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## **Tiande Chemical Holdings Limited**

**天德化工控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 609)

### **DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE EQUITY INTERESTS IN THE DISPOSAL COMPANY**

#### **THE DISPOSAL AGREEMENT**

On 27 June 2019 (after trading hours of the Stock Exchange), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Disposal Agreement with the Purchaser, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire the Sale Capital at a total consideration of RMB990,000.

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

On 27 June 2019 (after trading hours of the Stock Exchange), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Disposal Agreement with the Purchaser, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire the Sale Capital at a total consideration of RMB990,000. Details of the Disposal Agreement are set out below:

#### **THE DISPOSAL AGREEMENT**

Date: 27 June 2019 (after trading hours of the Stock Exchange)

Parties: (1) Shanghai Dehong Chemical Company Limited, as Vendor; and

(2) 竇京忠 (Dou Jingzhong), as Purchaser

The Vendor is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the selling and distribution of fine chemical products.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser is an Independent Third Party.

**Assets to be disposed of**

Pursuant to the Disposal Agreement, the Vendor has agreed to sell and the Purchaser has agreed to acquire the Sale Capital. As at the date of this announcement, the Vendor beneficially owns the Sale Capital, representing the entire equity interests in the Disposal Company.

**Consideration**

The aggregate consideration for the sale and purchase of the Sale Capital is RMB990,000, which shall be payable by the Purchaser to the Vendor in cash on the Completion Date.

The Consideration was determined after arms' length negotiations between the Purchaser and the Vendor with reference to the net loss and the net liabilities position of the Disposal Company.

**Condition precedent**

The Disposal Agreement shall be unconditional.

**Completion**

Completion shall take place on the Completion Date. Upon Completion, the Company will cease to hold any equity interests in the Disposal Company. The Disposal Company will cease to be a subsidiary of the Company and the financial results of the Disposal Company will no longer be consolidated into the Group's financial statements.

**Undertakings**

The Vendor undertakes that Weifang Parasia and Weifang Binhai will continue supplying chemical products to the Disposal Company after Completion. The terms and conditions for the supply of chemical products will be determined with reference to the then prevailing normal commercial terms in the market.

The Purchaser undertakes that the Disposal Company shall apply at least 70% of its audited gross profit per year for repayment of the outstanding debt owing to Weifang Parasia and Weifang Binhai until such debt had been fully settled.

**INFORMATION ON THE DISPOSAL COMPANY**

The Disposal Company is a company established in the PRC with limited liability and is principally engaged in research and development, manufacture and sale of chemical products.

Reference is made to the Company's announcements dated 10 August 2018 and 18 April 2019 as well as the Company's annual report published on 18 April 2019. On 18 June 2018, the government of Jiangsu province issued the Directive titled Work Plan for Rectification of Coastal Chemical Industry Parks (Concentrated Areas) in the Province (《全省沿海化工園區(集中區)整治工作方案》) to deal with environmental pollution problems arising from the chemical industrial parks. The production plant of the Disposal Company is located in one of the chemical industrial parks under the Directive and subject to stringent environmental improvement works according to the requirements of the Directive.

On 21 March 2019, a major explosion of a chemical plant took place in Yancheng city, which prompted the government of Jiangsu province to adopt additional measures to reduce the number of chemical production enterprises and industrial estates. After the said incident, the management of the Disposal Company has discussed with the relevant local authorities over various options for the Resumption and noted that the environmental improvement and rectification works to be carried out by the Disposal Company alone may not be sufficient to support the Resumption because the local authorities would also consider the overall environmental standards of the Industrial Park according to the requirements under the Directive. The status of the Disposal Company remains unchanged and all production activities of the Disposal Company had ceased up to the date of this announcement.

As at the date of this announcement, there are outstanding debts in the amount of approximately RMB22,003,000 and RMB50,601,000 owing by the Disposal Company to Weifang Parasia and Weifang Binhai respectively. Weifang Parasia and Weifang Binhai had been supplying chemical products and advances for working capital to the Disposal Company for its business operations and the said outstanding debts represented the outstanding purchase costs and advances amount.

Set out below is the financial information of the Disposal Company for the year ended 31 December 2017, 31 December 2018 and the five months ended 31 May 2019:

	<b>For the five month ended 31 May 2019</b> <i>(unaudited)</i> <i>(RMB'000)</i>	<b>For the year ended 31 December 2018</b> <i>(audited)</i> <i>(RMB'000)</i>	<b>For the year ended 31 December 2017</b> <i>(audited)</i> <i>(RMB'000)</i>
Loss before taxation	(29,035)	(30,099)	(5,738)
Loss after taxation	(36,746)	(22,701)	(4,314)
Net assets (liabilities)	(40,971)	(4,225)	18,476

The net liabilities of the Disposal Company increased from approximately RMB4,225,000 as at 31 December 2018 to approximately RMB40,971,000 as at 31 May 2019, which was mainly attributable to the write-off of property, plant and equipment and deferred tax assets of the Disposal Company as a result of the cessation of production during the relevant period pursuant to the accounting policies of the Group.

## **FINANCIAL EFFECT OF THE DISPOSAL**

Upon Completion, based on the management accounts of the Disposal Company for the five months ended 31 May 2019, the Group is expected to record an unaudited gain on the Disposal of approximately RMB41,961,000. The gain on the Disposal is estimated based on the gross proceeds from the Disposal of RMB990,000 plus the net liabilities of the Disposal Company as at

31 May 2019 of approximately RMB40,971,000. The Board intends to apply the net proceeds from the Disposal as general working capital of the Group.

Meanwhile, as the Disposal Company will cease to be a subsidiary of the Company upon Completion, the Company will need to conduct an impairment test pursuant to the accounting policies of the Group for the long overdue debt owing by the Disposal Company to Weifang Parasia and Weifang Binhai after the Disposal in the estimated total amount of approximately RMB41,172,000 due to the substantial credit risk to the Group. The amount of impairment loss will be determined upon the finalisation of the published financial statements of the Group.

The financial information contained in this announcement is a preliminary assessment made by the Board based on information currently available to the Group which has not been audited by the independent auditor of the Company and is subject to potential adjustments or amendments.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Company is an investment holding company. The principal business of the Group includes research and development, manufacture and sale of fine chemical products, which is broadly categorised into four major product groups, namely cyanide and its derivative products, alcohol products, chloroacetic acid and its derivative products and other chemical products.

Having considered the underlying factors adversely affecting the Disposal Company described under the section headed “Information on the Disposal Company” above, the Board considered that the production activities of the Disposal Company will continue to be suspended for an uncertain period of time and it is highly unlikely that the Resumption would proceed in the foreseeable future. In order for the Disposal Company to meet the requirements under the Directive, substantial capital expenditure would need to be incurred for improving and upgrading the Disposal Company’s existing production facilities as well as increasing its environmental facilities. The overall environmental standards of the Industrial Park would also need to be improved, which is beyond the control of the Group. Therefore, the business prospect of the Disposal Company is bleak in the foreseeable future.

Further, the Disposal Company had been loss making in the previous two financial years and is currently involved in a number of legal proceedings. The Board considered that the Disposal would enable the Group to save administrative and other operating expenses and legal costs as well as to reallocate the Group’s resources to develop other core business activities of the Group.

In view of the above, the Directors consider that the entering into of the Disposal Agreement and the terms of the Disposal, including the Consideration, are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Board”	the board of Directors
“Company”	Tiande Chemical Holdings Limited, an exempted company with limited liability incorporated under the Companies Law of the Cayman Islands whose shares are listed and traded on the main board of the Stock Exchange (Stock code: 00609)
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement
“Completion Date”	28 June 2019
“Consideration”	the total consideration for the Disposal
“Directive”	the directive titled Work Plan for Rectification of Coastal Chemical Industry Parks (Concentrated Areas) in the Province (《全省沿海化工園區(集中區)整治工作方案》) issued by the government of Jiangsu province on 18 June 2018
“Director(s)”	directors of the Company
“Disposal”	the sale of the Sale Capital by the Vendor pursuant to the terms of the Disposal Agreement
“Disposal Agreement”	the agreement dated 27 June 2019 and entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Sale Capital
“Disposal Company”	Jiangsu Chunxiao Pharmaceutical & Chemical Co., Ltd. (江蘇春曉醫藥化工科技有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined in the Listing Rules)
“Industrial Park”	chemical industrial park of Lianyungang

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchaser”	竇京忠 (Dou Jingzhong)
“Resumption”	the resumption of production of the Disposal Company
“Sale Capital	the entire registered and paid up capital of the Disposal Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Shanghai Dehong Chemical Company Limited (上海德弘化工有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Weifang Binhai”	Weifang Binhai Petro-Chem Co., Ltd. (濰坊濱海石油化工有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Weifang Parasia”	Weifang Parasia Chem Co., Ltd. (濰坊柏立化學有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

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

Hong Kong, 27 June 2019

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