TSAKER

Tsaker Chemical Group Limited
彩客化學集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1986)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2020, revenue of the Group amounted to approximately RMB1,275.3 million, representing a decrease of approximately RMB543.0 million or 29.9% comparing with that in the same period of 2019.
- For the year ended 31 December 2020, gross profit of the Group amounted to approximately RMB445.3 million, representing a decrease of approximately RMB595.7 million or 57.2% comparing with that in the same period of 2019.
- For the year ended 31 December 2020, net profit of the Group amounted to approximately RMB144.6 million, representing a decrease of approximately RMB373.7 million or 72.1% comparing with that in the same period of 2019.
- For the year ended 31 December 2020, basic and diluted earnings per share attributable to ordinary equity owners of the parent amounted to approximately RMB0.14, representing a decrease of approximately RMB0.36 or 72.0% comparing with that in the same period of 2019.
- The Board did not recommend the declaration of any final dividend for the year ended 31 December 2020.

The board (the "**Board**") of directors (the "**Director(s)**") of Tsaker Chemical Group Limited ("**Tsaker Chemical**" or the "**Company**" or "**We**") hereby announces the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2020 (the "**Reporting Period**" or the "**Review Year**") together with the comparative figures for the year ended 31 December 2019 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	4	**1,275,274**	1,818,347
Cost of sales		**(829,939)**	(777,390)
Gross profit		**445,335**	1,040,957
Other income and gains	4	**15,188**	9,517
Selling and distribution expenses		**(41,578)**	(44,914)
Administrative expenses		**(178,206)**	(188,357)
Other expenses		**(20,766)**	(15,466)
Impairment losses on property, plant and equipment		**(18,241)**	(52,035)
Finance costs	5	**(32,444)**	(31,661)
Exchange gains/(losses), net		**7,995**	(8,402)
PROFIT BEFORE TAX	6	**177,283**	709,639
Income tax expense	7	**(32,684)**	(191,355)
PROFIT FOR THE YEAR		**144,599**	518,284
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operations		**(21,670)**	8,396
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):			
Equity investments designated at fair value through other comprehensive income ("**FVOCI**")		**716**	(4,715)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(20,954)**	3,681
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**123,645**	521,965
Profit attributable to:			
Owners of the parent		**144,875**	517,927
Non-controlling interests		**(276)**	357
		144,599	518,284
Total comprehensive income attributable to:			
Owners of the parent		**123,921**	521,608
Non-controlling interests		**(276)**	357
		123,645	521,965
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (expressed in RMB per share)	9	**0.14**	0.50

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	**31 December 2020** **RMB'000**	31 December 2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**1,477,147**	1,521,318
Right-of-use assets	11(a)	**93,843**	83,907
Intangible assets		**19,625**	22,726
Equity investments designated at FVOCI	12	**50,218**	51,230
Deferred tax assets		**43,016**	39,912
Other non-current assets		**11,707**	5,884
Total non-current assets		**1,695,556**	1,724,977
CURRENT ASSETS			
Inventories	13	**177,787**	274,208
Trade receivables	14	**135,164**	203,276
Notes receivable	15	**82,177**	82,761
Prepayments and other receivables		**148,695**	187,438
Financial assets at fair value through profit or loss		**1,709**	–
Restricted cash	16	**760**	3,896
Cash and cash equivalents	16	**101,240**	104,844
Total current assets		**647,532**	856,423
CURRENT LIABILITIES			
Trade payables	17	**178,901**	283,273
Other payables and accruals		**86,328**	119,807
Contract liabilities		**11,514**	16,088
Interest-bearing bank and other borrowings	18	**282,000**	264,274
Income tax payable		**10,651**	42,849
Current portion of long-term borrowings	18	**28,212**	19,646
Total current liabilities		**597,606**	745,937
NET CURRENT ASSETS		**49,926**	110,486
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,745,482**	1,835,463

	Notes	**31 December 2020** *RMB'000*	31 December 2019 *RMB'000*
NON-CURRENT LIABILITIES			
Deferred income		**21,177**	23,434
Deferred tax liabilities		**5,250**	12,144
Interest-bearing bank and other borrowings	*18*	**39,440**	29,885
Lease liabilities	*11(b)*	**323**	3,559
Total non-current liabilities		**66,190**	69,022
Net assets		**1,679,292**	1,766,441
EQUITY			
Equity attributable to owners of the parent			
Share capital	*19*	**66,713**	67,088
Reserves		**1,612,579**	1,699,077
		1,679,292	1,766,165
Non-controlling interests		**–**	276
Total equity		**1,679,292**	1,766,441

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**177,283**	709,639
Adjustments for:			
Finance costs	*5*	**32,444**	31,661
Exchange losses/(gains), net		**(1,998)**	990
Interest income	*4*	**(240)**	(410)
Dividend income from equity investments at FVOCI and financial assets at fair value through profit or loss	*4*	**(703)**	(2,399)
Loss on disposal of items of property, plant and equipment	*6*	**4,220**	5,410
Loss on termination of a lease		**101**	–
Fair value gains of financial assets at fair value through profit or loss		**(530)**	–
Depreciation of property, plant and equipment	*10*	**90,659**	67,647
Depreciation of right-of-use assets	*11(a)*	**9,302**	4,961
Amortisation of intangible assets		**2,370**	1,101
Amortisation of deferred income		**(2,607)**	(3,081)
Impairment of trade receivables	*6*	**1,347**	23
Impairment of property, plant and equipment	*6*	**18,241**	52,035
Write-down of inventories to net realisable value	*6*	**8,535**	1,991
		338,424	869,568
Decrease/(increase) in inventories		**87,886**	(66,200)
Increase in trade receivables		**(1,461)**	(92,113)
Decrease in prepayments and other receivables		**13,667**	85,953
Decrease in trade payables		**(51,771)**	(15,582)
(Decrease)/increase in other payables and accruals		**(51,710)**	22,136
(Decrease)/increase in contract liabilities		**(4,575)**	8,333
Decrease/(increase) in restricted cash		**3,136**	(2,922)
Cash generated from operations		**333,596**	809,173
Interest received		**240**	410
Interest paid		**(26,839)**	(29,723)
Income tax paid		**(87,761)**	(214,943)
Net cash flows from operating activities		**219,236**	564,917

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from equity investments at FVOCI and financial assets at fair value through profit or loss	*4*	**703**	2,399
Proceeds from disposal of financial assets at fair value through profit or loss		**3,740**	–
Purchases of items of property, plant and equipment		**(20,824)**	(153,437)
Purchases of intangible assets		**–**	(20,742)
Proceeds from disposal of items of property, plant and equipment		**1,804**	1,521
Purchases of equity investments designated at FVOCI		**(2,000)**	(46,658)
Proceeds from government grants		**350**	3,200
Prepaid land lease payment		**(18,277)**	–
Purchase of financial assets at fair value through profit or loss		**(4,859)**	–
Net cash flows used in investing activities		**(39,363)**	(213,717)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans and other borrowings		**373,160**	339,459
Decrease in restricted cash for bank loans and other borrowings		**–**	28,793
Acquisition of non-controlling interests		**–**	(1,000)
Repurchase of own shares		**(5,738)**	(7,882)
Repayment of bank loans and other borrowings		**(342,940)**	(662,126)
Principal portion of lease liabilities		**(4,901)**	(358)
Dividend paid		**(205,056)**	(66,527)
Net cash flows used in financing activities		**(185,475)**	(369,641)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(5,602)**	(18,441)
Cash and cash equivalents at beginning of the year	*16*	**104,844**	124,275
Effect of foreign exchange rate changes, net		**1,998**	(990)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	*16*	**101,240**	104,844

NOTES TO FINANCIAL STATEMENTS

31 December 2020

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is P.O. Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman, KY1-1106, Cayman Islands.

The Company is an investment holding company. During the year, the Company's subsidiaries were involved in the following principal activities:

- manufacture and sale of dye and agricultural chemical intermediates
- manufacture and sale of pigment intermediates
- environmental technology consultancy services
- manufacture and sale of battery materials

In the opinion of the Directors, the de facto controller of the Company is Mr. Ge Yi, who holds 51.63% voting right of the Company.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except for equity investment, certain financial assets and notes receivable which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

(b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendment require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendment did not have any impact on the financial position and performance of the Group as there were no lease payments reduced or waived by the lessors as a result of the COVID-19 pandemic during the year ended 31 December 2020.

(d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could 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 clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3, 6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021

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

3 Effective for annual periods beginning on or after 1 January 2023

4 No mandatory effective date yet determined but available for adoption

5 As a consequence of the amendments to HKAS 1, 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 in October 2020 to align the corresponding wording with no change in conclusion

6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and has four (2019: four) reportable operating segments as follows:

(a) the dye and agricultural chemical intermediates segment produces dye intermediate products for the use in the production of dye related products and products for the use in the production of agricultural chemicals;

(b) the pigment intermediates segment produces pigment intermediate products for the use in the production of pigments;

(c) the environmental technology consultancy service segment engages in environmental protection; and

(d) the battery materials segment engages in the manufacture and sale of battery materials.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated mainly based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income, finance costs and other unallocated expenses of the Company and corporate expenses are excluded from such measurement.

The measurement of segment assets and liabilities is the same as that of total assets and total liabilities for the consolidated statement of financial position, excluding unallocated corporate assets and liabilities as these assets and liabilities are managed on a group basis.

Year ended 31 December 2020	Dye and agricultural chemical intermediates *RMB'000*	Pigment intermediates *RMB'000*	Environmental technology consultancy service *RMB'000*	Battery materials *RMB'000*	Total segments *RMB'000*
Segment revenue (Note 4):					
Revenues from external customers	**1,005,412**	**254,076**	**7,549**	**8,237**	**1,275,274**
Intersegment sales	**8,841**	**–**	**673**	**–**	**9,514**
Total revenue	**1,014,253**	**254,076**	**8,222**	**8,237**	**1,284,788**
Reconciliation					
Elimination of intersegment sales					**(9,514)**
Revenue					**1,275,274**
Segment results	**187,091**	**52,102**	**(8,725)**	**(52,412)**	**178,056**
Including:					
Interest income	**107**	**24**	**–**	**7**	**138**
Finance costs	**(24,011)**	**(2,923)**	**(1)**	**(19)**	**(26,954)**
Reconciliation					
Interest income					**102**
Finance costs					**(5,490)**
Realisation/(elimination) of intersegment results					**584**
Corporate and other unallocated gains					**4,031**
Profit before tax					**177,283**
Segment assets	**1,883,017**	**319,849**	**100,650**	**299,401**	**2,602,917**
Reconciliation					
Elimination of intersegment receivables					**(521,460)**
Corporate and other unallocated assets					**265,219**
Elimination of inventories due to unrealised gains					**(3,588)**
Total assets					**2,343,088**
Segment liabilities	**613,316**	**99,977**	**3,075**	**384,116**	**1,100,484**
Reconciliation					
Elimination of intersegment payables					**(521,460)**
Corporate and other unallocated liabilities					**84,772**
Total liabilities					**663,796**
Other segment information					
Impairment losses recognised in profit or loss	**7,962**	**(5)**	**–**	**20,166**	**28,123**
Depreciation and amortisation	**60,161**	**14,897**	**3,618**	**22,483**	**101,159**
Capital expenditure*	**63,615**	**12,219**	**–**	**12,384**	**88,218**

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

Year ended 31 December 2019	Dye and agricultural chemical intermediates *RMB'000*	Pigment intermediates *RMB'000*	Environmental technology consultancy service *RMB'000*	Battery materials *RMB'000*	Total segments *RMB'000*
Segment revenue (Note 4):					
Revenues from external customers	1,509,631	263,188	37,093	8,435	1,818,347
Intersegment sales	3,337	–	5,369	–	8,706
Total revenue	1,512,968	263,188	42,462	8,435	1,827,053
Reconciliation					
Elimination of intersegment sales					(8,706)
Revenue					1,818,347
Segment results	743,363	48,121	4,697	(56,063)	740,118
Including:					
Interest income	229	115	–	6	350
Finance costs	(20,980)	(660)	(3)	(148)	(21,791)
Reconciliation					
Interest income					60
Finance costs					(9,870)
Realisation/(elimination) of intersegment results					(2,989)
Corporate and other unallocated expenses					(17,680)
Profit before tax					709,639
Segment assets	2,045,358	286,549	116,427	372,750	2,821,084
Reconciliation					
Elimination of intersegment receivables					(868,477)
Corporate and other unallocated assets					632,995
Elimination of inventories due to unrealised gains					(4,202)
Total assets					2,581,400
Segment liabilities	906,711	125,693	12,867	398,907	1,444,178
Reconciliation					
Elimination of intersegment payables					(868,477)
Corporate and other unallocated liabilities					239,258
Total liabilities					814,959
Other segment information					
Impairment losses recognised in profit or loss	11,091	7,428	–	35,530	54,049
Depreciation and amortisation	47,818	15,345	4,817	5,333	73,313
Capital expenditure*	117,050	15,179	1,138	38,898	172,265

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

Geographical information

(a) Revenue from external customers

	2020	2019
	RMB'000	*RMB'000*
Mainland China	**866,378**	972,743
India	**119,126**	173,122
Indonesia	**64,092**	189,131
Germany	**61,551**	136,053
United States	**43,298**	144,833
Spain	**38,414**	60,260
Brazil	**33,696**	63,559
Taiwan, China	**10,918**	26,662
Japan	**10,055**	12,178
Turkey	**6,467**	14,681
Italy	**4,054**	10,353
Korea	**1,128**	1,227
Other countries/regions	**16,097**	13,545
	1,275,274	1,818,347

The revenue information above is based on the locations of the customers.

The Group's non-current assets are substantially located in Mainland China.

Information about major customers

In 2020, revenue of RMB196,755,000 was derived from sales from the dye and agricultural chemical intermediates segment to a single customer.

In 2019, revenue of RMB260,738,000 was derived from sales from the dye and agricultural chemical intermediates segment to another single customer.

4. REVENUE, OTHER INCOME AND GAINS

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2020

Segments	Dye and agricultural chemical intermediates *RMB'000*	Pigment intermediates *RMB'000*	Environmental technology consultancy service *RMB'000*	Battery materials *RMB'000*	Total *RMB'000*
Types of goods or services					
Sale of chemical intermediates and battery materials	1,005,412	254,076	–	8,237	1,267,725
Sale of environmental technology equipment	–	–	2,938	–	2,938
Provision of consultancy and maintenance services	–	–	4,611	–	4,611
Total revenue from contracts with customers	1,005,412	254,076	7,549	8,237	1,275,274
Geographical markets					
Mainland China	695,649	154,943	7,549	8,237	866,378
India	45,814	73,312	–	–	119,126
Indonesia	64,092	–	–	–	64,092
Germany	61,551	–	–	–	61,551
United States	28,695	14,603	–	–	43,298
Spain	38,414	–	–	–	38,414
Brazil	33,696	–	–	–	33,696
Taiwan, China	10,918	–	–	–	10,918
Japan	–	10,055	–	–	10,055
Turkey	6,467	–	–	–	6,467
Italy	4,054	–	–	–	4,054
Korea	1,128	–	–	–	1,128
Other countries/regions	14,934	1,163	–	–	16,097
Total revenue from contracts with customers	1,005,412	254,076	7,549	8,237	1,275,274
Timing of revenue recognition					
Goods transferred at a point in time	1,005,412	254,076	2,938	8,237	1,270,663
Services transferred over time	–	–	4,611	–	4,611
Total revenue from contracts with customers	1,005,412	254,076	7,549	8,237	1,275,274

For the year ended 31 December 2019

Segments	Dye and agricultural chemical intermediates *RMB'000*	Pigment intermediates *RMB'000*	Environmental technology consultancy service *RMB'000*	Battery materials *RMB'000*	Total *RMB'000*
Types of goods or services					
Sale of chemical intermediates and battery materials	1,509,631	263,188	–	8,435	1,781,254
Sale of environmental technology equipment	–	–	33,079	–	33,079
Provision of consultancy and maintenance services	–	–	4,014	–	4,014
Total revenue from contracts with customers	1,509,631	263,188	37,093	8,435	1,818,347
Geographical markets					
Mainland China	753,662	173,553	37,093	8,435	972,743
India	113,505	59,617	–	–	173,122
Indonesia	189,131	–	–	–	189,131
Germany	135,761	292	–	–	136,053
United States	128,261	16,572	–	–	144,833
Spain	60,260	–	–	–	60,260
Brazil	63,559	–	–	–	63,559
Taiwan, China	26,662	–	–	–	26,662
Japan	–	12,178	–	–	12,178
Turkey	14,681	–	–	–	14,681
Italy	10,353	–	–	–	10,353
Korea	1,227	–	–	–	1,227
Other countries/regions	12,569	976	–	–	13,545
Total revenue from contracts with customers	1,509,631	263,188	37,093	8,435	1,818,347
Timing of revenue recognition					
Goods transferred at a point in time	1,509,631	263,188	33,079	8,435	1,814,333
Services transferred over time	–	–	4,014	–	4,014
Total revenue from contracts with customers	1,509,631	263,188	37,093	8,435	1,818,347

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2020	2019
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of chemical intermediates	**12,280**	2,696
Consultancy and maintenance services	**3,430**	3,705
	15,710	6,401

(b) ***Performance obligations***

Information about the Group's performance obligations is summarised below:

Sale of goods, including chemical intermediates, battery materials and environmental technology equipment

The performance obligation is satisfied upon delivery of the industrial products and payment is generally due within 30 to 90 days from delivery, except for new customers and small-sized customers, where payment in advance is normally required.

Provision of consultancy and maintenance services

Revenue from the provision of consultancy and maintenance services is recognised over time and on a straight-line basis throughout the year.

The amounts of transaction prices allocated to the remaining performance obligations (partially unsatisfied) as at 31 December are as follows:

	2020	2019
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**187**	4,527
After one year	**–**	187
	187	4,714

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to consultancy and maintenance services, of which the performance obligations are to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year.

Other income and gains

	2020	2019
	RMB'000	*RMB'000*
Bank interest income	**240**	410
Dividend income from equity investments at FVOCI and financial assets at fair value through profit or loss	**703**	2,399
Fair value gains, net:		
Financial assets at fair value through profit or loss	**530**	–
Government grants*	**10,054**	3,453
Sale of materials and scrap	**2,847**	2,789
Others	**814**	466
	15,188	9,517

* For the year ended 31 December 2020, government grants amounting to RMB10,054,000 (2019: RMB3,453,000) were recognised as income for the year necessary to compensate the costs and facilitate the Group's development. There are no unfulfilled conditions or contingencies attached to the grants.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2020	2019
	RMB'000	*RMB'000*
Interest on bank loans and other borrowings	**30,023**	42,484
Interest on lease liabilities	**586**	81
Other finance costs	**3,403**	9,388
Less: Interest capitalised	**(1,568)**	(20,292)
	32,444	31,661

The weighted average interest rate of capitalisation for the year ended 31 December 2020 was 7.44% (2019: 6.61%).

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	**2020** **RMB'000**	2019 *RMB'000*
Cost of inventories sold		**827,875**	775,653
Cost of services provided		**2,064**	1,737
Depreciation of property, plant and equipment	*10*	**90,659**	67,647
Depreciation of right-of-use assets	*11(a)*	**9,302**	4,961
Amortisation of intangible assets		**2,370**	1,101
Research and development costs		**25,946**	18,894
Lease payments not included in the measurement of lease liabilities	*11(c)*	**2,097**	1,246
Auditor's remuneration		**3,460**	3,595
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages, salaries and welfare		**96,254**	117,527
Pension and other social insurances		**9,719**	33,574
Exchange (gains)/losses, net		**(7,995)**	8,402
Dividend income from equity investments at FVOCI and financial assets at fair value through profit or loss		**(703)**	(2,399)
Impairment losses on property, plant and equipment	*10*	**18,241**	52,035
Loss on disposal of items of property, plant and equipment*		**4,220**	5,410
Impairment of trade receivables*	*14*	**1,347**	23
Write-down of inventories to net realisable value	*13*	**8,535**	1,991
Donation expenses*		**3,300**	43
Compensation for termination of property, plant and equipment purchase contracts*		**9,609**	3,012
Fair value gain, net:			
Financial assets at fair value through profit or loss		**(530)**	–

* These losses and expenses were recorded as other expenses to the consolidated financial statements.

7. INCOME TAX

Cayman Islands

Under the current income tax laws of the Cayman Islands, the Company is not subject to tax on any income or capital gain.

Hong Kong

Under the current income tax laws of Hong Kong, companies are subject to Hong Kong profits tax at 16.5% on assessable profits arising in or derived from Hong Kong. One subsidiary of the Group is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2019: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 16.5%).

Singapore

Under the current income tax laws of Singapore, companies are subject to Singapore profits tax at 17.0% on assessable profits arising in or derived from Singapore.

Mainland China

The Company's subsidiaries in Mainland China are subject to income tax at 25% unless otherwise specified.

Under the prevailing PRC Corporate Income Tax Law and the relevant regulations, any dividends paid by the Company's PRC subsidiaries from their earnings derived after 1 January 2008 to the Company's Hong Kong subsidiary are subject to a 5% or 10% PRC dividend withholding tax, depending on the applicability of the Sino-Hong Kong tax treaty. For the Group, the historical applicable rate is 5%. The Group is therefore liable for withholding taxes on retained earnings distributable by those subsidiaries established in the PRC in respect of their earnings generated from 1 January 2008.

	2020	2019
	RMB'000	*RMB'000*
Current – Mainland China		
Charge for the year	**40,474**	191,339
Underprovision in prior years	**733**	4,598
Current – Elsewhere	**1,475**	7,342
Deferred	**(9,998)**	(11,924)
Total tax charge for the year	**32,684**	191,355

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for Mainland China, in which the majority of the Company's subsidiaries are domiciled, to the tax expense at the effective tax rate is as follows:

	2020	2019
	RMB'000	*RMB'000*
Profit before tax	**177,283**	709,639
Tax at the statutory income tax rate (25%)	**44,321**	177,409
Effect of different tax rates	**(1,429)**	1,080
Non-deductible expenses	**1,724**	2,373
Income not subject to tax	**(2,978)**	(630)
Additional deduction of research and development costs	**(4,159)**	(3,404)
Adjustments in respect of current tax of previous periods	**733**	4,598
Tax losses utilised from previous periods	**–**	(186)
Temporary differences (including tax losses) not recognised	**1,198**	875
Withholding tax	**(6,726)**	9,240
Total income tax expense	**32,684**	191,355

8. DIVIDENDS

	Notes	**2020** **RMB'000**	2019 *RMB'000*
Interim dividend approved and paid of RMB0.048 per share		**49,591**	–
Final dividend proposed after the end of the reporting period (2019: RMB0.092 per share)	*(a)*	**–**	95,532
Special dividend approved by the Board after the end of the reporting period (2019: RMB0.058 per share)	*(a)*	**–**	60,227
		49,591	155,759

Notes:

(a) The Directors did not recommend the payment of any final dividend or special dividend for the year.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,035,488,000 (2019: 1,039,263,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

The calculations of basic and diluted earnings per share are based on:

	2020	2019
Earnings		
Profit for the year attributable to ordinary equity holders of the parent *(RMB'000)*	**144,875**	517,927
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation *('000)*	**1,035,488**	1,039,263

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Machinery and equipment *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 31 December 2019 and 1 January 2020:						
Cost	**475,688**	**759,899**	**17,180**	**3,104**	**732,054**	**1,987,925**
Accumulated depreciation and impairment	**(101,475)**	**(314,102)**	**(13,902)**	**(1,595)**	**(35,533)**	**(466,607)**
Net carrying amount	**374,213**	**445,797**	**3,278**	**1,509**	**696,521**	**1,521,318**
At 1 January 2020, net of accumulated depreciation and impairment	**374,213**	**445,797**	**3,278**	**1,509**	**696,521**	**1,521,318**
Additions	**34**	**9,441**	**401**	**1,669**	**59,208**	**70,753**
Disposals	**(52)**	**(2,831)**	**(40)**	**(322)**	**(2,779)**	**(6,024)**
Depreciation provided during the year	**(24,886)**	**(63,845)**	**(1,168)**	**(760)**	**–**	**(90,659)**
Impairment	**–**	**(11,626)**	**–**	**–**	**(6,615)**	**(18,241)**
Transfers	**35,150**	**89,749**	**97**	**–**	**(124,996)**	**–**
At 31 December 2020, net of accumulated depreciation and impairment	**384,459**	**466,685**	**2,568**	**2,096**	**621,339**	**1,477,147**
At 31 December 2020:						
Cost	**510,590**	**844,203**	**17,268**	**4,441**	**627,954**	**2,004,456**
Accumulated depreciation and impairment	**(126,131)**	**(377,518)**	**(14,700)**	**(2,345)**	**(6,615)**	**(527,309)**
Net carrying amount	**384,459**	**466,685**	**2,568**	**2,096**	**621,339**	**1,477,147**

Impairment assessment in 2020

As at 31 December 2020, certain equipment of battery materials production line would be no longer used along with the upgrade of the production techniques. An impairment provision of RMB11,626,000 was made based on fair values less costs to sell. The fair value was derived from market quotations. The fair values less costs to sell, carrying amount and impairment provision as at 31 December 2020 are as follows:

	Fair values less costs to sell *RMB'000*	**Carrying amounts** *RMB'000*	**Impairment provision** *RMB'000*
Certain equipment of battery materials production line	300	11,926	11,626

Full impairment of RMB6,615,000 was provided for a DMAS production line's construction cost, due to the management's decision of ceasing its construction.

	Buildings *RMB'000*	Machinery and equipment *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2019						
At 1 January 2019:						
Cost	403,664	537,158	14,431	2,866	902,176	1,860,295
Accumulated depreciation and impairment	(86,179)	(262,204)	(13,349)	(2,478)	–	(364,210)
Net carrying amount	317,485	274,954	1,082	388	902,176	1,496,085
At 1 January 2019, net of accumulated depreciation and impairment	317,485	274,954	1,082	388	902,176	1,496,085
Additions	134	15,856	1,669	1,885	132,302	151,846
Disposals	(180)	(6,373)	(10)	(368)	–	(6,931)
Depreciation provided during the year	(15,211)	(51,454)	(586)	(396)	–	(67,647)
Impairment	(337)	(16,165)	–	–	(35,533)	(52,035)
Transfers	72,322	228,979	1,123	–	(302,424)	–
At 31 December 2019, net of accumulated depreciation and impairment	374,213	445,797	3,278	1,509	696,521	1,521,318
At 31 December 2019:						
Cost	475,688	759,899	17,180	3,104	732,054	1,987,925
Accumulated depreciation and impairment	(101,475)	(314,102)	(13,902)	(1,595)	(35,533)	(466,607)
Net carrying amount	374,213	445,797	3,278	1,509	696,521	1,521,318

Impairment assessment in 2019

As at 31 December 2019, attributed to a sluggish market demand and a continuously insufficient capacity utilisation in two production lines, which were TCCBM CGU (a production line in pigment intermediates segment manufacturing TCCBM) and NMP CGU (a production line in dye and agricultural chemical intermediates segment manufacturing NMP), management has performed impairment assessments by comparing the carrying values of the assets of these CGUs with their recoverable amounts. The recoverable amounts were estimated based on their values in use ("**VIU**") as determined by discounting the future cash flows to be generated from the continuing use of these CGUs. The pre-tax discount rates of TCCBM CGU and NMP CGU were 22.55% and 14.27% respectively. Key assumptions used for the VIU calculations are unit selling price, production volumes, unit cost as well as residual values. Based on the above-mentioned impairment assessments, the recoverable amounts, carrying amounts and impairment provision of the TCCBM CGU and the NMP CGU as at 31 December 2019 are as follows:

	Recoverable amounts *RMB'000*	**Carrying amounts** *RMB'000*	**Impairment provision** *RMB'000*
TCCBM CGU	3,522	10,966	7,444
NMP CGU	9,361	17,447	8,086

As at 31 December 2019, certain equipment used for researching and testing during the construction of the production line of battery materials was no longer used along with the completion of the construction. An impairment provision of RMB35,533,000 was made based on fair values less costs to sell. The fair value was derived from market quotations. The fair values less costs to sell, carrying amount and impairment provision as at 31 December 2019 are as follows:

	Fair values less costs to sell *RMB'000*	**Carrying amounts** *RMB'000*	**Impairment provision** *RMB'000*
Certain equipment of construction in process	2,000	37,533	35,533

Included in the property, plant and equipment as at 31 December 2020 and 2019 were certain buildings with net book values of RMB8,775,000 and RMB2,046,000, respectively, of which the property certificates have not been obtained.

The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position for the year.

11. LEASES

The Group as a lessee

The Group has lease contracts for various items of plant and machinery, office premises, apartments for employees and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 13 to 50 years, and no ongoing payments will be made under the terms of these land leases. The leases of plant and machinery, office premises, apartments for employees and other equipment have lease terms of 1 to 2 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land *RMB'000*	**Office premises and apartments for employees** *RMB'000*	**Plant and machinery** *RMB'000*	**Total** *RMB'000*
As at 1 January 2019	80,429	–	–	80,429
Addition	–	1,171	7,268	8,439
Depreciation charge	(4,573)	(388)	–	(4,961)
As at 31 December 2019 and 1 January 2020	75,856	783	7,268	83,907
Addition	18,277	1,349	–	19,626
Lease termination	–	(388)	–	(388)
Depreciation charge	(4,498)	(1,170)	(3,634)	(9,302)
As at 31 December 2020	89,635	574	3,634	93,843

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2020 ***RMB'000***	2019 *RMB'000*
Carrying amount at 1 January	**8,081**	–
New leases	**1,349**	8,439
Accretion of interest recognised during the year	**586**	81
Payments	**(5,487)**	(439)
Lease termination	**(287)**	–
Carrying amount at 31 December	**4,242**	8,081
Analysed into:		
Current portion	**3,919**	4,522
Non-current portion	**323**	3,559

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020	2019
	RMB'000	*RMB'000*
Interest on lease liabilities	**586**	81
Depreciation charge of right-of-use assets	**9,302**	4,961
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in cost of sales)	**2,097**	1,246
Total amount of recognised in profit or loss	**11,985**	6,288

12. EQUITY INVESTMENTS DESIGNATED AT FVOCI

	31 December 2020	31 December 2019
	RMB'000	*RMB'000*
Equity investments designated at FVOCI		
Quoted equity investments, at fair value		
Investment managed by an investment agency	**–**	8,413
Equity investment in a listed company	**25,829**	25,897
Unquoted equity investment, at fair value	**24,389**	16,920
Total	**50,218**	51,230

The above equity investments were irrevocably designated at FVOCI as the Group considers these investments to be strategic in nature.

In 2020, the Group recognised a gain of RMB716,000 to other comprehensive income regarding the fair value change of equity investments designated at FVOCI (2019: a loss of RMB4,715,000).

13. INVENTORIES

	31 December 2020	31 December 2019
	RMB'000	*RMB'000*
Raw materials	**32,044**	41,814
Work in progress	**30,498**	17,231
Finished goods	**123,780**	217,154
	186,322	276,199
Less: Impairment provision	**(8,535)**	(1,991)
	177,787	274,208

14. TRADE RECEIVABLES

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
Trade receivables	**137,229**	204,059
Impairment	**(2,065)**	(783)
	135,164	203,276

The Group's trading terms with its customers are mainly on credit, except for new customers and small-sized customers, where payment in advance is normally required. The credit period is generally one month for domestic customers, extending up to three months for overseas customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over certain of its outstanding receivables.

Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
Within 1 month	**54,129**	108,563
1 month to 2 months	**31,941**	44,606
2 months to 3 months	**16,349**	20,345
3 months to 4 months	**10,342**	60
Over 4 months	**22,403**	29,702
	135,164	203,276

The movement in the loss allowance for impairment of trade receivables is as follows:

	2020	2019
	RMB'000	*RMB'000*
At the beginning of year	**783**	760
Impairment provided (note 6)	**1,347**	23
Amount written off as uncollectible	**(65)**	–
At end of year	**2,065**	783

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if the Group is satisfied that recovery of the amount is remote.

The Group applies the simplified approach to the provision for expected credit losses prescribed by HKFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. To measure the expected credit loss on trade receivables, trade receivables have been grouped based on shared credit risk characteristics and the ageing.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2020

	Within 1 year	**Between 1 and 2 years**	**Between 2 and 3 years**	**Over 3 years**	**Total**
Expected credit loss rate	**0.02%**	**0.49%**	**21.27%**	**100.00%**	**–**
Gross carrying amount *(RMB'000)*	**121,943**	**8,132**	**6,540**	**614**	**137,229**
Expected credit losses *(RMB'000)*	**20**	**40**	**1,391**	**614**	**2,065**

As at 31 December 2019

	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years	Total
Expected credit loss rate	0.01%	0.35%	1.61%	100.00%	–
Gross carrying amount *(RMB'000)*	186,012	9,964	7,469	614	204,059
Expected credit losses *(RMB'000)*	14	35	120	614	783

15. NOTES RECEIVABLE

Notes receivable of the Group are all bank acceptance notes and are usually settled within six months from their respective dates of issue. None of the notes receivable as at the end of the years ended 31 December 2020 or 2019 was past due or impaired.

Transferred financial assets that are not derecognised in their entirety:

The Group endorsed certain notes receivable accepted by banks in Mainland China (the "**Endorsed Notes**") with aggregate carrying amounts of RMB9,997,000 and RMB23,767,000 as at 31 December 2020 and 2019, respectively, to certain of its suppliers in order to settle trade payables due to such suppliers (the "**Endorsement**"). In the opinion of the Directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Notes, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Notes and the associated other payables. Subsequent to the Endorsement, the Group did not retain any rights to the use of the Endorsed Notes, including the sale, transfer or pledge of the Endorsed Notes to any other third parties. None of the Endorsed Notes settled during the year have been recoursed as at the end of the year.

Transferred financial assets that are derecognised in their entirety:

The Group endorsed certain notes receivable accepted by banks in Mainland China (the "**Derecognised Notes**") to certain of its suppliers in order to settle the trade payables due to such suppliers with aggregate carrying amounts of RMB116,864,000 and RMB401,492,000 as at 31 December 2020 and 2019, respectively. The Derecognised Notes have a maturity from one to six months at the end of the respective reporting periods. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Notes have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Notes. Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Notes are not significant.

Since the business model of notes receivable is both holding to collect contractual cash flows and selling, the Group classifies and measures notes receivable at fair value through other comprehensive income. The fair value of notes receivable were approximate to their carrying amounts largely due to the short term maturities of these instruments. No fair value changes were recorded for the years ended 31 December 2020 and 2019 for notes receivable.

For the years ended 31 December 2020 and 2019, the Group has not recognised any gain or loss on the dates of transfer of the Derecognised Notes. No gains or losses were recognised from the Continuing Involvement, both during the years ended 31 December 2020 and 2019 or cumulatively.

16. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	Note	31 December 2020 RMB'000	31 December 2019 RMB'000
Cash and bank balances		**102,000**	108,740
Less: Restricted cash-current	*(a)*	**(760)**	(3,896)
Cash and cash equivalents		**101,240**	104,844
Denominated in RMB		**86,932**	100,249
Denominated in other currencies		**14,308**	4,595
Cash and cash equivalents		**101,240**	104,844

Note:

(a) As at 31 December 2020, the Group's bank balances of approximately RMB53,000 were deposited as a guarantee fund for the salary of rural workers pursuant to the related government regulations, RMB132,000 was deposited as a guarantee fund for foreign currencies exchange; RMB575,000 was restricted due to a sales contract dispute.

RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and restricted bank deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the restricted bank deposits approximate to their fair values.

17. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date is as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Within 1 month	**63,034**	150,792
1 month to 2 months	**10,165**	17,303
2 months to 3 months	**2,948**	4,223
Over 3 months	**102,754**	110,955
	178,901	283,273

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days.

18. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2020			31 December 2019		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank loans – secured	**4.50-6.96**	**2021**	**277,000**	4.61-7.20	2020	264,274
Bank loans – unsecured	**6.00**	**2021**	**5,000**	–	–	–
Other borrowings – secured	**10.17-13.47**	**2021**	**28,212**	10.83-13.45	2020	19,646
			310,212			283,920
Non-current						
Bank loans – secured	**7.20**	**2022**	**20,000**	–	–	–
Other borrowings – secured	**10.17-13.47**	**2023**	**19,440**	10.83-13.45	2022	29,885
			39,440			29,885
Total			**349,652**			313,805
Analysed into:						
Bank loans and other borrowings repayable:						
Within one year			**310,212**			283,920
In the second year			**34,116**			27,748
In the third to fifth years, inclusive			**5,324**			2,137
			349,652			313,805

Notes:

(a) The Group did not have any unutilised banking facilities as at 31 December 2020 (2019: RMB39,881,000).

(b) Certain of the Group's interest-bearing bank and other borrowings as at 31 December 2020 were secured by:

(i) mortgages over certain of the Group's property, plant and equipment of RMB130,127,000 as at 31 December 2020 (2019: RMB110,925,000);

(ii) mortgages over certain of the Group's right-of-use assets of RMB62,902,000 as at 31 December 2020 (2019: RMB52,323,000); and

(iii) mortgages over certain of the Group's account receivables of RMB8,047,000 as at 31 December 2020 (2019: RMB40,707,000).

(c) All the interest-bearing bank and other borrowings are denominated in RMB.

19. SHARE CAPITAL

The movements in share capital of the Company are as follows:

Shares	**Number of shares**	**Share capital**	**Issued share capital equivalent of**
		US$	*RMB'000*
Authorised:			
As at 31 December 2019 at US$0.01 each	2,000,000,000	20,000,000	
As at 31 December 2020 at US$0.01 each	2,000,000,000	20,000,000	
Issued and fully paid:			
At 1 January 2020 at US$0.01 each	1,038,395,500	10,383,955	67,088
Shares cancelled	(5,291,500)	(52,915)	(375)
As at 31 December 2020 at US$0.01 each	1,033,104,000	10,331,040	66,713

Note:

The Company repurchased 5,291,500 and 3,450,000 of its shares in 2020 and 2019, respectively, on the Hong Kong Stock Exchange for a consideration of RMB5,738,000 and RMB7,882,000, respectively. The shares purchased in 2020 were cancelled during the year.

20. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2020 (2019: Nil).

21. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	31 December 2020	31 December 2019
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Plant and machinery	**120,009**	144,688
Capital contribution payable to an equity investment	**9,787**	–

22. EVENTS AFTER THE REPORTING PERIOD

The Group had no significant event after the Reporting Period required to be disclosed.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Operating segment results

For the year ended 31 December 2020

	Dye and agricultural chemical intermediates	**Pigment intermediates**	**Environmental technology consultancy service**	**Battery materials**	**Total**
Revenue *(RMB'000)*	**1,005,412**	**254,076**	**7,549**	**8,237**	**1,275,274**
Cost of sales *(RMB'000)*	**647,590**	**142,542**	**3,937**	**35,870**	**829,939**
Sales volume *(tons)*	**62,287**	**8,695**	**N/A**	**833**	**71,815**
Gross profit margin	**35.6%**	**43.9%**	**47.8%**	**(335.5%)**	**34.9%**
Average unit selling price *(RMB/ton)*	**16,142**	**29,221**	**N/A**	**9,888**	**N/A**

For the year ended 31 December 2019

	Dye and agricultural chemical intermediates	Pigment intermediates	Environmental technology consultancy service	Battery materials	Total
Revenue *(RMB'000)*	1,509,631	263,188	37,093	8,435	1,818,347
Cost of sales *(RMB'000)*	572,226	163,870	28,138	13,156	777,390
Sales volume *(tons)*	45,945	8,858	N/A	742	55,545
Gross profit margin	62.1%	37.7%	24.1%	(56.0%)	57.3%
Average unit selling price *(RMB/ton)*	32,857	29,712	N/A	11,368	N/A

The Group produces fine chemicals such as dye, pigment and agricultural chemical intermediates, and ventured into lithium battery cathode materials and additives to lithium batteries and provision of environmental technology consultancy service in 2017.

The existing main operations of the Group remain stable and enjoy a prominent position in the market. The Group has maintained good business relationships with its main customers which span over ten years on average. During the Review Year, revenue from the top five largest customers of the Group accounted for approximately 37.3% of the Group's revenue for the year (2019: approximately 48.0%).

The Group has a well-established sales network, which covers areas including Asia, Europe, North and South America. For the Review Year, by regional distribution, revenue derived from the Group's sales in Mainland China accounted for approximately 67.9%; India accounted for approximately 9.3%; Indonesia accounted for approximately 5.0%; and Germany, the United States of America and other regions accounted for approximately 4.8%, 3.4% and 9.6%, respectively.

PERFORMANCE REVIEW

During the Review Year, total revenue of the Group decreased by 29.9% to approximately RMB1,275.3 million (2019: approximately RMB1,818.3 million) as compared with that of 2019. The decrease in revenue was mainly due to the decrease in product sales price of dye intermediates, which was partially offset by the increase in the sales volume.

As for gross profit, since the product prices of dye intermediates decreased significantly, the gross profit of the Group decreased by approximately 57.2% to approximately RMB445.3 million (2019: approximately RMB1,041.0 million) as compared with that of 2019. The overall gross profit margin of the Group decreased to approximately 34.9% in 2020 from approximately 57.3% in 2019. On the other hand, the net profit of the Group for the year 2020 decreased by approximately 72.1% to approximately RMB144.6 million (2019: approximately RMB518.3 million); net profit margin was approximately 11.3% (2019: approximately 28.5%); and basic earnings per share was approximately RMB0.14 (2019: approximately RMB0.50).

Dye and agricultural chemical intermediates – accounting for approximately 78.8% of total revenue (2019: approximately 83.0%)

During the Review Year, the impact from the novel coronavirus ("**COVID-19**") pandemic and other market conditions resulted in a significant decrease in the price and an increase in the sales volume of the dye intermediates products. Revenue generated from the sales of the dye intermediates products decreased by approximately 50.2% over 2019 to approximately RMB590.4 million in the Review Year (2019: approximately RMB1,185.3 million), representing approximately 46.3% (2019: approximately 65.2%) of the Group's total revenue. Due to the significant increase in the sales volume of agricultural chemical intermediates products resulted from the increased market demands, the Group's revenue generated from the sales of the agricultural chemical intermediates products increased by approximately 28.0% over 2019 to approximately RMB415.0 million in the Review Year (2019: approximately RMB324.3 million), representing approximately 32.5% (2019: approximately 17.8%) of the Group's total revenue. These two factors resulted in an overall decrease of approximately RMB504.2 million or approximately 33.4% in revenue from the segment as compared with that of 2019.

During the Review Year, the gross profit margin of dye intermediates decreased by 31.0 percentage points to approximately 43.3% (2019: approximately 74.3%). The gross profit margin of the agricultural chemical intermediates increased by approximately 6.9 percentage points to approximately 24.6% (2019: approximately 17.7%).

Pigment intermediates – accounting for approximately 19.9% of total revenue (2019: approximately 14.5%)

During the Review Year, the average unit selling price of pigment intermediates decreased by approximately 1.7% from RMB29,712 per ton in 2019 to RMB29,221 per ton in 2020. The average unit cost of pigment intermediates decreased by approximately 11.4% from RMB18,500 per ton in 2019 to RMB16,394 per ton in 2020. During the Review Year, the sales volume of pigment intermediates of the Group decreased by 163 tons to approximately 8,695 tons (2019: approximately 8,858 tons), and the revenue was approximately RMB254.1 million, representing a decrease of approximately 3.5% as compared with 2019.

During the Review Year, as the unit cost of pigment intermediates decreased more than that of the unit price, the gross profit margin increased by approximately 6.2 percentage points as compared with 2019 to approximately 43.9% in 2020 (2019: approximately 37.7%).

Environmental technology consultancy service – accounting for approximately 0.6% of total revenue (2019: approximately 2.0%)

In 2020, due to the increase in market environmental risks and the impact of the COVID-19 pandemic, the Group did not carry out new environmental protection projects. Instead, the Group mainly focused on technical service consultation of environmental protection and the operation and maintenance of pre-projects. During the Review Year, the environmental protection business generated revenue of approximately RMB7.5 million (2019: approximately RMB37.1 million), with a gross profit margin of approximately 47.8% (2019: approximately 24.1%).

Battery materials – accounting for approximately 0.6% of total revenue (2019: approximately 0.5%)

During the Review Year, the Group's 15,000-ton iron phosphate production line recorded revenue of approximately RMB8.2 million (2019：approximately RMB8.4 million). During the Review Year, the new production technology of battery materials has been put into production to meet customer procurement requirements, and improve product competitiveness, and it has been continuously upgraded and transformed. As at the end of 2020, iron phosphate products have been recognized by customers, and it is planned to produce massively in 2021.

EXPORT

In 2020, the export revenue of the Group amounted to approximately RMB408.9 million, representing a decrease of approximately RMB436.7 million or 51.6% as compared with the export revenue of approximately RMB845.6 million in 2019. The decrease in export revenue of the Group was mainly due to the decrease in average sales price of dye intermediates.

In 2020, the export revenue accounted for approximately 32.1% of the total revenue of the Group (2019: approximately 46.5%).

RESEARCH AND DEVELOPMENT

The Group continues to optimize its production processes and improve the quality of existing products. It has carried out resource-based process improvement for DSD acid to increase revenue, while for iron phosphate (a battery material), it adopts continuous production while developing the green process to further stabilize product quality, cut costs and enhance product competitiveness. The Group increased research on energy-saving and consumption-reduction processes, adopted the crystallization process to replace the original nitrification process to significantly reduce steam consumption, and recycled process water, thereby reducing overall operating costs. It also strengthened efforts in research and development ("**R&D**") on new products, and actively developed new material products. With the belief that technological advancement is its core competitiveness, the Group will continue to maintain its investment and efforts in R&D to retain the competitive advantages of existing products in the market and actively exploit new business growth drivers.

REVIEW AND OUTLOOK

Looking back on 2020, we experienced an extraordinary year. During the year, the COVID-19 pandemic broke out all of a sudden, spreaded extensively on a global scale and escalated until the end of the year when vaccines were successfully developed. The global economy has been fluctuating in view of the changes in the outbreak situation. Although Mainland China effectively controlled its domestic outbreak at an earlier time, and achieved positive economic growth throughout the year, we also saw that the world's major economies other than Mainland China have been experiencing recessions to varying degrees.

The contained domestic COVID-19 outbreak and the rapid economic recovery brought us certain positive impacts. The production suspension caused by the COVID-19 pandemic at the beginning of 2020 has been gradually restored, and the hardships of raw material procurement, energy supply and product transportation have also been gradually resolved. Our production bases were able to return to normal production in the first half of 2020. We also saw that market demands for some products, in particular, agricultural intermediate products, were not severely affected since they mainly focused on the domestic end-market, which even demonstrated a gratifying growth trend as compared with that in 2019.

On the other hand, the overseas outbreak was under rapid development in 2020. Countries where our major overseas customers are located in, including India, the United States, Germany, Spain, Italy and Brazil, were all reeled from the serious COVID-19 pandemic outbreak situation, which severely affected our overseas sales, especially DSD acid, our major dye intermediates products. As a result of under-capacity operation of our overseas customers, the end-market demand was weakened. To cope with the serious situation in the overseas market, we immediately adjusted our sales strategy by substantially reducing the selling prices of our products to stimulate the recovery of market demand, and adjusted our production plans in a timely manner and reduced inventory levels to ensure the Group's stable operation.

This year, while actively responding to the impacts of the COVID-19 pandemic on the Group, we continued to increase R&D investment, develop new products and improve new processes, so as to enhance the market competitiveness of our products. In 2020, our R&D investment increased by approximately 37.3% over 2019, reaching approximately RMB25.9 million. The technological transformation of our iron phosphate production line achieved significant breakthroughs, and the production efficiency of our products substantially improved, with the quality meeting the ever-increasing procurement standards of customers and receiving their recognition. We continued to make breakthroughs in the wastewater treatment process of DSD acid, our core product, by turning waste into treasure, to constantly enhance the market competitiveness of our core products. We have also been developing new products with broad market prospects in the laboratory, so as to make solid preparation for our sustained, stable and long-term development.

Looking ahead to 2021, the impacts of the COVID-19 pandemic has not yet subsided. We have seen that countries around the world are making great efforts to carry out vaccination work, enabling the recovery of the economy to the level before the COVID-19 pandemic as soon as possible. We have also noticed that our overseas market demand has recovered and the sales of our major products have improved since the beginning of 2021. We will keep paying close attention to market changes and actively adjust our procurement, production and sales strategies to respond to market conditions.

In respect of iron phosphate products, the domestic market ushered the craze for electric vehicles in 2020, and the demand for cathode materials products for energy storage batteries has also been increasing. Nonetheless, due to the sufficient supply of iron phosphate products in the market and the further improvement of customer procurement standards, industry competition remained fierce, resulting in limited profit margins of products. In light of the extensive market application prospects of iron phosphate products, we are full of confidence of our prospects whether in the fields of power batteries or energy storage batteries. Although we are encountering short-term difficulties, we believe that our ongoing technological improvement will be able to strengthen our presence in the battery materials field.

Keeping our spirits of being diligent, pragmatic and dedicating, we will continue to give play to our technological, production and market advantages, consolidate and expand the market position of our existing products, and actively explore new markets for our products, to live up to the expectations of the shareholders of the Company (the "**Shareholders**").

FINANCIAL REVIEW

REVENUE AND GROSS PROFIT

In 2020, the revenue and gross profit of the Group amounted to approximately RMB1,275.3 million and approximately RMB445.3 million, respectively, representing a decrease of approximately RMB543.0 million, and approximately RMB595.7 million or 29.9% and 57.2% from approximately RMB1,818.3 million and approximately RMB1,041.0 million, respectively, in 2019. The decrease in the revenue was mainly due to a decrease in the price of the dye intermediate products in 2020, which was partially offset by an increase in the sales volume. In 2020, the Group's gross profit margin was approximately 34.9%, as compared with that of approximately 57.3% in 2019. The decrease in gross profit margin was due to the significant decrease in the average sales price of the Group's dye intermediate products in 2020.

NET PROFIT AND NET PROFIT MARGIN

In 2020, the net profit of the Group was approximately RMB144.6 million, representing a decrease of approximately RMB373.7 million or 72.1%, as compared with approximately RMB518.3 million in 2019. In 2020, the Group's net profit margin was approximately 11.3%, as compared with that of approximately 28.5% in 2019.

SELLING AND DISTRIBUTION EXPENSES

In 2020, selling and distribution expenses amounted to approximately RMB41.6 million, representing a decrease of approximately RMB3.3 million, as compared with approximately RMB44.9 million in 2019. The decrease in selling and distribution expenses was mainly due to the decrease in sales service expenses, labor cost and packaging fee and the offsetting from the increase in transportation costs.

In 2020, selling and distribution expenses represented approximately 3.3% of the Group's revenue (2019: approximately 2.5%).

ADMINISTRATIVE EXPENSES

In 2020, administrative expenses amounted to approximately RMB178.2 million, representing a decrease of approximately RMB10.2 million, as compared with approximately RMB188.4 million in 2019. The decrease in administrative expenses was mainly due to the combined effect of the following: (i) the increase in R&D expenses; (ii) the increase in the depreciation expenses of certain production lines during the suspension period due to the COVID-19 pandemic as compared with that of 2019; should they be in non-suspension status, the above expenses would have been included in costs instead of administrative expenses; and (iii) the decrease in labor costs.

In 2020, administrative expenses represented approximately 14.0% of the Group's revenue (2019: approximately 10.4%).

IMPAIRMENT LOSSES OF PROPERTY, PLANTS AND EQUIPMENT

In 2020, the Group provided impairment losses of property, plants and equipment of approximately RMB18.2 million (2019: approximately RMB52.0 million). The impairment losses for the year were mainly attributable to the termination of constructing certain equipment of the battery materials production line as well as the DMAS production line. For more details, please refer to note 10 to financial statements of this announcement.

FINANCE COSTS

In 2020, finance costs amounted to approximately RMB32.4 million, as compared with approximately RMB31.7 million in 2019, representing an increase of approximately RMB0.7 million. The increase was mainly due to the decrease in interest capitalised amount during 2020.

EXCHANGE GAINS/(LOSSES)

In 2020, exchange gains amounted to approximately RMB8.0 million, representing an increase of approximately RMB16.4 million, as compared with exchange losses of approximately RMB8.4 million in 2019, which was mainly attributable to the significant fluctuation in the exchange rate of RMB against USD during the Review Year.

INCOME TAX EXPENSES

The PRC subsidiaries of the Company are generally subject to the Enterprise Income Tax at a rate of 25%. One of the subsidiaries of the Company in Hong Kong is subject to the two-tier tax regime, i.e., the first HK$2.0 million of assessable profits earned will be taxed at half the current Hong Kong profits tax rate (i.e., 8.25%), and the remaining assessable profits will continue to be taxed at 16.5%. Other Hong Kong subsidiaries of the Company are generally subject to the Hong Kong profits tax at a rate of 16.5%. The Singapore subsidiary of the Company is generally subject to the Singapore Enterprise Income Tax at a rate of 17.0%. In 2020, income tax expenses amounted to approximately RMB32.7 million, representing a decrease of approximately RMB158.7 million, as compared with approximately RMB191.4 million in 2019. The decrease in income tax expense was mainly attributable to the decrease in profit before tax during the Review Year as compared with that in 2019.

CASH FLOWS

In 2020, net cash inflows from operating activities of the Group amounted to approximately RMB219.2 million, as compared with approximately RMB564.9 million in 2019, representing a decrease of approximately RMB345.7 million, which was mainly due to the decrease in revenue and profit in 2020 as compared with that in 2019.

In 2020, net cash outflows used in investing activities of the Group amounted to approximately RMB39.4 million, as compared with approximately RMB213.7 million in 2019, representing a decrease of approximately RMB174.3 million, which was mainly due to the decrease in capital expenditure and payment for production line constructed in Tsaker Chemical (Dongying) Co., Ltd., a wholly owned subsidiary of the Company as well as the decrease in payment for iron phosphate production line as its main construction process had been completed in 2020.

In 2020, the Group's net cash outflows used in financing activities was approximately RMB185.5 million, as compared with approximately RMB369.6 million in 2019, representing a decrease of approximately RMB184.1 million. Such decrease in cash outflows in 2020 were mainly due to the following reasons: (i) the decrease in the net cash outflows of approximately RMB352.9 million in relation to the net cash outflows for the repayment of bank loans and other borrowings as compared with that of 2019; and (ii) dividend paid in 2020 increased by approximately RMB138.5 million as compared with that of 2019.

LIQUIDITY AND CAPITAL STRUCTURE

In 2020, the daily working capital of the Group was primarily derived from internally generated cash flow from operations and bank borrowings. As at 31 December 2020, the Group had (i) cash and cash equivalents of approximately RMB101.2 million, in which approximately RMB86.9 million was denominated in RMB and approximately RMB14.3 million in other currencies (USD, HK$ and SGD) (2019: approximately RMB104.8 million, in which approximately RMB100.2 million was denominated in RMB and approximately RMB4.6 million in other currencies (USD, HK$ and SGD)); (ii) restricted cash of approximately RMB0.8 million denominated in RMB (2019: approximately RMB3.9 million, in which approximately RMB3.8 million was denominated in RMB and RMB0.1 million in another currency (USD)); and (iii) interest-bearing bank and other borrowings of approximately RMB349.7 million with interest rate of 4.5%-13.47% per annum, all denominated in RMB (2019: approximately RMB313.8 million with interest rate of 4.61%-13.45% per annum, including approximately RMB223.5 million denominated in RMB and approximately RMB90.3 million denominated in another currency (USD), of which (a) approximately RMB310.2 million shall be repayable within one year (2019: approximately RMB283.9 million shall be repayable within one year); and (b) all bore fixed interest rates (2019: approximately RMB223.5 million). The Group had no unutilized banking facilities as at 31 December 2020 (2019: RMB39,881,000).

In 2020, the Group did not use any risk hedging instrument or have any borrowing or hedge in its foreign currency investment.

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policy and thus maintained a healthy liquidity position for the year ended 31 December 2020. To manage the liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

GEARING RATIO

As at 31 December 2020, the Group's gearing ratio was approximately 20.8% as compared with approximately 17.8% as at 31 December 2019, which is calculated at interest-bearing bank and other borrowings at the end of the year divided by the total equity. The increase was primarily due to the increase of bank loans and other borrowings by the Group during the Review Year.

CURRENT ASSETS

As at 31 December 2020, the total current assets of the Group amounted to approximately RMB647.5 million (2019: approximately RMB856.4 million), primarily consisting of inventories of approximately RMB177.8 million (2019: approximately RMB274.2 million), trade receivables and notes receivable of approximately RMB217.3 million (2019: approximately RMB286.0 million), prepayments and other receivables of approximately RMB148.7 million (2019: approximately RMB187.4 million), cash and cash equivalents of approximately RMB101.2 million (2019: approximately RMB104.8 million) and restricted cash of approximately RMB0.8 million (2019: approximately RMB3.9 million).

INVENTORIES

Inventories of the Group mainly consisted of raw materials, work-in-progress and finished products. The inventory turnover days decreased from 112 days in 2019 to 98 days in 2020, the decrease was mainly due to the decrease in inventories balances as at 31 December 2020 resulting from the increase of the sales volume at the end of year 2020 as compared with same period in 2019.

TRADE RECEIVABLES AND NOTES RECEIVABLE

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
Trade receivables	**135,164**	203,276
Notes receivable	**82,177**	82,761
	217,341	286,037

As at 31 December 2020, trade receivables and notes receivable of the Group decreased by approximately RMB68.7 million as compared with those of 2019.

The turnover days for trade receivables and notes receivables increased from 54 days for 2019 to 71 days for 2020, which was mainly due to a relatively longer payment schedule due to the impact from the COVID-19 pandemic.

PREPAYMENTS AND OTHER RECEIVABLES

As at 31 December 2020, prepayments and other receivables of the Group decreased by approximately RMB38.7 million from approximately RMB187.4 million in aggregate as at 31 December 2019 to approximately RMB148.7 million in aggregate, which was mainly due to the decrease in the advance payment for equipment and construction costs as well as raw materials.

CURRENT LIABILITIES

As at 31 December 2020, the total current liabilities of the Group amounted to approximately RMB597.6 million (2019: approximately RMB745.9 million), primarily consisting of trade payables of approximately RMB178.9 million (2019: approximately RMB283.3 million), other payables and accruals of approximately RMB86.3 million (2019: approximately RMB119.8 million) and interest-bearing bank and other borrowings of approximately RMB310.2 million (2019: approximately RMB283.9 million).

TRADE PAYABLES

The turnover days for trade payables decreased from 146 days in 2019 to 100 days in 2020. The decrease in the turnover days was mainly due to the settlement by the Group of more long-term payables to the suppliers during 2020.

OTHER PAYABLES AND ACCRUALS

As at 31 December 2020, other payables and accruals of the Group decreased by approximately RMB33.5 million from approximately RMB119.8 million in aggregate as at 31 December 2019 to approximately RMB86.3 million in aggregate, which was mainly due to the decrease in salaries payable to employees and payables for the endorsed notes during the Review Year.

PLEDGE OF ASSETS

As at 31 December 2020, certain of the Group's property, plant and equipment, right-of-use assets and trade receivables with a net carrying amount of approximately RMB201.1 million (2019: approximately RMB204.0 million) were pledged to secure bank loans and other borrowings granted to the Group.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND SIGNIFICANT INVESTMENT

There were no material acquisitions or disposals of subsidiaries, associates and joint ventures, or significant investment of the Group for the year ended 31 December 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have other plans for material investments or capital assets acquisition as at 31 December 2020 and the date of this announcement.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any significant contingent liabilities.

FOREIGN EXCHANGE RISK

Foreign exchange risk refers to the risk of loss caused by fluctuation in the exchange rate. The foreign exchange risk of the Group is mainly related to its operating activities. Along with the continuous expansion of the scale of its export business, the Group's operations may be affected by the future fluctuation in exchange rates. The Group is closely monitoring the impact of fluctuation in currency exchange rates on the foreign exchange risk of the Group.

The Group currently does not have any hedging policy for foreign currencies in place. However, the Board will remain alert to any relevant risks and, if necessary, consider to hedge any material potential foreign exchange risk.

EMPLOYEES AND REMUNERATION POLICIES

The Group has established human resources policies and systems with a view to achieving effective management in all aspects and building a learning-oriented organisation by providing motivational rewards through a proper reward system and offering employees various training programs including internal/external training and public courses.

The remuneration package offered to the employees (including the Directors) was in line with their duties and the prevailing market terms. Staff benefits, including bonus, training schemes, pension fund, medical coverage, provident funds etc., were also provided to the employees of the Group.

As at 31 December 2020, the Group had 1,526 employees (2019: 1,553).

During the Review Year, the total staff costs of the Group (including salaries, bonuses, social insurances and provident funds) amounted to approximately RMB116.0 million (2019: approximately RMB164.4 million).

APPLICATION OF PROCEEDS FROM THE LISTING

Trading of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") commenced on 3 July 2015 (the "**Listing**"). The net proceeds from the Listing amounted to approximately RMB378.8 million. The net proceeds are used for the purposes disclosed in the prospectus of the Company dated 23 June 2015 (the "**Prospectus**").

Till 31 December 2020, the net proceeds of approximately RMB37.9 million, RMB189.4 million, RMB37.9 million, RMB18.9 million and RMB20.6 million have been used as the supplemental working capital, for the expansion of production capacity, for the development of new products, for the rental payment of Phase I and Phase II of Shandong Tsaker Dongao Chemicals Co., Ltd. ("**Tsaker Dongao**"), and for the purchase of the entire equity interest of Tsaker Dongao, respectively. During the Review Year, the Company has not utilized any net proceeds from the Listing.

As at 31 December 2020, the balance of unutilized net proceeds amounted to approximately RMB74.1 million (2019: RMB74.1 million), which is intended to be used to acquire ONT/OT downstream manufacturers and/or other chemicals manufacturers. The major uncertainties in the domestic and international political and economic environment and the increasingly stringent environmental protection and safety supervision in Mainland China pose great challenges for the Group to carry out its acquisition business. The Group is still actively seeking acquisition targets and conducting negotiations thereon. As at the date of this announcement, no legally-binding agreements in relation to such acquisitions have been entered into. The unutilized net proceeds of approximately RMB74.1 million are intended to be fully utilized by the end of 2021 for the purposes disclosed in the Prospectus.

FINAL DIVIDEND

The Board did not recommend the declaration of any final dividend for the year ended 31 December 2020. The interim dividend for the six months ended 30 June 2020 amounted to RMB0.048 per share. The dividends in aggregate for the year ended 31 December 2019 amounted to RMB0.150 per share.

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members will be closed from Thursday, 6 May 2021 to Tuesday, 11 May 2021, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the annual general meeting of the company ("**AGM**"), during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Wednesday, 5 May 2021.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set forth in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance.

During the Reporting Period, the Company has complied with all the code provisions of the CG Code set out therein, except for code provision A.2.1 of the CG Code. In accordance with code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company deviates from code provision A.2.1 because Mr. Ge Yi performs both the roles of the chairman and the chief executive officer of the Company. Since Mr. Ge Yi has been with the Company for many years, he has a thorough understanding of our business, management, customers and products. With his extensive experience in business operation and management, the Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates effective implementation and execution of our business decisions and strategies, and is beneficial to the business prospects and management of the Company.

Under the leadership of Mr. Ge Yi, the Board works effectively and performs its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions are made in consultation with members of the Board and relevant Board committees, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers and authorities between the Board and the management of the Company. To maintain a high standard of corporate governance practice for the Company, the Board shall nevertheless review the effectiveness of the structure and composition of the Board from time to time in light of the prevailing circumstances.

The Company will continue to review and monitor its corporate governance practices to ensure its compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries to all the Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, as the Board considered that the price of the Company's shares did not reflect their intrinsic value, and the share repurchase program could reflect the Board's confidence in the Company's development prospects, thus the Company repurchased on the Stock Exchange a total number of 5,291,500 shares at a total consideration (before deduction of expenses) of HK$6,283,670. The repurchased 3,200,000 shares, 2,049,500 shares and 42,000 shares were subsequently cancelled on 19 June 2020, 20 July 2020 and 21 December 2020, respectively.

The details of repurchase are set out as below:

Month	Number of shares repurchased	Highest purchase price per share *HK$*	Lowest purchase price per share *HK$*	Total consideration (before expenses) *HK$*
June 2020	5,249,500	1.26	1.12	6,234,095
October 2020	42,000	1.19	1.18	49,575

Save as disclosed above, the Company or its subsidiaries had not purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2020.

EVENTS AFTER THE REPORTING PERIOD

The Group had no other material event after the Reporting Period.

AUDIT COMMITTEE AND FINANCIAL STATEMENTS

The audit committee of the Company, together with the Board, had reviewed the accounting standards and practices adopted by the Group and the annual results for the year ended 31 December 2020.

The figures in relation to the results of the Group for the year ended 31 December 2020 in this preliminary announcement have been agreed to the amounts set out in the Group's draft consolidated financial statements for the year by the Group's auditors, Ernst & Young. The work of Ernst & Young, 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.

PUBLICATION OF THE ANNUAL RESULTS AND 2020 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.tsaker.com), and the Company's 2020 annual report containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
Tsaker Chemical Group Limited
GE Yi
Chairman

Beijing, the PRC, 26 March 2021

As at the date of this announcement, the Board comprises Mr. Ge Yi (Chairman), Mr. Bai Kun and Ms. Zhang Nan as executive Directors, Mr. Fontaine Alain Vincent as a non-executive Director, and Mr. Ho Kenneth Kai Chung, Mr. Zhu Lin and Mr. Yu Miao as independent non-executive Directors.

* *For identification purpose only*