# 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 2023

**RESULTS HIGHLIGHTS**

- Revenue decreased by 40.9% to approximately RMB2,080.3 million (2022: RMB3,520.6 million).
- Gross profit significantly decreased by 70.3% to approximately RMB438.8 million (2022: RMB1,478.4 million).
- Gross profit margin decreased to 21.1% (2022: 42.0%), representing a decrease of 20.9 percentage points.
- Profit for the year attributable to owners of the Company substantially decreased to approximately RMB211.1 million (2022: RMB870.9 million).
- EBITDA significantly decreased by 69.2% to approximately RMB436.4 million (2022: RMB1,416.9 million).
- Basic earnings per share was approximately RMB0.243 (2022: RMB1.014).
- The Directors recommend a final dividend of HK$0.10 (2022: HK$0.20) per share in respect of the year ended 31 December 2023.

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 2023 together with the comparative figures for the corresponding period in 2022 with the selected notes as follows:

## CONSOLIDATED INCOME STATEMENT

| | | **FOR THE YEAR ENDED 31 DECEMBER** | |
|---|---|---|---|
| | | **2023** | 2022 |
| | *Notes* | **RMB'000** | RMB'000 |
| Revenue | 3 | **2,080,285** | 3,520,608 |
| Cost of sales | | **(1,641,441)** | (2,042,173) |
| **Gross profit** | | **438,844** | 1,478,435 |
| Other income and gains | | **31,984** | 19,972 |
| Revaluation losses on investment properties | | **(1,400)** | (700) |
| Selling expenses | | **(58,455)** | (77,782) |
| Administrative and other operating expenses | | **(112,693)** | (132,207) |
| Finance costs | | **(176)** | (2,767) |
| **Profit before income tax** | 4 | **298,104** | 1,284,951 |
| Income tax expense | 5 | **(66,627)** | (326,964) |
| **Profit for the year** | | **231,477** | 957,987 |
| | | | |
| **Profit for the year attributable to:** | | | |
| Owners of the Company | | **211,071** | 870,924 |
| Non-controlling interests | | **20,406** | 87,063 |
| | | **231,477** | 957,987 |
| | | | |
| Earnings per share for profit attributable to owners of the Company for the year | 7 | | |
| - Basic | | **RMB0.243** | RMB1.014 |
| - Diluted | | **RMB0.242** | RMB1.004 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | FOR THE YEAR ENDED 31 DECEMBER | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| **Profit for the year** | **231,477** | 957,987 |
| **Other comprehensive income** | | |
| **Items that will not be reclassified to the income statement:** | | |
| Currency translation differences | **7,950** | 14,672 |
| **Other comprehensive income for the year** | **7,950** | 14,672 |
| **Total comprehensive income for the year** | **239,427** | 972,659 |
| **Total comprehensive income for the year attributable to :** | | |
| Owners of the Company | **219,109** | 886,070 |
| Non-controlling interests | **20,318** | 86,589 |
| | **239,427** | 972,659 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | AS AT 31 DECEMBER 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **1,540,322** | 1,141,012 |
| Right-of-use assets | | **84,614** | 83,318 |
| Investment properties | | **19,500** | 20,900 |
| Intangible asset | | **6,763** | 8,567 |
| Deposits paid for acquisition of property, plant and equipment | | **23,332** | 131,071 |
| Deferred tax assets | | **5,291** | 7,795 |
| | | **1,679,822** | 1,392,663 |
| **Current assets** | | | |
| Inventories | | **143,921** | 183,897 |
| Trade and bills receivable | 8 | **431,425** | 792,226 |
| Prepayments and other receivables | | **50,261** | 99,311 |
| Pledged bank deposits | | **1,326** | - |
| Time deposits | | **439,458** | 197,463 |
| Bank and cash balances | | **175,605** | 294,667 |
| | | **1,241,996** | 1,567,564 |
| **Current liabilities** | | | |
| Trade payables | 9 | **35,577** | 49,840 |
| Accruals and other payables | | **263,786** | 210,296 |
| Contract liabilities | | **9,819** | 25,520 |
| Advances from a non-controlling shareholder | | **5,743** | 5,655 |
| Advances from a substantial shareholder | | **-** | 45,724 |
| Current tax liabilities | | **2,890** | 71,297 |
| | | **317,815** | 408,332 |
| **Net current assets** | | **924,181** | 1,159,232 |
| **Total assets less current liabilities** | | **2,604,003** | 2,551,895 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **46,427** | 47,733 |
| **NET ASSETS** | | **2,557,576** | 2,504,162 |
| **EQUITY** | | | |
| Share capital | | **7,986** | 7,986 |
| Reserves | | **2,434,931** | 2,401,835 |
| **Equity attributable to the Company's owners** | | **2,442,917** | 2,409,821 |
| **Non-controlling interests** | | **114,659** | 94,341 |
| **TOTAL EQUITY** | | **2,557,576** | 2,504,162 |

## 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 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 2023.

| | |
|---|---|
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies |
| Amendments to HKAS 8 | Definition of Accounting Estimates |
| Amendments to HKAS 12 | Deferred Tax Related to Assets and Liabilities arising from a Single Transaction |

Except as disclosed below, the application of the amended HKFRSs that are relevant and effective from 1 January 2023 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.

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

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to 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 amendments also clarify that 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. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendment has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's material accounting policy information set out in note 3 to the Group's financial statements.

**(b) Amended HKFRSs that have been issued but are not yet effective**

The following 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 | Non-current Liabilities with Covenants (the "**2022 Amendments**") [1] |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current (the "**2020 Amendments**") [1,3] |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback [1] |
| Amendments to HKAS 21 | Lack of Exchangeability [2] |

[1] Effective for annual periods beginning on or after 1 January 2024
[2] Effective for annual periods beginning on or after 1 January 2025
[3] 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 – 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 HKFRS 16 - Lease Liability in a Sale and Leaseback**

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

**Amendments to HKAS 21- Lack of Exchangeability**

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate the comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application.

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

## 3. REVENUE AND SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision makers (i.e. executive Directors) (the "**CODM**") for their decisions about resources allocation to the Group's business components and for their review of the performance of the components.

The business components of the Group with the research and development, manufacture and sale of fine chemical products of the Group are assessed and identified as a single operating segment by the CODM. The single operating segment is reported in a manner consistent with the internal financial information reporting provided to the CODM.

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.

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

| | FOR THE YEAR ENDED 31 DECEMBER | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| The PRC (domicile) | **1,474,254** | 2,601,514 |
| India | **279,071** | 420,009 |
| Switzerland | **61,461** | 25,035 |
| United States of America | **34,672** | 84,078 |
| Spain | **33,889** | 52,735 |
| Others | **196,938** | 337,237 |
| | **2,080,285** | 3,520,608 |

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 a customer that accounted for 10% or more of the Group’s total revenue during the year is as follows:

| | FOR THE YEAR ENDED 31 DECEMBER | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Customer A | **218,104** | 531,624 |

## 4. PROFIT BEFORE INCOME TAX

| | FOR THE YEAR ENDED 31 DECEMBER | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Profit before income tax is arrived at after charging/(crediting): | | |
| Directors' remuneration | | |
| - Fees | **665** | 430 |
| - Salaries, discretionary bonus and other benefits | **3,476** | 2,518 |
| - Retirement benefit scheme contributions (note (i)) | **123** | 114 |
| - Equity-settled share-based payment expenses | **310** | 934 |
| | **4,574** | 3,996 |
| Other employee costs | **180,805** | 166,651 |
| - Retirement benefit scheme contributions (note (i)) | **16,517** | 13,986 |
| - Equity-settled share-based payment expenses | **323** | 994 |
| Total employee costs | **202,219** | 185,627 |
| Auditor's remuneration | **907** | 893 |
| Amortisation of right-of-use assets | **2,504** | 1,939 |
| Amortisation of an intangible asset | **1,804** | 1,804 |
| Cost of inventories recognised as an expense (note (ii)), including | **1,641,441** | 2,042,173 |
| - Write-down of inventories to net realisable value | **5,614** | - |
| Depreciation on property, plant and equipment | **133,851** | 125,472 |
| Provision for / (Reversal of) impairment losses on trade receivables, net | **454** | (235) |
| Reversal of impairment loss on other receivables | **(9,638)** | (1,703) |
| Write-off of a trade receivable | **-** | 2 |
| Lease payments in respect of short-term leases | **4,323** | 3,380 |
| Research costs (note (iii)) | **67,878** | 83,431 |

Notes:

(i) For the years ended 31 December 2023 and 2022, 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 2023 and 2022, 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 RMB128,138,000 (2022: RMB122,005,000) relating to depreciation expenses and approximately RMB145,201,000 (2022: RMB130,317,000) relating to employee costs. These amounts are included in the respective total amounts disclosed separately above.

(iii) Research costs include approximately RMB1,594,000 (2022: RMB900,000) relating to depreciation expenses and approximately RMB27,463,000 (2022: RMB25,733,000) 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 | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Current tax - PRC Enterprise Income Tax | | |
| - Tax for the year | **69,980** | 302,370 |
| - Over-provision in prior years | **(4,551)** | (9,644) |
| PRC dividend withholding tax paid | **-** | 4,800 |
| | **65,429** | 297,526 |
| Deferred tax | | |
| - Charged for the year | **1,198** | 29,438 |
| Income tax expense | **66,627** | 326,964 |

The Company's subsidiaries incorporated in Hong Kong are subject to Hong Kong Profit Tax at the tax rate of 16.5% (2022: 16.5%) on their estimate assessable profit for the year ended 31 December 2023. No provision for Hong Kong Profit Tax has been made as no assessable profit derives from Hong Kong during the year (2022: Nil).

The Company's subsidiaries established in the PRC are subject to the PRC Enterprise Income Tax at the rate of 25% (2022: 25%) for the year ended 31 December 2023.

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% (2022: 10%) withholding tax rate for PRC withholding tax purpose for the year ended 31 December 2023.

According to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries engaged in research and development activities are entitled to claim additional 100% (2022: 100%) of their research and developments expenses so incurred as tax deductible expenses when determining their assessable profits for the year.

## 6. DIVIDENDS

| | FOR THE YEAR ENDED 31 DECEMBER | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Final dividends paid in respect of prior year HK$0.20 (2022: HK$0.20) per share | **162,737** | 147,900 |
| Interim dividends paid in respect of current year HK$0.03 (2022: HK$0.12) per share | **23,909** | 95,390 |
| | **186,646** | 243,290 |

The Directors recommended a final dividend of HK$0.10 (2022: HK$0.20) per ordinary share in respect of the year ended 31 December 2023. 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 | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Profit for the year attributable to owners of the Company | **211,071** | 870,924 |

| | NUMBER OF ORDINARY SHARES | |
|---|---|---|
| | **2023** | 2022 |
| | **'000** | '000 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **869,418** | 858,525 |
| Effect of dilutive potential ordinary shares - Share options | **4,188** | 8,985 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **873,606** | 867,510 |

## 8. TRADE AND BILLS RECEIVABLE

The Group allows credit periods normally ranging from one month to six months (2022: one month to six months) to its trade customers. Bills receivable are non-interest bearing bank acceptance bills and matured within six months (2022: within a year) from the end of reporting period. 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 | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| 0 to 90 days | **346,580** | 697,822 |
| 91 to 180 days | **83,770** | 92,955 |
| 181 to 365 days | **1,007** | 911 |
| Over 365 days | **68** | 538 |
| | **431,425** | 792,226 |

## 9. TRADE PAYABLES

Trade payables normally have the credit periods ranging from 30 to 270 days (2022: 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 | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| 0 to 90 days | **31,148** | 39,366 |
| 91 to 180 days | **759** | 6,260 |
| 181 to 365 days | **1,454** | 2,122 |
| Over 365 days | **2,216** | 2,092 |
| | **35,577** | 49,840 |

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$0.10 (2022: HK$0.20) per share in respect of the year ended 31 December 2023 to shareholders of the Company (the "**Shareholders**") whose names appear on the register of members of the Company as of 26 July 2024. The proposed final dividend is subject to approval by the Shareholders in the forthcoming annual general meeting of the Company (the "**2024 AGM**"). The proposed final dividend is expected to be paid to the Shareholders on or about Thursday, 29 August 2024. Together with the interim dividend of HK$0.03 (2022: HK$0.12) per Share paid to the Shareholders on 19 October 2023, the total aggregated dividends for the year under review is HK$0.13 (2022: HK$0.32) per share.

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the Shareholders who are entitled to attend and vote at the 2024 AGM, the register of members of the Company will be closed from Tuesday, 4 June 2024 to Friday, 7 June 2024, both days inclusive. In order to qualify for the right to attend and vote at the 2024 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, 3 June 2024.

For the purpose of ascertaining the Shareholders who qualify for the proposed final dividend in respect of the year ended 31 December 2023, the register of members of the Company will be closed from Wednesday, 24 July 2024 to Friday, 26 July 2024, 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, 23 July 2024.

**BUSINESS REVIEW**

During the year under review, the circumstance of persistent international geopolitical conflicts and high external interest rates impeded the economic development of the PRC. Coupled with the softening domestic real estate market and rising youth unemployment rate, which led to tightening local government finances and a notable contracting of household consumption, the resulting post-pandemic economic recovery in the PRC fell short of expectations. As a consequence, market demand turned sluggish and the selling prices of the products of the Group in general inevitably declined substantially across the board in response to the downward shift in the market. Therefore, the turnover of the Group recorded a significant decrease compared to that of last year. Even though the prices of raw materials also decreased due to the weak market, the extent of decreases in raw materials prices was much smaller than that in selling prices. Consequently, the Group's gross profit and gross profit margin also decreased significantly compared to those of last year.

In the face of the extremely challenging business environment, the Group expeditiously adjusted its sales and marketing strategies to maximise sales volume and profits by utilising flexible pricing measures. Consequently, the overall sales volume of the products of the Group held steady compare to that of last year despite weak market demand and considerable downward pressure on selling prices. Furthermore, the Group has implemented workflow reforms and internal job relocation to boost employee morale and enhance business performance. Besides, the Group has also minimised various expenses to improve its competitiveness during the year under review. Although the profit attributable to owners of the Company for the year under review decreased significantly as compared to that of last year, the Group was still capable of maintaining profitability despite the deteriorating macroeconomic environment.

In the past, the Group had been focusing on the research and development of new products in downstream industries equipped with strong market potential while utilising its advanced production technology so as to drive sustainable business growth. During the year under review, several newly developed products have been successfully launched to the market with positive market response. The Directors believe that the market penetration of these new products will be progressively expanded, which will have a positive impact on the turnover, production scale and expansion of business scope of the Group in the future. In addition, the Group's cash flow has recorded further improvement. Maintaining a sound cash position is a crucial element for addressing the current market conditions. When the market conditions stabilise and become conducive to expansion, the Group will develop more new products targeting different industry chains.

**Outlook**

It is expected that the economic growth of the PRC will experience a moderate slowdown, while capital inflows will pick up in 2024. However, the ongoing tensions in China-US relations will keep foreign investors in the PRC cautious. While the relevant government authorities have yet to introduce effective policies to improve the economy, the domestic manufacturing industry in general will continue to face downward pressure due to cautious market demand in the short term, resulting in a low likelihood of significant product prices rebounds. To cope with current severe business environment, the Group will adhere to its cautious and prudent operating policies and secure ample financial resources to enhance its capabilities of risk mitigation. Moreover, the Group is well-prepared to become a high-tech and low-carbon manufacturer in the future by strengthening its circular economy production system, optimising its production capacity and adhering to high standards of safety and environmental protection in its production environment. The Directors believe that the aforementioned measures will promote long-term business growth and lay a solid foundation for the Group's sustainable development in the future.

## FINANCIAL REVIEW

### Revenue

During the year under review, the Group faced a challenging macro-economic environment and deterioration of the market conditions, which resulted in a sharp decline in the selling prices of the products of the Group. The revenue of the Group for the year ended 31 December 2023, decreased significantly to approximately RMB2,080.3 million, representing a decline of 40.9% compared to approximately RMB3,520.6 million in 2022.

### Gross profit

The gross profit of the Group also dropped substantially to approximately RMB438.8 million, representing a decrease of approximately RMB1,039.6 million or 70.3% as compared with approximately RMB1,478.4 million in 2022. This decrease was primarily attributable to the decline in selling price, which was significantly higher than the reduction in the cost of raw materials for the Group during the year under review. The gross profit margin dropped to 21.1%, a decrease of 20.9 percentage points compared to 42.0% in 2022.

### Operating income and expenses

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

The selling expenses decreased by approximately RMB19.3 million to approximately RMB58.5 million (2022: RMB77.8 million) during the year under review. This decrease was mainly attributable to a reduction in transportation costs related to overseas sales as the falling demand in export activities of the PRC depressed these costs. The selling expenses accounted for 2.8% (2022: 2.2%) of the Group's revenue.

During the year under review, the administrative and other operating expenses decreased by approximately RMB19.5 million from approximately RMB132.2 million in 2022 to approximately RMB112.7 million in 2023. This decrease was primarily attributable to (i) a reduction in research and development expenses; and (ii) a reversal of impairment loss on other receivables. Administrative and other operating expenses accounted for 5.4% (2022: 3.8%) of the Group's revenue.

### Finance costs

Finance costs, primarily consisting of bank borrowings interest and interest for advances from a substantial Shareholder, decreased by approximately RMB2.6 million from approximately RMB2.8 million in 2022 to approximately RMB0.2 million in 2023. This decrease was mainly due to a decrease in the weighted average amounts of advances from a substantial Shareholder and a decrease in bank borrowings drawn down during the year under review.

**Profit for the year attributable to owners of the Company**

Due to the aforementioned factors, the profit for the year attributable to owners of the Company significantly decreased to approximately RMB211.1 million as compared with approximately RMB870.9 million in 2022.

**Trade and bills receivable**

As at 31 December 2023, the trade receivables (net of loss allowance) decreased to approximately RMB260.5 million, representing a decrease of approximately RMB162.2 million or 38.4% as compared with approximately RMB422.7 million recorded on 31 December 2022. About 81.16% of trade receivables were from sales incurred in the last quarter of 2023 with most not yet due and 18.80% of trade receivables were from sales incurred in the third quarter of 2023. Only 0.04% of trade receivables were aging over 180 days. Upon the date of this announcement, about 62.15% 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 2023.

As at 31 December 2023, the bills receivable amounted to approximately RMB170.9 million, representing a decrease of approximately RMB198.6 million or 53.7% as compared to the balance of approximately RMB369.5 million as at 31 December 2022. Since all bills receivable are bank acceptance bills, which are non-interest-bearing and typically mature within six months, the payments of which are guaranteed by the licensed banks in the PRC. This significantly reduces the default risk. Consequently, the Directors considered that allowance for doubtful debt is not required.

**Prepayments and other receivables**

The remaining balance of compensation receivable 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 fully settled during the year through the receipt of certain properties with fair values of approximately RMB49.3 million, ascertained by an independent valuer.

**The principal amounts of advances from a substantial Shareholder**

The principal amounts of advances from a substantial Shareholder were at a fixed annual interest rate of 2.0% and denominated in Renminbi. As at 31 December 2023, there were no outstanding amounts of advances from a substantial Shareholder, representing a full settlement of RMB40.0 million balance outstanding as at 31 December 2022. This settlement reflects the financial position of the Group has been further improved 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 RMB649.2 million (2022: RMB854.8 million); newly raised bank borrowings of RMB11.0 million (2022: RMB10.0 million); proceeds on disposals of property, plant and equipment of approximately RMB0.2 million (2022: RMB0.3 million); bank interest received of approximately RMB18.2 million (2022: RMB2.7 million); no proceeds from issue of Shares due to exercise of share options (2022: RMB18.1 million); and no compensation received for the Land Resumption (2022: RMB10.0 million). With the financial resources obtained from the Group's operations, the Group had spent approximately RMB318.5 million (2022: RMB262.1 million) on the acquisition of property, plant and equipment; repayments of bank borrowings of RMB11.0 million (2022: RMB70.0 million); interest paid of approximately RMB5.9 million (2022: RMB1.9 million), repayment of advances from a substantial Shareholder of RMB40.0 million (2022: RMB50.0 million); dividends paid of approximately RMB186.6 million (2022: RMB243.3 million); and no acquisition of right-of-use assets (2022: RMB22.9 million) during the year under review. As at 31 December 2023, the Group had bank and cash balances, time deposits and pledged bank deposits of approximately RMB616.4 million (2022: RMB492.1 million), of which 20.8% was held in Renminbi, 77.4% was held in United States dollars and the remaining balances were held in Hong Kong dollars and euros.

As at 31 December 2023, the Group had net current assets of approximately RMB924.2 million (2022: RMB1,159.2 million), the current ratio of the Group was approximately 3.9 times (2022: 3.8 times). There is no outstanding borrowings of the Group (2022: RMB45.7 million). The Group strives to achieve operating profit and solid financial position during the year under review. Hence, the Group attained a net cash balance (total cash and cash equivalent, time deposits and pledged bank deposits net of total borrowings) of approximately RMB616.4 million (2022: RMB446.5 million) as at 31 December 2023.

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

**Pledge of assets**

As at 31 December 2023, a bank deposit of approximately RMB1.0 million was pledged to secure the settlement of contracting fees for a production line under construction; and bank deposits of approximately RMB0.3 million were pledged to secure the water supply to the factories of the Company's subsidiaries. There was no pledge of assets as at 31 December 2022.

**Contingent liabilities**

As at 31 December 2023, the Group had no material contingent liabilities (2022: Nil).

**Commitments**

As at 31 December 2023, the Group had commitment of approximately RMB94.9 million (2022: RMB114.2 million) that have been contracted but not yet been provided for, related to the acquisition of property, plant and equipment as well as construction in progress. Additionally, the Group has a capital commitment of approximately RMB213.8 million (2022: RMB401.8 million) authorised but not contracted for also 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 to its funding and treasury policies, aiming to maintain an optimal financial position and minimise the Group's financial risks. The Group regularly reviews its funding requirements to ensure 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 enabling the Senior Management to maintain an adequate level of cash and cash equivalents, as well as sufficient available banking facilities to finance the daily operations and capital expenditure requirements in the foreseeable future, in accordance with 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 because its businesses primarily operate in Renminbi and most of its monetary assets and liabilities are denominated in Renminbi. As a result, the Group has minimal exposure to currency risk and foreign exchange rate fluctuations.

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 primarily denominated in Renminbi, along with 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. While most of the Group's income and expenses are denominated in Renminbi 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. Looking ahead, 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 2023, the Group had 1,536 (2022: 1,558) full-time employees.

For the year under review, the total staff costs including the Directors' remuneration increased to approximately RMB202.2 million (2022: RMB185.6 million).

The Group has established human resources policies and a compensation 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 attract and retain employees. The remuneration package of the Group is aligned with employee duties and prevailing market rates. Additionally, the Group offers staff benefits such as medical coverage and provident funds.

The employees of the Group would receive discretionary bonuses and monetary rewards based on their annual performance appraisals. Besides, the Group also offered various incentives to motivate personal growth and career development, including ongoing training opportunities to enhance technical, products and industry quality standards knowledge. All new employees of the Group are required to attend an induction course and various training courses are 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.

## EVENT AFTER THE REPORTING YEAR

There is no material subsequent event undertaken by the Company or by the Group after 31 December 2023 and up to the date of this announcement.

## CORPORATE GOVERNANCE PRACTICES

During the year under review, the Company has adopted and complied with the relevant code provisions of the Corporate Governance Code as set out in Appendix C1 (previously known as 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 C3 (previously known as 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 2023. 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 Ms. Shan Honghong. 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 2023 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 2023 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.

## PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at "www.hkexnews.hk" and on the website of the Company at "www.tdchem.com". The annual report of the Company for the year ended 31 December 2023 will be despatched to the Shareholders and published on the above websites in April 2024 according to the requirements under the Listing Rules.

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

Hong Kong, 25 March 2024

*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. Leung Kam Wan, Mr. Liu Chenguang and Ms. Shan Honghong.*