB3.7 million from approximately RMB6.5 million in 2021 to approximately RMB2.8 million in 2022. The decrease was mainly attributable to the decrease in the weighted average amounts of bank borrowings and advances from a substantial Shareholder.

Profit for the year attributable to owners of the Company

As a result of the foregoing factors, the Group achieved a satisfactory increase in profit for the year attributable to owners of the Company to approximately RMB870.9 million (2021: RMB379.7 million).

Trade and bills receivable

As at 31 December 2022, the trade receivables (net of loss allowance) increased to approximately RMB422.7 million, representing an increase of approximately RMB85.6 million or 25.4% as compared with approximately RMB337.1 million recorded as at 31 December 2021. About 91.6% of trade receivables related to the sales incurred in the last quarter of 2022 and most of them were not yet due and 8.1% of trade receivables were related to the sales incurred in the third quarter of 2022. Only 0.3% of trade receivables were aging over 180 days. Up to the date of this announcement, about 76.0% of trade receivables have been settled. Thus, the Directors considered that the current bad debt allowance is adequate for the trade receivables as at 31 December 2022.

As at 31 December 2022, the bills receivable was approximately RMB369.5 million, increased by approximately RMB193.9 million or 110.4% as compared with the balance of approximately RMB175.6 million 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 licensed banks in the PRC. As a result, the default risk is considered relatively low. Accordingly, the Directors considered that allowance for doubtful debt is not 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 Chem Co., Ltd. ("**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 RMB10.0 million (2021: RMB125.9 million) in respect of the compensation. As at 31 December 2022, the remaining balance of the compensation receivable was approximately RMB39.9 million (31 December 2021: RMB49.9 million). The Directors expected the outstanding balance will be settled within one year since the negotiation of a settlement plan with the relevant local authority is reaching the final stage.

Short-term bank borrowings and the principal amounts of advances from a substantial Shareholder

All bank borrowings are at floating interest rates ranging from 3.85% to 5.22% per annum and are denominated in Renminbi. As at 31 December 2022, there is no outstanding bank borrowing amount, representing a net decrease of RMB60.0 million or 100.0% as compared with the balance of RMB60.0 million as at 31 December 2021. The principal amounts of advances from a substantial Shareholder were at a fixed annual interest rate of 2.0% and denominated in Renminbi. The principal amounts of advances from a substantial Shareholder decreased to RMB40.0 million (2021: RMB90.0 million) as at 31 December 2022. The settlement in full of short-term bank borrowings and the reduction of principal amounts of advances from a substantial Shareholder were mainly due to the improvement of operating cash flow generated by strong business performance 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 RMB854.8 million (2021: RMB274.3 million); newly raised bank borrowings of RMB10.0 million (2021: RMB60.0 million); net proceeds from issue of Shares due to exercise of share options of approximately RMB18.1 million (2021: Nil); no incurrence of the principal amount of advances from a substantial Shareholder (2021: RMB1.7 million); compensation received for the Land Resumption of RMB10.0 million (2021: RMB125.9 million); proceeds on disposals of property, plant and equipment of approximately RMB0.3 million (2021: RMB2.4 million); and bank interest received of approximately RMB2.7 million (2021: RMB0.7 million). With the financial resources obtained from the Group's operations, the Group had spent approximately RMB262.1 million (2021: RMB213.5 million) on the acquisition of property, plant and equipment; acquisition of right-of-use assets of approximately RMB22.9 million (2021: Nil); repayments of bank borrowings of RMB70.0 million (2021: RMB110.0 million); interest paid of approximately RMB1.9 million (2021: RMB5.4 million), repayment of advances from a substantial Shareholder of RMB50.0 million (2021: RMB13.7 million); and dividends paid of approximately RMB243.3 million (2021: RMB21.4 million) during the year under review. As at 31 December 2022, the Group had bank and cash balances, time deposits and pledged bank deposits of approximately RMB492.1 million (2021: RMB226.3 million), of which 56.0% was held in Renminbi, 40.2% was held in United States dollars and the remaining balances were held in Hong Kong dollars and euros.

As at 31 December 2022, the Group had net current assets of approximately RMB1,159.2 million (2021: RMB530.9 million), the current ratio of the Group was approximately 3.8 times (2021: 2.0 times). The total amount of outstanding borrowings of the Group was approximately RMB45.7 million (2021: RMB155.2 million). The substantial improvement in the profitability of the Group during the year under review built a stronger financial position for the Group. Hence, the Group attained a net cash balance (total cash and cash equivalent net of total borrowings) of approximately RMB446.5 million (2021: RMB71.2 million) as at 31 December 2022.

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 2022, there was no pledge on the Group's assets (2021: a bank balance of approximately RMB3,000 was frozen as a security for a litigation case under the PRC court order).

Contingent liabilities

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

Commitments

As at 31 December 2022, the Group had commitments which has been contracted but not yet been provided for in the aggregate amount of approximately RMB114.2 million (2021: RMB86.3 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 RMB401.8 million (2021: RMB214.3 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 (the "**Senior Management**"), 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 the 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 Renminbi and most of the Group's monetary assets and liabilities are denominated in Renminbi. 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 RMB 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 2022, the Group had 1,558 (2021: 1,403) full-time employees.

For the year under review, the total staff costs including the Directors' remuneration increased to approximately RMB185.6 million (2021: RMB167.1 million).

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 its employees in order to motivate their personal growth and career development, such as ongoing opportunities for training to enhance their technical and products knowledge as well as their knowledge of industry quality standards. All new employees of the Group are required to attend an induction course and there are also various types of training courses available to all employees of the Group.

The Group has also adopted 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 year under review.

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

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not during the year under review, 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 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 2022. 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 of the Company (the "**Audit Committee**") comprises the three independent non-executive Directors, namely, Mr. Leung Kam Wan, Mr. Liu Chenguang and Mr. Gao Baoyu. Mr. Leung 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 2022 and the annual results as disclosed in this announcement. 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 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 2022 as set out in this 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 this announcement.

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

Hong Kong, 25 March 2023

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.