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 2021

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2021, revenue of the Group amounted to approximately RMB1,781.1 million, representing an increase of approximately RMB505.8 million or 39.7% comparing with that in the same period of 2020.
- For the year ended 31 December 2021, gross profit of the Group amounted to approximately RMB540.3 million, representing an increase of approximately RMB95.0 million or 21.3% comparing with that in the same period of 2020.
- For the year ended 31 December 2021, net profit of the Group amounted to approximately RMB227.2 million, representing an increase of approximately RMB82.6 million or 57.1% comparing with that in the same period of 2020.
- For the year ended 31 December 2021, basic and diluted earnings per share attributable to ordinary equity owners of the parent amounted to approximately RMB0.22, representing an increase of approximately RMB0.08 or 57.1% comparing with that in the same period of 2020.
- The Board recommended the declaration of a final dividend of RMB0.068 per ordinary share subject to the Shareholders' approval at the AGM. Together with the interim dividend of RMB0.039 per ordinary share for the six months ended 30 June 2021, the dividends in aggregate for the year ended 31 December 2021 will amount to RMB0.107 per ordinary share.

The board (the "**Board**") of directors (the "**Director(s)**") of Tsaker Chemical Group Limited (the "**Company**" or "**We**") hereby announces the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2021 (the "**Reporting Period**" or the "**Review Year**") together with the comparative figures for the year ended 31 December 2020 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	**2021** **RMB'000**	2020 RMB'000
REVENUE	*4*	**1,781,106**	1,275,274
Cost of sales		**(1,240,810)**	(829,939)
Gross profit		**540,296**	445,335
Other income and gains	*4*	**27,675**	15,188
Selling and distribution expenses		**(58,235)**	(41,578)
Administrative expenses		**(143,847)**	(178,206)
Other expenses		**(25,473)**	(20,766)
Impairment losses on property, plant and equipment		**(6,283)**	(18,241)
Finance costs	*5*	**(28,276)**	(32,444)
Share of loss of an associate		**(513)**	–
Exchange gains, net		**2,265**	7,995
PROFIT BEFORE TAX	*6*	**307,609**	177,283
Income tax expense	*7*	**(80,371)**	(32,684)
PROFIT FOR THE YEAR		**227,238**	144,599
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		**(7,711)**	(21,670)
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**")		**15,773**	716
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**8,062**	(20,954)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**235,300**	123,645

	Notes	**2021** **RMB'000**	2020 RMB'000
Profit attributable to:			
Owners of the parent		**226,239**	144,875
Non-controlling interests		**999**	(276)
		227,238	144,599
Total comprehensive income attributable to:			
Owners of the parent		**234,301**	123,921
Non-controlling interests		**999**	(276)
		235,300	123,645
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (expressed in RMB per share)	*9*	**0.22**	0.14

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2021

	Notes	31 December 2021 RMB'000	31 December 2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**1,454,285**	1,477,147
Right-of-use assets	11(a)	**87,447**	93,843
Investment in an associate		**987**	–
Equity investments designated at FVOCI	12	**50,135**	50,218
Intangible assets		**17,319**	19,625
Deferred tax assets		**33,692**	43,016
Other non-current assets		**12,122**	11,707
Total non-current assets		**1,655,987**	1,695,556
CURRENT ASSETS			
Inventories	13	**260,863**	177,787
Trade receivables	14	**216,086**	135,164
Notes receivable	15	**85,802**	82,177
Prepayments and other receivables		**139,069**	148,695
Financial assets at fair value through profit or loss		**28,613**	1,709
Restricted cash	16	**1,986**	760
Cash and cash equivalents	16	**180,075**	101,240
Total current assets		**912,494**	647,532
CURRENT LIABILITIES			
Trade payables	17	**195,713**	178,901
Other payables and accruals		**84,586**	86,328
Contract liabilities		**6,485**	11,514
Interest-bearing bank and other borrowings	18	**278,000**	282,000
Income tax payable		**48,180**	10,651
Current portion of long-term borrowings	18	**24,109**	28,212
Total current liabilities		**637,073**	597,606
NET CURRENT ASSETS		**275,421**	49,926
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,931,408**	1,745,482

	Notes	**31 December 2021** *RMB'000*	31 December 2020 *RMB'000*
NON-CURRENT LIABILITIES			
Deferred income		**20,473**	21,177
Deferred tax liabilities		**5,699**	5,250
Interest-bearing bank and other borrowings	*18*	**13,622**	39,440
Lease liabilities	*11(b)*	**188**	323
Total non-current liabilities		**39,982**	66,190
Net assets		**1,891,426**	1,679,292
EQUITY			
Equity attributable to owners of the parent			
Share capital	*19*	**66,269**	66,713
Treasury shares		**(5,893)**	–
Reserves		**1,815,114**	1,612,579
		1,875,490	1,679,292
Non-controlling interests		**15,936**	–
Total equity		**1,891,426**	1,679,292

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**307,609**	177,283
Adjustments for:			
Finance costs	*5*	**28,276**	32,444
Exchange gains, net		**(592)**	(1,998)
Interest income	*4*	**(500)**	(240)
Dividend income from equity investments at FVOCI and financial assets at fair value through profit or loss	*4*	**(2,837)**	(703)
Loss on disposal of items of property, plant and equipment	*6*	**12,834**	4,220
Loss on termination of a lease		**611**	101
Fair value losses/(gains) of financial assets at fair value through profit or loss	*6*	**6,012**	(530)
Depreciation of property, plant and equipment	*10*	**97,989**	90,659
Depreciation of right-of-use assets	*11(a)*	**4,480**	9,302
Amortisation of intangible assets		**2,321**	2,370
Amortisation of deferred income		**(2,684)**	(2,607)
Share of loss of an associate		**513**	–
Impairment of trade receivables	*6*	**4,229**	1,347
Impairment of property, plant and equipment	*6*	**6,283**	18,241
Write-down of inventories to net realisable value	*6*	**–**	8,535
		464,544	338,424
(Increase)/decrease in inventories		**(83,076)**	87,886
Increase in trade receivables		**(160,337)**	(1,461)
Decrease in prepayments and other receivables		**23,186**	13,667
Increase/(decrease) in trade payables		**57,509**	(51,771)
Increase/(decrease) in other payables and accruals		**693**	(51,710)
Decrease in contract liabilities		**(5,029)**	(4,575)
(Increase)/decrease in restricted cash		**(1,226)**	3,136
Short-term loan to an associate		**(204)**	–
Cash generated from operations		**296,060**	333,596
Interest received		**500**	240
Interest paid		**(28,040)**	(26,839)
Income tax paid		**(33,082)**	(87,761)
Net cash flows from operating activities		**235,438**	219,236

	Notes	2021 RMB'000	2020 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*	**2,837**	703
Proceeds from disposal of financial assets at fair value through profit or loss		**51,587**	3,740
Proceeds from disposal of financial assets at FVOCI		**22,589**	–
Purchases of items of property, plant and equipment		**(64,074)**	(20,824)
Purchases of intangible assets		**(257)**	–
Proceeds from disposal of items of property, plant and equipment		**2,025**	1,804
Purchases of equity investments designated at FVOCI		**(7,364)**	(2,000)
Proceeds from government grants		**1,982**	350
Prepaid land lease payment		**(809)**	(18,277)
Purchase of financial assets at fair value through profit or loss		**(84,783)**	(4,859)
Investment in an associate		**(1,500)**	–
Net cash flows used in investing activities		**(77,767)**	(39,363)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans and other borrowings		**314,065**	373,160
Repurchase of own shares		**(13,142)**	(5,738)
Repayment of bank loans and other borrowings		**(368,827)**	(342,940)
Principal portion of lease liabilities		**(1,500)**	(4,901)
Dividend paid		**(40,024)**	(205,056)
Disposal of partial interest in a subsidiary		**30,000**	–
Net cash flows used in financing activities		**(79,428)**	(185,475)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**78,243**	(5,602)
Cash and cash equivalents at beginning of the year		**101,240**	104,844
Effect of foreign exchange rate changes, net		**592**	1,998
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**180,075**	101,240

NOTES TO FINANCIAL STATEMENTS
31 December 2021

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
- manufacture and sale of battery materials
- others

In the opinion of the Directors, the de facto controller of the Company is Mr. Ge Yi, who holds 51.97% 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 investments, 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 Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2021. 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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

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

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. These amendments had no material impact on the consolidated financial statements of the Group.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the Covid-19 pandemic. The amendment did not have any impact on the financial position and performance of the Group as there were no material lease payments reduced or waived by the lessors as a result of the Covid-19 pandemic during the year.

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*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendment to HKFRS 17	*Insurance Contracts*[2, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

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

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

3 No mandatory effective date yet determined but available for adoption

4 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

5 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 HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* 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 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

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 (2020: four) reportable operating segments as follows:

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

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

(c) the battery materials segment engages in the manufacture and sale of battery materials; and

(d) the "others" segment comprises, principally, the Group's environmental technology consultancy services engages in environmental protection.

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 the 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 2021	Dye and agricultural chemical intermediates *RMB'000*	Pigment intermediates *RMB'000*	Battery materials *RMB'000*	Others *RMB'000*	Total segments *RMB'000*
Segment revenue (Note 4):					
Revenues from external customers	**1,252,422**	**353,566**	**173,486**	**1,632**	**1,781,106**
Intersegment sales	**11,521**	**–**	**–**	**–**	**11,521**
Total revenue	**1,263,943**	**353,566**	**173,486**	**1,632**	**1,792,627**
Reconciliation					
Elimination of intersegment sales					**(11,521)**
Revenue					**1,781,106**
Segment results	**276,655**	**56,920**	**(2,366)**	**(6,396)**	**324,813**
Including:					
Interest income	**133**	**35**	**4**	**68**	**240**
Finance costs	**(24,513)**	**(5,167)**	**(13)**	**(349)**	**(30,042)**
Reconciliation					
Interest income					**260**
Finance costs					**1,766**
Elimination of intersegment results					**(1,442)**
Corporate and other unallocated gains					**(17,788)**
Profit before tax					**307,609**
Segment assets	**2,053,536**	**286,790**	**401,082**	**93,520**	**2,834,928**
Reconciliation					
Elimination of intersegment receivables					**(578,448)**
Corporate and other unallocated assets					**317,005**
Elimination of inventories due to unrealised gains					**(5,004)**
Total assets					**2,568,481**
Segment liabilities	**562,084**	**120,919**	**482,786**	**4,149**	**1,169,938**
Reconciliation					
Elimination of intersegment payables					**(578,448)**
Corporate and other unallocated liabilities					**85,565**
Total liabilities					**677,055**
Other segment information					
Loss of an associate	–	**–**	**–**	**513**	**513**
Impairment losses recognised in profit or loss	**2,974**	**1,205**	**6,333**	**–**	**10,512**
Depreciation and amortisation	**63,488**	**15,075**	**22,700**	**3,527**	**104,790**
Capital expenditure*	**63,256**	**6,094**	**27,176**	**–**	**96,526**
Investment in an associate	–	**–**	**–**	**987**	**987**

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

Year ended 31 December 2020	Dye and agricultural chemical intermediates *RMB'000*	Pigment intermediates *RMB'000*	Battery materials *RMB'000*	Others *RMB'000*	Total segments *RMB'000*
Segment revenue (Note 4):					
Revenues from external customers	1,005,412	254,076	8,237	7,549	1,275,274
Intersegment sales	8,841	–	–	673	9,514
Total revenue	1,014,253	254,076	8,237	8,222	1,284,788
Reconciliation					
Elimination of intersegment sales					(9,514)
Revenue					1,275,274
Segment results	187,091	52,102	(52,412)	(8,725)	178,056
Including:					
Interest income	107	24	7	–	138
Finance costs	(24,011)	(2,923)	(19)	(1)	(26,954)
Reconciliation					
Interest income					102
Finance costs					(5,490)
Realization of intersegment results					584
Corporate and other unallocated expenses					4,031
Profit before tax					177,283
Segment assets	1,883,017	319,849	299,401	100,650	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	384,116	3,075	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	22,483	3,618	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.

Geographical information

(a) Revenue from external customers

	2021	2020
	RMB'000	*RMB'000*
Mainland China	**1,209,785**	866,378
India	**161,030**	119,126
Indonesia	**94,476**	64,092
Brazil	**74,569**	33,696
Germany	**73,998**	61,551
United States	**58,100**	43,298
Japan	**31,709**	10,055
Taiwan, China	**30,975**	10,918
Spain	**28,654**	38,414
Turkey	**5,710**	6,467
Pakistan	**4,978**	–
Korea	**2,109**	1,128
Italy	**–**	4,054
Other countries/regions	**5,013**	16,097
	1,781,106	1,275,274

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 2021, revenue of RMB224,803,000 (2020: RMB196,775,000) was derived from sales from the dye and agricultural chemical intermediates segment to a single customer.

4. REVENUE, OTHER INCOME AND GAINS

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2021

Segments	Dye and agricultural chemical intermediates *RMB'000*	Pigment intermediates *RMB'000*	Battery materials *RMB'000*	Others *RMB'000*	Total *RMB'000*
Types of goods or services					
Sale of chemical intermediates and battery materials	1,252,422	353,566	173,486	–	1,779,474
Provision of consultancy and maintenance services	–	–	–	1,632	1,632
Total revenue from contracts with customers	1,252,422	353,566	173,486	1,632	1,781,106
Geographical markets					
Mainland China	836,795	197,872	173,486	1,632	1,209,785
India	80,712	80,318	–	–	161,030
Indonesia	94,476	–	–	–	94,476
Brazil	74,569	–	–	–	74,569
Germany	73,656	342	–	–	73,998
United States	18,200	39,900	–	–	58,100
Japan	–	31,709	–	–	31,709
Taiwan, China	30,975	–	–	–	30,975
Spain	28,654	–	–	–	28,654
Turkey	5,710	–	–	–	5,710
Pakistan	4,978	–	–	–	4,978
Korea	2,109	–	–	–	2,109
Other countries/regions	1,588	3,425	–	–	5,013
Total revenue from contracts with customers	1,252,422	353,566	173,486	1,632	1,781,106
Timing of revenue recognition					
Goods transferred at a point in time	1,252,422	353,566	173,486	–	1,779,474
Services transferred over time	–	–	–	1,632	1,632
Total revenue from contracts with customers	1,252,422	353,566	173,486	1,632	1,781,106

For the year ended 31 December 2020

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

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:

	2021	2020
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of chemical intermediates	**9,083**	12,280
Consultancy and maintenance services	**–**	3,430
	9,083	15,710

(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:

	2021	2020
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**151**	187

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

	2021	2020
	RMB'000	*RMB'000*
Bank interest income	**500**	240
Dividend income from equity investments at FVOCI and financial assets at fair value through profit or loss	**2,837**	703
Fair value (losses)/gains, net:		
Financial assets at fair value through profit or loss	**(6,012)**	530
Government grants*	**7,915**	10,054
Sale of materials and scrap	**21,434**	2,847
Others	**1,001**	814
	27,675	15,188

* For the year ended 31 December 2021, government grants amounting to RMB7,915,000 (2020: RMB10,054,000) 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:

	2021	2020
	RMB'000	*RMB'000*
Interest on bank loans and other borrowings	**24,690**	30,023
Interest on lease liabilities	**139**	586
Other finance costs	**3,447**	3,403
Less: Interest capitalised	**–**	(1,568)
	28,276	32,444

The weighted average interest rate of capitalisation for the year ended 31 December 2021 was Nil (2020: 7.44%).

6. PROFIT BEFORE TAX

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

	Notes	**2021** **RMB'000**	2020 *RMB'000*
Cost of inventories sold		**1,240,226**	827,875
Cost of services provided		**584**	2,064
Depreciation of property, plant and equipment	*10*	**97,989**	90,659
Depreciation of right-of-use assets	*11(a)*	**4,480**	9,302
Amortisation of intangible assets		**2,321**	2,370
Research and development costs		**26,392**	25,946
Lease payments not included in the measurement of lease liabilities	*11(c)*	**2,840**	2,097
Auditor's remuneration		**2,180**	3,460
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages, salaries and welfare		**109,457**	96,254
Pension and other social insurances**		**25,190**	9,719
Exchange gains, net		**(2,265)**	(7,995)
Dividend income from equity investments at FVOCI and financial assets at fair value through profit or loss		**(2,837)**	(703)
Impairment losses on property, plant and equipment	*10*	**6,283**	18,241
Loss on disposal of items of property, plant and equipment*		**12,834**	4,220
Impairment of trade receivables*	*14*	**4,229**	1,347
Write-down of inventories to net realisable value	*13*	**–**	8,535
Donation expenses*		**–**	3,300
Compensation for termination of property, plant and equipment purchase contracts*		**81**	9,609
Fair value losses/(gains), net:			
Financial assets at fair value through profit or loss		**6,012**	(530)
Share of loss of an associate		**513**	–
Bank interest income		**500**	240

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

** At 31 December 2021, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years. (2020: Nil)

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 (2020: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 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.

	2021 ***RMB'000***	2020 *RMB'000*
Current – Mainland China		
Charge for the year	**61,591**	40,474
Underprovision in prior years	**622**	733
Current – Elsewhere	**8,385**	1,475
Deferred	**9,773**	(9,998)
Total tax charge for the year	**80,371**	32,684

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:

	2021 ***RMB'000***	2020 *RMB'000*
Profit before tax	**307,609**	177,283
Tax at the statutory income tax rate (25%)	**76,902**	44,321
Effect of different tax rates	**(381)**	(1,429)
Non-deductible expenses	**5,992**	1,724
Income not subject to tax	**(2,353)**	(2,978)
Additional deduction of research and development costs	**(7,128)**	(4,159)
Adjustments in respect of current tax of previous periods	**622**	733
Temporary differences (including tax losses) not recognised	**133**	1,198
Withholding tax	**6,584**	(6,726)
Total income tax expense	**80,371**	32,684

8. DIVIDENDS

	Notes	2021 RMB'000	2020 RMB'000
Interim dividend approved and paid of RMB0.039 per ordinary share (2020: RMB0.048 per ordinary share)	*(a)*	**40,024**	49,591
Final dividend proposed after the end of the reporting period of RMB0.068 per ordinary share (2020: Nil)	*(b)*	**69,785**	–
		109,809	49,591

Notes:

(a) On 20 August 2021, the Board declared an interim dividend of RMB0.039 per ordinary share (six months ended 30 June 2020: RMB0.048 per ordinary share), amounting to a total of approximately RMB40,024,000 (six months ended 30 June 2020: RMB49,591,000)

(b) The Directors recommend a final dividend of RMB0.068 (2020: Nil) per ordinary share in respect of the year ended 31 December 2021, amounting to a total of approximately RMB69,785,000 (2020: Nil). The proposed dividend was not recognised as a liability as at the end of the reporting period, since it is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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 1,027,925,000 (2020: 1,035,488,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

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

	2021	2020
Earnings		
Profit for the year attributable to ordinary equity holders of the parent *(RMB'000)*	**226,239**	144,875
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation *('000)*	**1,027,925**	1,035,488

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 2020 and 1 January 2021:						
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**
At 1 January 2021, net of accumulated depreciation and impairment	**384,459**	**466,685**	**2,568**	**2,096**	**621,339**	**1,477,147**
Additions	**4,861**	**11,378**	**620**	**622**	**78,788**	**96,269**
Disposals	**(1,585)**	**(4,279)**	**(78)**	**(223)**	**(8,694)**	**(14,859)**
Depreciation provided during the year	**(27,943)**	**(68,177)**	**(1,140)**	**(729)**	**–**	**(97,989)**
Impairment	**–**	**(6,283)**	**–**	**–**	**–**	**(6,283)**
Transfers	**47,946**	**57,328**	**49**	**–**	**(105,323)**	**–**
At 31 December 2021, net of accumulated depreciation and impairment	**407,738**	**456,652**	**2,019**	**1,766**	**586,110**	**1,454,285**
At 31 December 2021:						
Cost	**560,585**	**884,647**	**16,931**	**4,754**	**592,725**	**2,059,642**
Accumulated depreciation and impairment	**(152,847)**	**(427,995)**	**(14,912)**	**(2,988)**	**(6,615)**	**(605,357)**
Net carrying amount	**407,738**	**456,652**	**2,019**	**1,766**	**586,110**	**1,454,285**

Impairment assessment in 2021

In accordance with the Group's accounting policies, each asset or cash-generating unit ("**CGU**") is evaluated at least annually at the end of each reporting period, to determine whether there are any indications of impairment. If any such indications of impairment exist, a formal estimate of the recoverable amount is performed.

As at 31 December 2021, attributed to a sluggish market demand and a continuously insufficient capacity utilisation rate in the CNT CGU (a production line in the dye and agricultural chemical intermediates segment manufacturing CNT), management has performed impairment assessments by comparing the carrying values of the assets of this CGU with its recoverable amount. The recoverable amount was estimated based on its value in use ("**VIU**") as determined by discounting the future cash flows to be generated from the continuing use of this CGU with a pre-tax discount rate of approximately 14%. 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 for the CNT CGU as at 31 December 2021 are as follows:

	Recoverable amounts *RMB'000*	Carrying amounts *RMB'000*	Impairment provision *RMB'000*
CNT CGU	8,166	13,244	5,078

As at 31 December 2021, certain equipment of the TCCBM production line (a production line in pigment intermediates segment manufacturing TCCBM) would be no longer used, an impairment provision of RMB1,205,000 was made based on the carrying amount. The carrying amount and impairment provision as at 31 December 2021 are as follows:

	Carrying amount *RMB'000*	**Impairment provision** *RMB'000*
Certain equipment of the TCCBM production line	1,205	1,205

	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 the 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 value less costs to sell, carrying amount and impairment provision as at 31 December 2020 are as follows:

	Fair value less costs to sell *RMB'000*	**Carrying amount** *RMB'000*	**Impairment provision** *RMB'000*
Certain equipment of the 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 management's decision of ceasing its construction.

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 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 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 and 1 January 2021	89,635	574	3,634	93,843
Addition	–	809	–	809
Lease termination	–	–	(2,725)	(2,725)
Depreciation charge	(2,801)	(770)	(909)	(4,480)
As at 31 December 2021	86,834	613	–	87,447

(b) Lease liabilities

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

	2021 *RMB'000*	2020 *RMB'000*
Carrying amount at 1 January	**4,242**	8,081
New leases	**809**	1,349
Accretion of interest recognised during the year	**139**	586
Payments	**(1,639)**	(5,487)
Lease termination	**(2,924)**	(287)
Carrying amount at 31 December	**627**	4,242
Analysed into:		
Current portion	**439**	3,919
Non-current portion	**188**	323

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

	2021	2020
	RMB'000	*RMB'000*
Interest on lease liabilities	**139**	586
Depreciation charge of right-of-use assets	**4,480**	9,302
Expense relating to short-term leases	**2,840**	2,097
Total amount recognised in profit or loss	**7,459**	11,985

12. EQUITY INVESTMENTS DESIGNATED AT FVOCI

	31 December 2021	31 December 2020
	RMB'000	*RMB'000*
Equity investments designated at FVOCI :		
Quoted equity investment, at fair value		
Equity investment in a listed company	**24,352**	25,829
Unquoted equity investment, at fair value	**25,783**	24,389
Total	**50,135**	50,218

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

In 2021, the Group recognised a gain of RMB15,773,000 in other comprehensive income in relation to the fair value change of equity investments designated at FVOCI (2020: a gain of RMB716,000).

13. INVENTORIES

	31 December 2021 *RMB'000*	31 December 2020 *RMB'000*
Raw materials	**20,527**	32,044
Work in progress	**33,124**	30,498
Finished goods	**207,212**	123,780
	260,863	186,322
Less: Impairment provision	**–**	(8,535)
	260,863	177,787

14. TRADE RECEIVABLES

	31 December 2021 *RMB'000*	31 December 2020 *RMB'000*
Trade receivables	**222,380**	137,229
Impairment	**(6,294)**	(2,065)
	216,086	135,164

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 2021 *RMB'000*	31 December 2020 *RMB'000*
Within 1 month	**116,842**	54,129
1 month to 2 months	**63,304**	31,941
2 months to 3 months	**16,858**	16,349
3 months to 4 months	**3,741**	10,342
Over 4 months	**15,341**	22,403
	216,086	135,164

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

	2021 *RMB'000*	2020 *RMB'000*
At the beginning of year	**2,065**	783
Impairment provided (note 6)	**4,229**	1,347
Amount written off as uncollectible	**–**	(65)
At end of year	**6,294**	2,065

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 recognises 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 2021

	Within 1 year	**Between 1 and 2 years**	**Between 2 and 3 years**	**Over 3 years**	**Total**
Expected credit loss rate	**0.01%**	**0.24%**	**30.90%**	**100.00%**	**–**
Gross carrying amount *(RMB'000)*	**208,879**	**4,419**	**4,076**	**5,006**	**222,380**
Expected credit losses *(RMB'000)*	**19**	**10**	**1,259**	**5,006**	**6,294**

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

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 2021 or 2020 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 RMB10,254,000 and RMB9,997,000 as at 31 December 2021 and 2020, 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 RMB335,339,000 and RMB116,864,000 as at 31 December 2021 and 2020, 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 approximated to their carrying amount largely due to the short term maturities of these instruments. No fair value changes were recorded for the years ended 31 December 2021 and 2020 for notes receivable.

For the years ended 31 December 2021 and 2020, 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 2021 and 2020 or cumulatively.

16. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	Note	**31 December 2021** ***RMB'000***	31 December 2020 *RMB'000*
Cash and bank balances		**182,061**	102,000
Less: Restricted cash – current	*(a)*	**(1,986)**	(760)
Cash and cash equivalents		**180,075**	101,240
Denominated in RMB		**147,638**	86,932
Denominated in other currencies		**32,437**	14,308
Cash and cash equivalents		**180,075**	101,240

Note:

(a) As at 31 December 2021, 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; RMB133,000 was deposited as a guarantee fund for foreign currency exchange; and RMB1,800,000 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 2021 *RMB'000*	31 December 2020 *RMB'000*
Within 1 month	**94,495**	63,034
1 month to 2 months	**18,824**	10,165
2 months to 3 months	**4,659**	2,948
Over 3 months	**77,735**	102,754
	195,713	178,901

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 2021			31 December 2020		
	Effective interest rate (%)	Maturity	*RMB'000*	Effective interest rate (%)	Maturity	*RMB'000*
Short-term						
Bank loans – secured	**4.50-6.80**	**2022**	**273,000**	4.50-6.96	2021	277,000
Bank loans – unsecured	**6.00**	**2022**	**5,000**	6.00	2021	5,000
			278,000			282,000
Long-term						
Bank loans – secured	**7.20**	**2022**	**18,000**	7.20	2022	20,000
Other borrowings – secured	**9.22**	**2022-2024**	**19,731**	10.17-13.47	2022-2023	47,652
			37,731			67,652
Less: current portion of long-term bank and other borrowings			**24,109**			28,212
			13,622			39,440
Total bank and other borrowings			**315,731**			349,652
Analysed into:						
Bank loans and other borrowings repayable:						
Within one year			**302,109**			310,212
In the second year			**6,526**			34,116
In the third to fifth years, inclusive			**7,096**			5,324
Total			**315,731**			349,652

Notes :

(a) The Group had unutilised banking facilities of RMB59,263,000 as at 31 December 2021 (2020: Nil).

(b) Certain of the Group's interest-bearing bank and other borrowings as at 31 December 2021 were secured by:

(i) mortgages over certain of the Group's property, plant and equipment of RMB55,119,000 as at 31 December 2021 (2020: RMB130,127,000);

(ii) mortgages over certain of the Group's right-of-use assets of RMB45,937,000 as at 31 December 2021 (2020: RMB62,902,000);

(iii) mortgages over certain of the Group's trade receivables of RMB14,957,000 as at 31 December 2021 (2020: RMB8,047,000).

(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** *US$*	**Issued share capital equivalent of** *RMB'000*
Authorised:			
As at 31 December 2020 at US$0.01 each	2,000,000,000	20,000,000	
As at 31 December 2021 at US$0.01 each	**2,000,000,000**	**20,000,000**	
Issued and fully paid:			
At 1 January 2021 at US$0.01 each	**1,033,104,000**	**10,331,040**	**66,713**
Shares cancelled	**(6,849,000)**	**(68,490)**	**(444)**
As at 31 December 2021 at US$0.01 each	**1,026,255,000**	**10,262,550**	**66,269**

Note:

The Company repurchased 11,876,500 and 5,291,500 of its shares in 2021 and 2020, respectively, on the Hong Kong Stock Exchange for consideration of RMB13,142,000 and RMB5,738,000, respectively. 6,849,000 shares were cancelled during the year.

20. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2021 (2020: Nil).

21. COMMITMENTS

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

	31 December 2021 *RMB'000*	31 December 2020 *RMB'000*
Contracted, but not provided for:		
Plant and machinery	**152,429**	120,009
Capital contribution payable to an equity investment	**2,200**	9,787

22. EVENTS AFTER THE REPORTING PERIOD

As of the date of this Report, except that the Directors recommend a final dividend of RMB0.068 per ordinary share in respect of the year ended 31 December 2021 and the proposal is subject to the approval of the Company's shareholders at the 2021 annual general meeting as set out in note 8, the Group had no other significant events after the reporting period that are required to be disclosed.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Operating segment results

For the year ended 31 December 2021

	Dye and agricultural chemical intermediates	**Pigment intermediates**	**Battery materials**	**Others**	**Total**
Revenue *(RMB'000)*	**1,252,422**	**353,566**	**173,486**	**1,632**	**1,781,106**
Cost of sales *(RMB'000)*	**846,661**	**230,496**	**163,043**	**610**	**1,240,810**
Sales volume *(tons)*	**69,948**	**11,013**	**11,573**	**N/A**	**92,534**
Gross profit margin	**32.4%**	**34.8%**	**6.0%**	**62.6%**	**30.3%**
Average unit selling price *(RMB/ton)*	**17,905**	**32,104**	**14,991**	**N/A**	**N/A**

For the year ended 31 December 2020

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

The Group produces fine chemicals such as dye, pigment, agricultural chemical intermediates, and battery materials.

The existing main operations of the Group remain stable and enjoy a prominent position in the market. During the Review Year, revenue from the top five largest customers of the Group accounted for approximately 33.8% of the Group's revenue for the year (2020: approximately 37.3%).

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 9.0%; Indonesia accounted for approximately 5.3%; Brazil, Germany, the United States of America and other regions accounted for approximately 4.2%, 4.2%, 3.3% and 6.1%, respectively, of the Group's total revenue.

PERFORMANCE REVIEW

During the Review Year, total revenue of the Group increased by 39.7% to approximately RMB1,781.1 million (2020: approximately RMB1,275.3 million) as compared with that of 2020. The increase in revenue was mainly due to the increase in sales volume of dye intermediates and pigment intermediates, and the increase in sales volume and average sales price of battery material products as a result of the Group's completion of the upgrading of its production line for iron phosphate in June 2021, and such iron phosphate has been gradually mass-produced.

As for gross profit, due to the increase in the overall revenue of the Group and the reduced impact of COVID-19 on production suspension, the gross profit of the Group increased by approximately 21.3% to approximately RMB540.3 million (2020: approximately RMB445.3 million) as compared with that of 2020. The overall gross profit margin of the Group decreased to approximately 30.3% in 2021 from approximately 34.9% in 2020. On the other hand, the net profit of the Group for the year 2021 increased by approximately 57.1% to approximately RMB227.2 million (2020: approximately RMB144.6 million); net profit margin was approximately 12.8% (2020: approximately 11.3%); and basic earnings per share was approximately RMB0.22 (2020: approximately RMB0.14).

Dye and agricultural chemical intermediates – accounting for approximately 70.3% of total revenue (2020: approximately 78.8%)

During the Review Year, the growth in market demand and the reduced impact of COVID-19 on production suspension resulted in an increase in the sales volume of the dye intermediates products. Revenue generated from the sales of the dye intermediates products increased by approximately 33.7% over 2020 to approximately RMB789.3 million in the Review Year (2020: approximately RMB590.4 million), representing approximately 44.3% (2020: approximately 46.3%) of the Group's total revenue. Due to the increase in the average selling prices of the products, the Group's revenue generated from the sales of the agricultural chemical intermediates products increased by approximately 11.6% over 2020 to approximately RMB463.1 million in the Review Year (2020: approximately RMB415.0 million), representing approximately 26.0% (2020: approximately 32.5%) of the Group's total revenue. These two factors resulted in an overall increase of approximately RMB247.0 million or approximately 24.6% in revenue from the segment as compared with that of 2020.

During the Review Year, the gross profit margin of dye intermediates decreased by 3.8 percentage points to approximately 39.5% (2020: approximately 43.3%). The gross profit margin of the agricultural chemical intermediates decreased by approximately 4.3 percentage points to approximately 20.3% (2020: approximately 24.6%).

Pigment intermediates – accounting for approximately 19.9% of total revenue (2020: approximately 19.9%)

During the Review Year, due to the increase in market demand and the reduced impact of COVID-19 on production suspension, the sales volume and sales price of pigment intermediate products of the Group increased as compared with that of 2020, while the revenue generated from the sales of pigment intermediate products increased by approximately 39.2% over 2020 to approximately RMB353.6 million (2020: approximately RMB254.1 million).

During the Review Year, as the unit cost of pigment intermediates increased more than that of the unit price, the gross profit margin decreased by approximately 9.1 percentage points as compared with 2020 to approximately 34.8% in 2021 (2020: approximately 43.9%).

Battery materials – accounting for approximately 9.7% of total revenue (2020: approximately 0.6%)

During the Review Year, the Group has completed the upgrade and transformation of its iron phosphate production line in June 2021, which iron phosphate has been gradually put into mass-production. With the continuous increase in the production volume of the iron phosphate production line and strong market demand, the production volume, sales volume and market price of iron phosphate products all achieved significant growth, and the revenue from the products in the battery materials segment increased by approximately 2,015.9% over 2020 to approximately RMB173.5 million in the Review Year. (2020: approximately RMB8.2 million).

Others – accounting for approximately 0.1% of total revenue (2020: 0.6%)

Since the revenue generated from the environmental technology consultancy services currently accounts for a relatively low proportion of the Group's overall revenue, and taking into account the overall economic environment, the Group no longer takes environmental technology consultancy services as our business focus at this stage. The revenue generated from the segment is included in "Others". During the Review Year, the Group mainly focused on technical service consultation of environmental protection and the operation and maintenance of pre-projects, and generated revenue of approximately RMB1.6 million (2020: approximately RMB7.5 million), with a gross profit margin of approximately 62.6% (2020: approximately 47.8%).

EXPORT

In 2021, the export revenue of the Group amounted to approximately RMB571.3 million, representing an increase of approximately RMB162.4 million or 39.7% as compared with the export revenue of approximately RMB408.9 million in 2020. The increase in export revenue of the Group was mainly due to the increase in export sales volume of dye intermediates and pigment intermediates.

In 2021, the export revenue accounted for approximately 32.1% of the total revenue of the Group (2020: approximately 32.1%).

RESEARCH AND DEVELOPMENT

The Group has always regarded research and development and technological innovation as the fundamental source of power for the Group's development. We continue to research and develop new products, improve and enhance the production process and product quality of existing products, and enhance the overall competitiveness of our products in the market.

During Review Year, we completed the pilot scale research and development of a new material product BPDA and implemented a fast-track production line using other existing product plants to achieve our goal of finishing and launching it on the market as soon as possible to satisfy customers' demand.

During Review Year, we further optimised our production process for iron phosphate battery materials. We completed the upgrade of our one-step production process and adopted this into mass production to improve product quality and also reduce the production cost per unit of product. With the successful application of this new technology, we continue to expand our production scale to meet the growing market demand.

During Review Year, we implemented a major technological upgrade of our DSD acid product, a dye intermediate, by converting the scrap iron sludge generated during the original production process into a co-produced iron oxide red product, which construction has recently been completed. Through the application of the new technology, we have achieved zero discharge of solid waste from the production process of DSD acid, and through the co-production of iron oxide red products, we have further expanded the Group's existing product range and increased the overall profitability of the Group.

Adhering to the belief that technology is our core competence, we will continue to invest in research and development and make unremitting efforts to maintain the competitive edge of our existing products in the market and actively explore new business growth ideas.

REVIEW AND OUTLOOK

During the Review Year, with the promotion of vaccination around the globe, the COVID-19 pandemic was under control, the economies of countries around the world began to recover gradually and the development of the upstream related industries recovered, driven by the increase in demand from end-consumer markets. The sales of dye intermediate and pigment intermediate products of the Group recorded a significant growth as compared with that in 2020. In addition, the Group completed the upgrade and transformation of its iron phosphate production line in June 2021, and iron phosphate has been gradually put into mass production. With the continuous increase in the production capacity of the iron phosphate production line, the sales volume of iron phosphate products increased significantly as compared with that in 2020. At the same time, we also note that with the implementation of economic stimulus plans by countries around the world and the impact of the monetary quantitative easing policy, the prices of major commodities around the world have risen significantly, resulting in significant fluctuations in the prices of many raw materials, which have had a significant impact on the production costs of the major products of the Group. Under such a complex economic situation, we have adhered to a proactive and prudent development strategy, actively addressing the impact of cost fluctuations and flexibly adjusting our sales strategy to cope with market changes. We will continue to adhere to the concepts of safety, environmental protection and sustainable development, and further increase our investment in research and development, strive to develop new products and processes, improve production processes to enhance production efficiency and effectively reduce production costs, and continue to exercise stringent cost control to maintain a sustainable, stable, healthy and innovative development trend of the Group.

During the Review Year, through continuous improvement of the production process of the iron phosphate products, we have successfully increased the production capacity of our existing iron phosphate production line from 15,000 tons/year to 20,000 tons/year, reaching its full capacity. In addition, we have continued to expand and transform our existing iron phosphate production line. As of March 2022, we have successfully increased the production capacity of our existing iron phosphate production line from 20,000 tons/year to 30,000 tons/year. At the same time, we will also increase the production capacity of the phase I of new iron phosphate line in Shandong Tsaker New Materials Co., Ltd. under construction from 25,000 tons/year to 50,000 tons/year, which is expected to be completed by the end of 2022. By then, we will have a total production capacity of 80,000 tons/year of iron phosphate products from two production bases, which will significantly enhance the influence of the Group in the iron phosphate industry and lay a solid foundation for the future development of the Group. During the Review Year, due to the shortage of production capacity for upstream products as a result of the significant increase in market demand for lithium battery materials, product prices rose accordingly. Although production costs increased due to the increase in raw material prices, as a result of the expansion of production scale and the increase in selling prices, the battery material business segment has significantly reduced its losses in the previous year and has started and continued to make a profit. We are confident in the prospect of the future business development of the battery material segment.

During the Review Year, the sales volume of our traditional core dye intermediate and pigment intermediate products increased significantly as compared with that in 2020 due to increased market demand, which led to an increase in sales revenue and profit for the corresponding segments. In consideration of the long-term and stable development of the traditional business segment and to commence production of the new product BPDA as soon as possible, we have moved the BPDA production line to be established from Shandong Tsaker New Materials Co., Ltd. to Hebei Tsaker New Materials Technology Company Limited (previously known as "Tsaker Chemical (Cangzhou) Co., Ltd., a non-wholly owned subsidiary of the Company, which mainly engages in the production and sales of pigment intermediates.). Meanwhile, to further enhance the financing ability of the Group in the capital market, we are considering a spin-off of Hebei Tsaker New Materials Technology Company Limited and a separate quotation of its shares on the National Equities Exchange and Quotations ("**NEEQ**"). We have obtained the approval from the Stock Exchange on 11 March 2022 that we may proceed with the proposed spin-off under Practice Note 15 to the Listing Rules. Details of which are set out in the announcement of the Company dated 15 March 2022. We believe that the quotation of the shares of Hebei Tsaker New Materials Co., Ltd. on the NEEQ will facilitate the Group in enhancing its visibility in the capital market, broadening its financing channels and maintaining long-term and stable development. We will make further announcement(s) on the details of the proposed spin-off as and when appropriate in accordance with the requirements of the Listing Rules.

During the Review Year, we transformed the production process of DSD acid to convert the scrap iron sludge generated during the production of DSD acid into iron oxide red as a new product. Through the upgrading and transformation of the production process, we have achieved zero discharge of solid waste in the production of DSD acid. At the same time, iron oxide red is sold as a new product of the Group, further broadening the Group's product range while improving its overall profitability and market competitiveness. Iron oxide red is a raw material widely used in the fields of building materials, painting and other pigments as well as lithium iron phosphate battery materials. It is widely used in the market and complementary to the existing products of the Group. The Group currently has an iron oxide red production line with a production capacity of 30,000 tons/year and plans to gradually achieve the target of mass production of iron oxide red products as it continues to develop the market in 2022.

Looking back, we have been striving to leverage our competitive advantages in technology, production process, environmental treatment and an international customer network to seize market development opportunities and develop new business segments. As the concept of low carbon and environmental protection becomes more widely accepted, we combine our own characteristics and advantages, adapt to the development of the current era and respond to market needs, positioning the future development of the Company in the fields of new energy and new materials. We believe that there is a broad market with great development potential for new energy and new materials, which is conducive to our long-term, steady and sound development. Since 2017, we have entered the field of new energy battery materials, established the first production line for iron phosphate, a product used to produce cathode materials for lithium battery, and have been upgrading our technology over the past few years to improve our products' competitiveness in the market. In 2021, we launched BPDA, a new material product from our laboratory, into the market and started to construct the first production line, which we plan to complete in 2022. Recently, we have completed the upgrade and transformation of our existing DSD acid production line, and our co-produced iron oxide red products are widely used in both pigments and new energy battery materials fields. As more and more new energy and new material products are put into production with expansion in scale, we believe that this emerging sector will further occupy a larger proportion in the Group's overall business and become a new driving force for our future development.

Looking ahead, we will maintain an active and stable overall strategy, actively adapt to market changes and maintain a sound financial strategy. We will further invest in research and development, develop new products and processes, maintain the technological advantages of our existing products and expand into new areas. We will continue to develop new products such as iron phosphate and BPDA as important directions for the future development of the Group. We will also continue to maintain and expand our industry-leading technological advantages, cost advantages and market competitive advantages in the traditional business segment. Meanwhile, as the pandemic still lingers worldwide, we will actively cooperate with pandemic prevention measures in place to fulfill our corporate social responsibility. We are confident that we can overcome the difficulties together and embrace a better future.

FINANCIAL REVIEW

REVENUE AND GROSS PROFIT

In 2021, the revenue and gross profit of the Group amounted to approximately RMB1,781.1 million and approximately RMB540.3 million, respectively, representing an increase of approximately RMB505.8 million, and approximately RMB95.0 million or 39.7% and 21.3% from approximately RMB1,275.3 million and approximately RMB445.3 million, respectively, in 2020. The increase in the revenue was mainly due to the increase in the sales volume of dye intermediates and pigment intermediates, and the increase in the sales volume and average sales price of battery material products. In 2021, the Group's gross profit margin was approximately 30.3%, as compared with that of approximately 34.9% in 2020. The decrease in gross profit margin was mainly due to the increase in the price of commodities raw materials which caused the increase in unit cost to be greater than the increase in unit price.

NET PROFIT AND NET PROFIT MARGIN

In 2021, the net profit of the Group was approximately RMB227.2 million, representing an increase of approximately RMB82.6 million or 57.1%, as compared with approximately RMB144.6 million in 2020. In 2021, the Group's net profit margin was approximately 12.8%, as compared with that of approximately 11.3% in 2020.

SELLING AND DISTRIBUTION EXPENSES

In 2021, selling and distribution expenses amounted to approximately RMB58.2 million, representing an increase of approximately RMB16.6 million, as compared with approximately RMB41.6 million in 2020. The increase in selling and distribution expenses was mainly due to the increase in the sales volume of dye intermediate, pigment intermediate and battery material products.

In 2021, selling and distribution expenses represented approximately 3.3% of the Group's revenue (2020: approximately 3.3%).

ADMINISTRATIVE EXPENSES

In 2021, administrative expenses amounted to approximately RMB143.8 million, representing a decrease of approximately RMB34.4 million, as compared with approximately RMB178.2 million in 2020. The decrease in administrative expenses was mainly attributable to a substantial reduction of the suspension period as a result of the gradual recovery from the COVID-19 pandemic during the Review Year as compared with that for the same period in 2020. The depreciation of production line and labor costs were reflected as administrative expenses instead of costs during the production suspension period.

In 2021, administrative expenses represented approximately 8.1% of the Group's revenue (2020: approximately 14.0%).

IMPAIRMENT LOSSES OF PROPERTY, PLANTS AND EQUIPMENT

In 2021, the Group provided impairment losses of property, plants and equipment of approximately RMB6.3 million (2020: approximately RMB18.2 million). The impairment losses for the year were mainly attributed to the impairment provision of the CNT CGU and certain equipments of the TCCBM production line. For more details, please refer to note 10 to financial statements of this announcement.

FINANCE COSTS

In 2021, finance costs amounted to approximately RMB28.3 million, as compared with approximately RMB32.4 million in 2020, representing a decrease of approximately RMB4.1 million. The decrease was mainly due to the decrease of bank loans in 2021 as compared with that in 2020.

EXCHANGE GAINS

In 2021, exchange gains amounted to approximately RMB2.3 million, representing a decrease of approximately RMB5.7 million, as compared with exchange gains of approximately RMB8.0 million in 2020, which was mainly attributable to the 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 2021, income tax expenses amounted to approximately RMB80.4 million, representing an increase of approximately RMB47.7 million, as compared with approximately RMB32.7 million in 2020. The increase in income tax expense was mainly attributable to the increase in profit before tax during the Review Year as compared with that in 2020.

CASH FLOWS

In 2021, net cash inflows from operating activities of the Group amounted to approximately RMB235.4 million, as compared with approximately RMB219.2 million in 2020, representing an increase of approximately RMB16.2 million, which largely remained stable as compared with that in 2020.

In 2021, net cash outflows used in investing activities of the Group amounted to approximately RMB77.8 million, as compared with approximately RMB39.4 million in 2020, representing an increase of approximately RMB38.4 million, which was mainly due to the increased payment by the Group for the upgrade, transformation and expansion of the iron phosphate production line in 2021.

In 2021, the Group's net cash outflows used in financing activities was approximately RMB79.4 million, as compared with approximately RMB185.5 million in 2020, representing a decrease of approximately RMB106.1 million. Such decrease in cash outflows in 2021 was mainly due to the decrease in dividend paid in 2021 by approximately RMB165.0 million as compared with that of 2020, offsetting against each other, which is partially offset by the increase of approximately RMB85.0 million in relation to the net cash outflows as a result of the repayment of bank loans and other borrowings as compared with that of 2020.

LIQUIDITY AND CAPITAL STRUCTURE

In 2021, the daily working capital of the Group was primarily derived from internally generated cash flow from operations and bank borrowings. As at 31 December 2021, the Group had (i) cash and cash equivalents of approximately RMB180.1 million, in which approximately RMB147.7 million was denominated in RMB and approximately RMB32.4 million in other currencies (USD, HK$ and SGD) (2020: 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)); (ii) restricted cash of approximately RMB2.0 million denominated in RMB (2020: approximately RMB0.8 million denominated in RMB); and (iii) interest-bearing bank and other borrowings of approximately RMB315.7 million with interest rate of 4.5%-9.22% per annum, all denominated in RMB (2020: approximately RMB349.7 million with interest rate of 4.5%-13.47% per annum, all denominated in RMB), of which (a) approximately RMB302.1 million shall be repayable within one year, approximately RMB6.5 million shall be repayable in the second year, and approximately RMB7.1 million shall be repayable in the third to fifth years, inclusive (2020: approximately RMB310.2 million shall be repayable within one year, approximately RMB34.1 million shall be repayable in the second year, and approximately RMB5.4 million shall be repayable in the third to fifth years, inclusive); and (b) all bore fixed interest rates (2020: approximately RMB349.7 million). The Group's unutilised banking facilities amounted to approximately RMB59.3 million as at 31 December 2021 (2020: Nil).

In 2021, 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 2021. 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 2021, the Group's gearing ratio was approximately 16.7% as compared with approximately 20.8% as at 31 December 2020, which is calculated at interest-bearing bank and other borrowings at the end of the year divided by the total equity. The decrease was primarily due to the decrease of bank loans and other borrowings by the Group and the increase in total equity during the Review Year.

CURRENT ASSETS

As at 31 December 2021, the total current assets of the Group amounted to approximately RMB912.5 million (2020: approximately RMB647.5 million), primarily consisting of inventories of approximately RMB260.9 million (2020: approximately RMB177.8 million), trade receivables and notes receivable of approximately RMB301.9 million (2020: approximately RMB217.3 million), prepayments and other receivables of approximately RMB139.1 million (2020: approximately RMB148.7 million), cash and cash equivalents of approximately RMB180.1 million (2020: approximately RMB101.2 million) and restricted cash of approximately RMB2.0 million (2020: approximately RMB0.8 million).

INVENTORIES

Inventories of the Group mainly consisted of raw materials, work-in-progress and finished products. The inventory turnover days decreased from 98 days in 2020 to 64 days in 2021, and the decrease was mainly due to the increase in sales volume which sped up the inventory turnover in 2021.

TRADE RECEIVABLES AND NOTES RECEIVABLE

	31 December 2021	31 December 2020
	RMB'000	*RMB'000*
Trade receivables	**216,086**	135,164
Notes receivable	**85,802**	82,177
	301,888	217,341

As at 31 December 2021, trade receivables and notes receivable of the Group increased by approximately RMB84.5 million as compared with those of 2020.

The turnover days for trade receivables and notes receivables decreased from 71 days for 2020 to 52 days for 2021, which was mainly due to a resumption of normal payment schedule since the impact from the COVID-19 pandemic was subsided.

PREPAYMENTS AND OTHER RECEIVABLES

As at 31 December 2021, prepayments and other receivables of the Group decreased by approximately RMB9.6 million from approximately RMB148.7 million in aggregate as at 31 December 2020 to approximately RMB139.1 million in aggregate, which was mainly due to the decrease in prepaid corporate income tax.

CURRENT LIABILITIES

As at 31 December 2021, the total current liabilities of the Group amounted to approximately RMB637.1 million (2020: approximately RMB597.6 million), primarily consisting of trade payables of approximately RMB195.7 million (2020: approximately RMB178.9 million), other payables and accruals of approximately RMB84.6 million (2020: approximately RMB86.3 million) and interest-bearing bank and other borrowings of approximately RMB302.1 million (2020: approximately RMB310.2 million).

TRADE PAYABLES

The turnover days for trade payables decreased from 100 days in 2020 to 54 days in 2021. The decrease in the turnover days was mainly as a result of the large amount of purchases with longer credit terms was due to payment.

OTHER PAYABLES AND ACCRUALS

As at 31 December 2021, other payables and accruals of the Group decreased by approximately RMB1.7 million from approximately RMB86.3 million in aggregate as at 31 December 2020 to approximately RMB84.6 million in aggregate.

PLEDGE OF ASSETS

As at 31 December 2021, certain of the Group's property, plant and equipment, right-of-use assets and trade receivables with a net carrying amount of approximately RMB116.0 million (2020: approximately RMB201.1 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 2021.

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 2021 and the date of this announcement.

CONTINGENT LIABILITIES

As at 31 December 2021, 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. 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 2021, the Group had 1,581 employees (2020: 1,526).

During the Review Year, the total staff costs of the Group (including salaries, bonuses, social insurances and provident funds) amounted to approximately RMB143.4 million (2020: approximately RMB116.0 million).

The Group did not have any share option scheme for the year ended 31 December 2021.

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 and the announcement of the Company dated on 25 June 2021 (the"**Announcement**").

As of 31 December 2020, the net proceeds of approximately RMB37.9 million had been used as supplemental working capital, approximately RMB189.4 million had been used to expand production capacity, approximately RMB37.9 million had been used to develop new products, approximately RMB18.9 million had been used to pay the rents of Phase I and Phase II of Shandong Tsaker Dongao Chemicals Co., Ltd. ("**Tsaker Dongao**"), and approximately RMB20.6 million had been used to acquire the entire equity interests in Tsaker Dongao. The unutilised net proceeds brought forward to 2021 amounted to approximately RMB74.1 million.

In addition, during the Review Year, the Company has used the full amount of balance of the net proceeds, which amounted to approximately RMB74.1 million, to supplement the funds required for the expansion and operation of the Group's battery materials business in accordance with the proposed use as set out in the Announcement.

As at 31 December 2021, the net proceeds from the Listing were fully utilised.

FINAL DIVIDEND

The Board recommended the declaration of a final dividend of RMB0.068 per ordinary share for the year ended 31 December 2021. Such final dividend is subject to approval of the shareholders of the Company (the "**Shareholders**") at the annual general meeting of the Company ("**AGM**") to be held on 10 May 2022 and will be paid to the Shareholders on 31 May 2022 whose names appear on the register of members of the Company on 18 May 2022. Based on the total number of shares of the Company of 1,026,255,000 as of the date of this announcement, the total amount of final dividend amounted to approximately RMB69,785,000.

Together with the interim dividend of RMB0.039 per ordinary share for the six months ended 30 June 2021, the total amount of dividends for the year ended 31 December 2021 will be RMB0.107 per ordinary share. (Dividend for the year ended 31 December 2020: RMB0.048 per ordinary share)

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, 4 May 2022 to Tuesday, 10 May 2022, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the 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 Tuesday, 3 May 2022.

The Register of Members will be closed from Monday, 16 May 2022 to Wednesday, 18 May 2022, both days inclusive, in order to determine the identity of the Shareholders who are entitled to receive final dividends, during which period no share transfers will be registered. To be eligible to receive final dividends, 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, not later than 4:30 p.m. on Friday, 13 May 2022.

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 (which has been re-numbered as C.2.1 since 1 January 2022). 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 11,876,500 shares at a total consideration (before deduction of expenses) of HK$15,811,995. Out of the repurchased shares, 6,849,000 repurchased shares were subsequently cancelled on 3 August 2021.

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$*
March 2021	981,000	1.16	1.12	1,121,690
April 2021	1,453,500	1.20	1.13	1,710,835
May 2021	1,714,500	1.31	1.16	2,067,290
June 2021	570,000	1.33	1.25	736,360
July 2021	2,130,000	1.54	1.30	3,039,230
August 2021	644,000	1.49	1.35	912,805
September 2021	2,170,500	1.48	1.34	3,085,570
October 2021	239,500	1.47	1.41	343,490
November 2021	1,266,500	1.56	1.39	1,860,105
December 2021	707,000	1.36	1.30	934,620
	11,876,500	1.56	1.12	15,811,995

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 2021.

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 2021.

The figures in relation to the results of the Group for the year ended 31 December 2021 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 2021 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 2021 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, 25 March 2022

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*