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 2019

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2019, revenue of the Group amounted to approximately RMB1,818.3 million, representing an increase of approximately RMB302.4 million or 20.0% comparing with that in the same period of 2018.
- For the year ended 31 December 2019, gross profit of the Group amounted to approximately RMB1,041.0 million, representing an increase of approximately RMB516.9 million or 98.6% comparing with that in the same period of 2018.
- For the year ended 31 December 2019, net profit of the Group amounted to approximately RMB518.3 million, representing an increase of approximately RMB295.5 million or 132.6% comparing with that in the same period of 2018.
- For the year ended 31 December 2019, basic and diluted earnings per share attributable to ordinary equity holders of the parent amounted to approximately RMB0.50, representing an increase of approximately RMB0.29 or 138.1% comparing with that in the same period of 2018.
- The Board recommended the declaration of a final dividend of RMB0.092 per share subject to the Shareholders' approval at the AGM. Together with the Special Dividend of RMB0.058 per share, the dividends in aggregate for the year ended 31 December 2019 will amount to RMB0.150 per share.

The board (the "**Board**") of directors (the "**Director(s)**") of Tsaker Chemical Group Limited ("**Tsaker Chemical**" or the "**Company**" or "**We**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 (the "**Reporting Period**" or the "**Review Year**") together with the comparative figures for the year ended 31 December 2018 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	4	**1,818,347**	1,515,882
Cost of sales		**(777,390)**	(991,789)
Gross profit		**1,040,957**	524,093
Other income and gains	4	**9,517**	11,488
Selling and distribution expenses		**(44,914)**	(48,462)
Administrative expenses		**(188,357)**	(131,617)
Other expenses		**(15,466)**	(5,528)
Impairment losses on property, plant and equipment		**(52,035)**	(719)
Finance costs	5	**(31,661)**	(22,785)
Exchange losses, net		**(8,402)**	(17,555)
PROFIT BEFORE TAX	6	**709,639**	308,915
Income tax expense	7	**(191,355)**	(86,098)
PROFIT FOR THE YEAR		**518,284**	222,817
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		**8,396**	7,016
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**")		**(4,715)**	(1,041)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**3,681**	5,975
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**521,965**	228,792
Profit attributable to:			
Owners of the parent		**517,927**	222,901
Non-controlling interests		**357**	(84)
		518,284	222,817
Total comprehensive income attributable to:			
Owners of the parent		**521,608**	228,876
Non-controlling interests		**357**	(84)
		521,965	228,792
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (expressed in RMB per share)	10	**0.50**	0.21

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	**31 December 2019** ***RMB'000***	31 December 2018 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**1,521,318**	1,496,085
Right-of-use assets	*12(b)*	**83,907**	–
Prepaid land lease payments		**–**	76,063
Intangible assets		**22,726**	3,086
Equity investments designated at FVOCI	*13*	**51,230**	9,287
Deferred tax assets		**39,912**	23,931
Restricted cash	*17*	**–**	9,598
Other non-current assets		**5,884**	16,045
Total non-current assets		**1,724,977**	1,634,095
CURRENT ASSETS			
Inventories	*14*	**274,208**	209,998
Trade receivables	*15*	**203,276**	186,316
Notes receivable	*16*	**82,761**	68,224
Prepayments and other receivables		**187,438**	266,073
Restricted cash	*17*	**3,896**	20,170
Cash and cash equivalents	*17*	**104,844**	124,275
Total current assets		**856,423**	875,056
CURRENT LIABILITIES			
Trade payables	*18*	**283,273**	345,506
Other payables and accruals		**119,807**	100,910
Contract liabilities		**16,088**	7,755
Interest-bearing bank and other borrowings	*19*	**264,274**	230,806
Income tax payable		**42,849**	52,475
Current portion of long-term borrowings	*19*	**19,646**	134,020
Total current liabilities		**745,937**	871,472
NET CURRENT ASSETS		**110,486**	3,584
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,835,463**	1,637,679

	Notes	**31 December 2019** *RMB'000*	31 December 2018 *RMB'000*
NON-CURRENT LIABILITIES			
Deferred income		**23,434**	23,316
Deferred tax liabilities		**12,144**	8,087
Interest-bearing bank and other borrowings	*19*	**29,885**	286,391
Lease liabilities	*12(c)*	**3,559**	–
Total non-current liabilities		**69,022**	317,794
Net assets		**1,766,441**	1,319,885
EQUITY			
Equity attributable to owners of the parent			
Share capital	*20*	**67,088**	67,491
Treasury shares		**–**	(11,031)
Reserves		**1,699,077**	1,262,636
		1,766,165	1,319,096
Non-controlling interests		**276**	789
Total equity		**1,766,441**	1,319,885

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	**2019** **RMB'000**	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**709,639**	308,915
Adjustments for:			
Finance costs	*5*	**31,661**	22,785
Exchange losses/(gains), net		**990**	(906)
Interest income	*4*	**(410)**	(999)
Dividend income from equity investments at FVOCI	*4*	**(2,399)**	–
Loss on disposal of items of property, plant and equipment	*6*	**5,410**	1,987
Depreciation of property, plant and equipment	*11*	**67,647**	60,528
Depreciation of right-of-use assets	*12(b)*	**4,961**	–
Amortisation of prepaid land lease payments	*12(a)*	**–**	4,573
Amortisation of intangible assets		**1,101**	74
Amortisation of other non-current assets		**–**	5,272
Amortisation of deferred income		**(3,081)**	(2,128)
Impairment of trade receivables	*6*	**23**	15
Impairment of property, plant and equipment	*6*	**52,035**	719
Write-down of inventories to net realisable value	*6*	**1,991**	1,686
		869,568	402,521
Increase in inventories		**(66,200)**	(96,717)
(Increase) /decrease in trade and notes receivables		**(92,113)**	73,684
Decrease/(increase) in prepayments and other receivables		**85,953**	(86,605)
Decrease in trade payables		**(15,582)**	(2,891)
Increase/(decrease) in other payables and accruals		**22,136**	(10,761)
Increase in contract liabilities		**8,333**	–
Increase in restricted cash		**(2,922)**	(95)
Cash generated from operations		**809,173**	279,136
Interest received		**410**	999
Interest paid		**(29,723)**	(22,901)
Income tax paid		**(214,943)**	(40,583)
Net cash flows from operating activities		**564,917**	216,651

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from equity investments at FVOCI	*4*	**2,399**	–
Proceeds on disposal of available-for-sale investments		**–**	1,964
Purchases of items of property, plant and equipment		**(153,437)**	(464,459)
Proceeds on disposal of joint ventures		**–**	300
Purchases of intangible assets		**(20,742)**	(1,948)
Proceeds on disposal of items of property, plant and equipment		**1,521**	453
Purchases of equity investments designated at FVOCI		**(46,658)**	(3,275)
Proceeds from government grants		**3,200**	3,892
Net cash flows used in investing activities		**(213,717)**	(463,073)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank loans and other borrowings		**339,459**	254,402
Decrease/(increase) in restricted cash for bank loans and other borrowings		**28,793**	(4,356)
Acquisition of non-controlling interests/ capital contribution from non-controlling interests		**(1,000)**	228
Repurchase of own shares		**(7,882)**	(11,031)
Repayment of bank loans and other borrowings		**(662,126)**	(186,622)
Principal portion of lease liabilities		**(358)**	–
Dividend paid		**(66,527)**	(42,617)
Net cash flows (used in)/from financing activities		**(369,641)**	10,004
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(18,441)**	(236,418)
Cash and cash equivalents at beginning of the period	*17*	**124,275**	359,787
Effect of foreign exchange rate changes, net		**(990)**	906
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	*17*	**104,844**	124,275

NOTES TO FINANCIAL STATEMENTS

31 December 2019

1. CORPORATE AND GROUP INFORMATION

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

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

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

In the opinion of the Directors, the de facto controller of the Company is Mr. Ge Yi, who holds 51.36% voting right of the Company.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except for equity investment 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 2019. 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.

Comparative information

Certain comparative amounts for the year ended 31 December 2018 have been reclassified to conform with current year's presentation.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKAS 19, HKAS 28, and amendments to HKFRS 3, HKFRS 11 in *Annual Improvements to HKFRSs 2015-2017 Cycle,* which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int *27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property, machinery and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

Due to the fact that all existing operating lease contracts, where the Group acts as a lessee, would be terminated within 12 months at the date of initial application, the impact of adoption of HKFRS 16 was minimal as at 1 January 2019 except for some reclassification from prepaid land lease payments to right-of-use assets.

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) *RMB' 000*
Assets	
Increase in right-of-use assets	80,429
Decrease in prepaid land lease payments (non-current portion)	(76,063)
Decrease in current portion of prepaid land lease payments recorded in prepayments and other receivables	(4,366)
Increase in total assets	–
Liabilities	
Increase in total liabilities	–

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB' 000
Operating lease commitments as at 31 December 2018	4,353
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(4,353)
Lease commitments as at 1 January 2019 under HKFRS 16	–
Weighted average incremental borrowing rate as at 1 January 2019	7.9%
Lease liabilities as at 1 January 2019	–

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKFRS 9 allow financial assets with prepayment features that permit or require either the borrower or the lender to pay or receive reasonable compensation for the early termination of a contract to be measured at amortised cost or at fair value through other comprehensive income, rather than at fair value through profit or loss. The amendments clarify that a financial asset passes the "solely payments of principal and interest on the principal amount outstanding" criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for that early termination. The amendments did not apply to the Group as the Group does did not have any debt instruments with prepayment features along with compensation for early termination. In addition, as clarified in the amendments to the basis for conclusions on HKFRS 9, the gain or loss arising on modification of a financial liability that does not result in derecognition (calculated by discounting the change in contractual cash flows at the original effective rate) is immediately recognised in profit or loss. The Group's current accounting policy is consistent with this clarification and therefore the adoption of the amendments did not have any impact on the Group's financial statements.

(d) *Annual Improvements to HKFRSs 2015-2017 Cycle* sets out amendments to HKAS 12 and HKAS 23. Details of the amendments are as follows:

- HKAS 12 Income Taxes: Clarifies that an entity recognises all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividends. The amendments did not have any impact on the Group's financial statements.

- HKAS 23 Borrowing Costs: Clarifies that an entity treats as part of general borrowings any specific borrowing originally made to develop a qualifying asset, and that is still outstanding, when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The amendments did not have any impact on the Group's financial statements.

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	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[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]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

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

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and has four (2018: four) reportable operating segments as follows:

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

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

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

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

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

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

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

Year ended 31 December 2018	Dye and agricultural chemical intermediates *RMB'000*	Pigment intermediates *RMB'000*	Environmental technology consultancy service *RMB'000*	Battery materials *RMB'000*	Total segments *RMB'000*
Segment revenue (note 4):					
Revenues from external customers	1,212,082	262,479	38,315	3,006	1,515,882
Intersegment sales	69,836	68,521	1,315	–	139,672
Total revenue	1,281,918	331,000	39,630	3,006	1,655,554
Reconciliation					
Elimination of intersegment sales					(139,672)
Revenue from continuing operations					1,515,882
Segment results	332,926	43,522	(18,448)	(11,145)	346,855
Including:					
Interest income	928	24	5	14	971
Finance costs	(3,482)	(1,019)	–	(5)	(4,506)
Reconciliation					
Interest income					28
Finance costs					(18,279)
Elimination of intersegment results					(7,702)
Corporate and other unallocated expenses					(11,987)
Profit before tax					308,915
Segment assets	1,662,417	446,340	64,013	350,479	2,523,249
Reconciliation					
Elimination of intersegment receivables					(998,767)
Corporate and other unallocated assets					988,065
Elimination of inventories due to unrealised gains					(3,396)
Total assets					2,509,151
Segment liabilities	993,327	237,010	13,756	327,085	1,571,178
Reconciliation					
Elimination of intersegment payables					(998,767)
Corporate and other unallocated liabilities					616,855
Total liabilities					1,189,266
Other segment information					
Impairment losses recognised in profit or loss	2,421	8	(12)	3	2,420
Depreciation and amortisation	45,852	14,320	4,669	334	65,175
Capital expenditure	408,891	17,257	745	13,141	440,034

Geographical information

(a) Revenue from external customers

	2019	2018
	RMB'000	*RMB'000*
Mainland China	**972,743**	928,642
Indonesia	**189,131**	36,936
India	**173,122**	164,078
United States	**144,833**	94,429
Germany	**136,053**	97,556
Brazil	**63,559**	28,331
Spain	**60,260**	43,207
Taiwan, China	**26,662**	70,436
Turkey	**14,681**	4,180
Japan	**12,178**	17,240
Italy	**10,353**	17,597
Korea	**1,227**	7,292
Other countries/regions	**13,545**	5,958
	1,818,347	1,515,882

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

In 2018, revenue of RMB219,745,000 was derived from sales from the dye and agricultural chemical intermediates segment to another single customer.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers	**1,818,347**	1,515,882

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2019

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

For the year ended 31 December 2018

Segments	Dye and agricultural chemical intermediates *RMB'000*	Pigment intermediates *RMB'000*	Environmental technology consultancy service *RMB'000*	Battery materials *RMB'000*	Total *RMB'000*
Types of goods or services					
Sale of chemical intermediates and battery materials	1,212,082	262,479	–	3,006	1,477,567
Sale of environmental technology equipment	–	–	33,294	–	33,294
Provision of consultancy and maintenance services	–	–	5,021	–	5,021
Total revenue from contracts with customers	1,212,082	262,479	38,315	3,006	1,515,882
Geographical markets					
Mainland China	696,320	191,001	38,315	3,006	928,642
Indonesia	36,936	–	–	–	36,936
India	123,192	40,886	–	–	164,078
United States	82,254	12,175	–	–	94,429
Germany	96,958	598	–	–	97,556
Brazil	28,331	–	–	–	28,331
Spain	43,207	–	–	–	43,207
Taiwan, China	70,436	–	–	–	70,436
Turkey	4,180	–	–	–	4,180
Japan	–	17,240	–	–	17,240
Italy	17,597	–	–	–	17,597
Korea	7,292	–	–	–	7,292
Other countries/regions	5,379	579	–	–	5,958
Total revenue from contracts with customers	1,212,082	262,479	38,315	3,006	1,515,882
Timing of revenue recognition					
Goods transferred at a point in time	1,212,082	262,479	33,294	3,006	1,510,861
Services transferred over time	–	–	5,021	–	5,021
Total revenue from contracts with customers	1,212,082	262,479	38,315	3,006	1,515,882

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:

	2019	2018
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of chemical intermediates	**2,696**	4,485
Consultancy and maintenance services	**3,705**	–
	6,401	4,485

(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 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:

	2019	2018
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**4,527**	7,480
After one year	**187**	3,027
	4,714	10,507

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 that 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

	2019	2018
	RMB'000	*RMB'000*
Bank interest income	**410**	999
Dividend income from equity investments at FVOCI	**2,399**	–
Government grants*	**3,453**	5,753
Sale of materials and scrap	**2,789**	4,413
Others	**466**	323
	9,517	11,488

* For the year ended 31 December 2019, government grants amounting to RMB3,453,000 (2018: RMB5,753,000) 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:

	2019	2018
	RMB'000	*RMB'000*
Interest on bank loans and other borrowings	**42,484**	38,411
Interest on lease liabilities	**81**	–
Other finance costs	**9,388**	9,400
Less: Interest capitalised	**(20,292)**	(25,026)
	31,661	22,785

The weighted average interest rate of capitalisation for the year ended 31 December 2019 was 6.61% (for the year ended 31 December 2018: 6.02%).

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

		2019	2018
	Notes	***RMB'000***	*RMB'000*
Cost of inventories sold		**775,653**	988,558
Cost of services provided		**1,737**	3,231
Depreciation of property, plant and equipment	*11*	**67,647**	60,528
Depreciation of right-of-use assets (2018: amortisation of land lease payments)	*12(a)(b)*	**4,961**	4,573
Amortisation of intangible assets		**1,101**	74
Research and development costs		**18,894**	15,404
Lease payments not included in the measurement of lease liabilities	*12(d)*	**1,246**	–
Auditor's remuneration		**3,595**	6,395
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		**117,527**	99,529
Pension and other social insurances		**33,574**	26,331
Exchange losses, net		**8,402**	17,555
Dividend income from equity investments at FVOCI		**2,399**	–
Impairment loss on property, plant and equipment	*11*	**52,035**	719
Loss on disposal of items of property, plant and equipment		**5,410**	1,987
Impairment of trade receivables	*15*	**23**	15
Write-down of inventories to net realisable value	*14*	**1,991**	1,686

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, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK$2,000,000 (2018: Nil) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 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%, depending on the applicability of the Sino-Hong Kong tax treaty, PRC dividend withholding tax. 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.

	2019 ***RMB'000***	2018 *RMB'000*
Current-Mainland China		
Charge for the year	**191,339**	74,953
Underprovision in prior years	**4,598**	–
Current – Elsewhere	**7,342**	3,073
Deferred	**(11,924)**	8,072
Total tax charge for the year	**191,355**	86,098

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:

	2019 ***RMB'000***	2018 *RMB'000*
Profit before tax	**709,639**	308,915
Tax at the statutory income tax rate (25%)	**177,409**	77,229
Effect of different tax rates	**1,080**	735
Non-deductible expenses	**2,373**	3,110
Income not subject to tax	**(630)**	(172)
Additional deduction of research and development costs	**(3,404)**	(2,677)
Adjustments in respect of current tax of previous periods	**4,598**	–
Tax losses utilised from previous periods	**(186)**	(789)
Temporary differences (including tax losses) not recognised	**875**	575
Withholding tax	**9,240**	8,087
Total income tax expense	**191,355**	86,098

8. ARRANGEMENTS WITH CHINA NATIONAL OFFSHORE OIL SALE (BEIJING) CO., LTD.

The Group entered into arrangements with China National Offshore Oil Sale (Beijing) Co., Ltd. ("**CNOOC**"), an unrelated party, for the sale of products. Based on these arrangements, CNOOC is considered as the agent for and on behalf of the Group in the respective sale transactions.

In the sale arrangements, the Group has latitude in establishing prices and the primary responsibility for providing the goods to the customer, and bears inventory risk during shipment and credit risk for the amount receivable from end customers. Accordingly, the Group recognises revenue from the sale of products based on the respective amounts billed to end customers. Under all the above-mentioned arrangements, CNOOC provides certain administrative work and financing service (on improving the Group's working capital management) in return for service and interest charges, respectively. The financing service under the arrangements of sale of products is related to expediting settlement of receivables. The service charges paid on administrative work relating to the sale of products form part of the selling and distribution expenses of the Group. Financing charges are recognised during the years ended 31 December 2019 and 2018 as other finance costs in profit or loss.

9. DIVIDENDS

	Notes	**2019** *RMB'000*	2018 *RMB'000*
Final dividend proposed after the end of the reporting period of RMB0.092 per share (2018: RMB0.064 per share)	*(a)*	**95,532**	66,527
Special dividend approved by the Board after the end of the reporting period of RMB0.058 per share (2018:Nil)	*(b)*	**60,227**	–
		155,759	66,527

Note:

(a) The Directors recommend a final dividend of RMB0.092 (2018: RMB0.064) per ordinary share in respect of the year ended 31 December 2019. 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.

(b) The Board has resolved, after the reporting period, to declare and pay a special dividend of RMB0.058 per share (the "**Special Dividend**"). The Special Dividend was not recognised as a liability as at the end of the reporting period.

10. 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 1,039,263,000 (2018: 1,044,197,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

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

	2019	2018
Earnings		
Profit for the year attributable to ordinary equity holders of the parent *(RMB'000)*	**517,927**	222,901
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation *('000)*	**1,039,263**	1,044,197

11. 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*
31 December 2019						
At 31 December 2018 and 1 January 2019:						
Cost	**403,664**	**537,158**	**14,431**	**2,866**	**902,176**	**1,860,295**
Accumulated depreciation and impairment	**(86,179)**	**(262,204)**	**(13,349)**	**(2,478)**	**–**	**(364,210)**
Net carrying amount	**317,485**	**274,954**	**1,082**	**388**	**902,176**	**1,496,085**
At 1 January 2019, net of accumulated depreciation and impairment	**317,485**	**274,954**	**1,082**	**388**	**902,176**	**1,496,085**
Additions	**134**	**15,856**	**1,669**	**1,885**	**132,302**	**151,846**
Disposals	**(180)**	**(6,373)**	**(10)**	**(368)**	**–**	**(6,931)**
Depreciation provided during the year	**(15,211)**	**(51,454)**	**(586)**	**(396)**	**–**	**(67,647)**
Impairment	**(337)**	**(16,165)**	**–**	**–**	**(35,533)**	**(52,035)**
Transfers	**72,322**	**228,979**	**1,123**	**–**	**(302,424)**	**–**
At 31 December 2019, net of accumulated depreciation and impairment	**374,213**	**445,797**	**3,278**	**1,509**	**696,521**	**1,521,318**
At 31 December 2019:						
Cost	**475,688**	**759,899**	**17,180**	**3,104**	**732,054**	**1,987,925**
Accumulated depreciation and impairment	**(101,475)**	**(314,102)**	**(13,902)**	**(1,595)**	**(35,533)**	**(466,607)**
Net carrying amount	**374,213**	**445,797**	**3,278**	**1,509**	**696,521**	**1,521,318**

Impairment assessment in 2019

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

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

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

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

	Buildings	Machinery and equipment	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2018						
At 31 December 2017 and 1 January 2018:						
Cost	332,925	496,659	13,051	2,821	582,758	1,428,214
Accumulated depreciation and impairment	(71,219)	(224,408)	(10,678)	(2,171)	–	(308,476)
Net carrying amount	261,706	272,251	2,373	650	582,758	1,119,738
At 1 January 2018, net of accumulated depreciation and impairment	261,706	272,251	2,373	650	582,758	1,119,738
Additions	–	6,967	691	45	432,331	440,034
Disposals	–	(2,438)	(2)	–	–	(2,440)
Depreciation provided during the year	(14,960)	(42,564)	(2,697)	(307)	–	(60,528)
Impairment	–	(719)	–	–	–	(719)
Transfers	70,739	41,457	717	–	(112,913)	–
At 31 December 2018, net of accumulated depreciation and impairment	317,485	274,954	1,082	388	902,176	1,496,085
At 31 December 2018:						
Cost	403,664	537,158	14,431	2,866	902,176	1,860,295
Accumulated depreciation and impairment	(86,179)	(262,204)	(13,349)	(2,478)	–	(364,210)
Net carrying amount	317,485	274,954	1,082	388	902,176	1,496,085

Included in the property, plant and equipment as at 31 December 2019 and 2018 were certain buildings with net book values of RMB2,046,000 and RMB2,471,000, respectively, of which the property certificates have not been obtained.

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

12. LEASES

The Group as a lessee

The Group has lease contracts for various items of plant and machinery, office premises 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 6 to 50 years, and no ongoing payments will be made under the terms of these land leases. The lease of plant and machinery and the lease of office premises have lease terms of two years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Prepaid land lease payments (before 1 January 2019)

	RMB'000
Carrying amount at 1 January 2018	85,002
Recognised in profit or loss during the year	(4,573)
Carrying amount at 31 December 2018	80,429

(b) Right-of-use assets

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

	Prepaid land lease payment *RMB'000*	**Office premises** *RMB'000*	**Plant and machinery** *RMB'000*	**Total** *RMB'000*
As at 1 January 2019	80,429	–	–	80,429
Addition	–	1,171	7,268	8,439
Depreciation charge	(4,573)	(388)	–	(4,961)
As at 31 December 2019	75,856	783	7,268	83,907

(c) Lease liabilities

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

	2019 ***RMB'000***
Carrying amount at 1 January	**–**
New leases	**8,439**
Accretion of interest recognised during the year	**81**
Payments	**(439)**
Carrying amount at 31 December	**8,081**
Analysed into:	
Current portion	**4,522**
Non-current portion	**3,559**

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

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

13. EQUITY INVESTMENTS DESIGNATED AT FVOCI

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Equity investments designated at FVOCI		
Quoted equity investments, at fair value:		
Investment managed by an investment agency	**8,413**	9,287
Equity investment in a listed company	**25,897**	–
Unquoted equity investment, at fair value	**16,920**	–
Total	**51,230**	9,287

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

In 2019, the Group recognised a loss of RMB4,715,000 to other comprehensive income regarding the fair value change of equity investments designated at FVOCI (2018: a loss of RMB1,041,000).

14. INVENTORIES

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Raw materials	**41,814**	44,338
Work in progress	**17,231**	26,937
Finished goods	**217,154**	140,409
	276,199	211,684
Less: Impairment provision	**(1,991)**	(1,686)
	274,208	209,998

As at 31 December 2019, none of the Group's inventories was pledged as security for the Group's bank loans (2018: Nil).

15. TRADE RECEIVABLES

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Trade receivables	**204,059**	187,076
Impairment	**(783)**	(760)
	203,276	186,316

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 on 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 receivable 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 2019 *RMB'000*	31 December 2018 *RMB'000*
Within 1 month	**108,563**	79,625
1 month to 2 months	**44,606**	50,558
2 months to 3 months	**20,345**	23,283
3 months to 4 months	**60**	9,789
Over 4 months	**29,702**	23,061
	203,276	186,316

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

	2019	2018
	RMB'000	*RMB'000*
At the beginning of year 2019	**760**	745
Impairment provided	**23**	15
At 31 December 2019	**783**	760

The increase (2018: increase) in the loss allowance was due to a net increase (2018: decrease) in the gross carrying amount after the settlement of trade receivables and origination of new trade receivables.

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

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

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

As at 31 December 2019

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

As at 31 December 2018

	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years	Total
Expected credit loss rate	0.02%	1.21%	3.81%	100.00%	–
Gross carrying amount *(RMB'000)*	177,658	8,721	83	614	187,076
Expected credit losses *(RMB'000)*	38	105	3	614	760

16. 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 2019 or 2018 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 RMB23,767,000 and RMB40,221,000 as at 31 December 2019 and 2018, 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 RMB401,492,000 and RMB280,589,000 as at 31 December 2019 and 2018, 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.

For the years ended 31 December 2019 and 2018, 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 2019 and 2018 or cumulatively.

17. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
Cash and bank balances		**108,740**	154,043
Less: Restricted cash-current	(a)	**(3,896)**	(20,170)
Restricted cash-non current		**–**	(9,598)
Cash and cash equivalents		**104,844**	124,275
Denominated in RMB		**100,249**	75,818
Denominated in other currencies		**4,595**	48,457
Cash and cash equivalents		**104,844**	124,275

Note:

(a) As at 31 December 2019, the Group's bank balances of approximately RMB821,000 were deposited as a guarantee fund for the salary of rural workers pursuant to the related government regulations.

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.

18. 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 2019 RMB'000	31 December 2018 RMB'000
Within 1 month	**150,792**	128,829
1 month to 2 months	**17,303**	50,580
2 months to 3 months	**4,223**	22,120
Over 3 months	**110,955**	143,977
	283,273	345,506

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

19. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2019			31 December 2018		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	**4.61-7.20**	**2020**	**264,274**	4.52-7.20	2019	309,438
Other borrowings – secured	**10.83-13.45**	**2020**	**19,646**	10.83-10.84	2019	55,388
			283,920			364,826
Non-current						
Bank loans – secured			**–**	5.29	2020	274,528
Other borrowings – secured	**10.83-13.45**	**2022**	**29,885**	10.83-10.84	2020	11,863
			29,885			286,391
Total			**313,805**			651,217
Analysed into:						
Bank loans and other borrowings repayable:						
Within one year			**283,920**			364,826
In the second year			**27,748**			286,391
In the third to fifth years, inclusive			**2,137**			–
			313,805			651,217

Notes:

(a) The Group had unutilised banking facilities of RMB39,881,000 in aggregate as at 31 December 2019 (2018: Nil).

(b) Certain of the Group's interest-bearing bank and other borrowings as at 31 December 2019 were secured by:

(i) certain of the Group's property, plant and equipment of RMB110,925,000 as at 31 December 2019 (2018: RMB175,202,000);

(ii) certain of the Group's right-of-use assets of RMB52,323,000 (2018: prepaid land lease payment of RMB48,072,000); and

(iii) certain of the Group's account receivables of RMB40,707,000 (2018: Nil).

(c) Except for a bank loan of RMB90,274,000, which is denominated in United States dollars, all the interest-bearing bank and other borrowings are denominated in RMB.

20. SHARE CAPITAL

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

Shares	**Number of shares**	**Share capital**	**Issued share capital equivalent of**
		US$	*RMB'000*
Authorised:			
As at 31 December 2018 at US$0.01 each	2,000,000,000	20,000,000	
As at 31 December 2019 at US$0.01 each	2,000,000,000	20,000,000	
Issued and fully paid:			
At 1 January 2019 at US$0.01 each	1,044,250,000	10,442,500	67,491
Shares cancelled	(5,854,500)	(58,545)	(403)
As at 31 December 2019 at US$0.01 each	1,038,395,500	10,383,955	67,088

Note:

The Company purchased 2,404,500 and 3,450,000 of its shares in the years of 2018 and 2019, respectively, on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at a total consideration of RMB18,913,000. The purchased shares were cancelled during the year.

21. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2019 (2018: Nil).

22. COMMITMENTS

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

	31 December 2019 ***RMB'000***	31 December 2018 *RMB'000*
Contracted, but not provided for:		
Plant and machinery	**144,688**	126,965

(b) Operating lease commitments as at 31 December 2018

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2018 *RMB'000*
Within one year	4,353
In the second to fifth years, inclusive	–
	4,353

23. EVENTS AFTER THE REPORTING PERIOD

The impact from novel coronavirus (COVID-19)

Since early January 2020, COVID-19 outbreak has spread across Mainland China and beyond, causing certain impact on the business operations of the Group. Due to the controls implemented by the government, the Group has to delay the resumption plan after the Spring Festival. Upon the effective control of this epidemic in Mainland China, the Group has resumed production by the end of February 2020. The Group considers this epidemic to be a non-adjusting post balance sheet event and will monitor the developments of COVID-19 situation closely, assess and react actively to its impact on the financial position and operating results of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Operating segment results

For the year ended 31 December 2019

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

For the year ended 31 December 2018

	Dye and agricultural chemical intermediates	Pigment intermediates	Environmental technology consultancy service	Battery materials	Total
Revenue *(RMB'000)*	1,212,082	262,479	38,315	3,006	1,515,882
Cost of sales *(RMB'000)*	783,496	173,564	31,871	2,858	991,789
Sales volume *(tons)*	57,854	8,227	N/A	139	66,220
Gross profit margin	35.4%	33.9%	16.8%	4.9%	34.6%
Average unit selling price *(RMB/ton)*	20,951	31,905	N/A	21,626	N/A

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

The existing main operations of the Group remain stable and enjoy a prominent position in the market. The Group has maintained good business relationships with its main customers which span over ten years on average. In 2019, revenue from the top five largest customers of the Group accounted for approximately 48.0% of the Group's revenue for the year (2018: approximately 41.9%).

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 53.5%; Indonesia accounted for approximately 10.4%; India accounted for approximately 9.5%; and the United States of America, Germany and other regions accounted for approximately 8.0%, 7.5% and 11.1%, respectively.

PERFORMANCE REVIEW

During the Review Year, total revenue of the Group increased by 20.0% to approximately RMB1,818.3 million (2018: approximately RMB1,515.9 million) as compared with that in the same period of 2018. The increase in revenue was mainly due to the increase in product sales price of dye intermediates, which was offset by the decrease in the sale volume.

As for gross profit, since the product prices of dye intermediates increased significantly, the gross profit of the Group increased by approximately 98.6% to approximately RMB1,041.0 million (2018: approximately RMB524.1 million) as compared with that of 2018. The overall gross profit margin of the Group increased to approximately 57.3% in 2019 from approximately 34.6% of 2018. On the other hand, the net profit of the Group for the year 2019 increased by approximately 132.6% to approximately RMB518.3 million (2018: approximately RMB222.8 million); net profit margin was approximately 28.5% (2018: approximately 14.7%); and basic earnings per share was approximately RMB0.50 (2018: approximately RMB0.21).

Dye and agricultural chemical intermediates – accounting for approximately 83.0% of total revenue (2018: approximately 80.0%)

During the Review Year, the evolving market competition environment resulted in a significant rise in the price and a decrease in the sales volume of the dye intermediates products. Revenue generated from the sales of the dye intermediates products increased by approximately 26.3% over 2018 to approximately RMB1,185.3 million (2018: approximately RMB938.3 million), representing approximately 65.2% (2018: approximately 61.9%) of the Group's total revenue, Due to the significant increase in the sales volume of agricultural chemical intermediates products resulted from the increased market demands, the Group's revenue generated from the sales of the agricultural chemical intermediates products increased by approximately 18.4% over 2018 to approximately RMB324.3 million (2018: approximately RMB273.8 million), representing approximately 17.8% (2018: approximately 18.1%) of the Group's total revenue. These two factors resulted in an increase of approximately RMB297.5 million or approximately 24.5% in revenue from the segment as compared with that of 2018.

During the Review Year, the gross profit margin of dye intermediates increased by 34.0 percentage points to approximately 74.3% (2018: approximately 40.3%). The gross profit margin of the agricultural chemical intermediates decreased by approximately 0.9 percentage point to approximately 17.7% (2018: approximately 18.6%).

The Group is the world's largest manufacturer of DSD acid. DSD acid is mainly used in the production of optical brightening agents, and its end applications include brightening elements for the bleaching of textiles and brightening of paper and detergents.

The Group is one of the world's three largest mononitrotoluene manufacturers. Mononitrotoluene is the upstream product of DSD acid. It generates three chemical materials through chemical processes, namely PNT, ONT and MNT. PNT is the major raw material for DSD Acid production. After commencing its own production of mononitrotoluene, the Group is able to stabilise the upstream supply of raw materials. Meanwhile, ONT and OT are important agricultural chemical intermediates in the production of agricultural chemicals and herbicides.

During the Review Year, market demand and supply were both affected by the intensified environmental protection measures implemented by the Chinese government. However, relying on the Group's continuous investment in technologies and capital for environmental protection during production processes in the past, the Group was able to gain an advantage in market competition and obtain greater market predominance. In addition, the Group raised product prices, resulting in a steady increase in revenue from the segment compared with last year, under an overall difficult market environment. The revenue generated from this segment accounted for approximately 83.0% of the Group's total revenue.

Pigment intermediates – accounting for approximately 14.5% of total revenue (2018: approximately 17.3%)

During the Review Year, to increase market share, the Group lowered sales prices of pigment intermediates. The average unit selling price of pigment intermediates decreased by approximately 6.9% from RMB31,905 per ton in 2018 to RMB29,712 per ton in 2019. The average unit cost of pigment intermediates decreased by approximately 12.3% from RMB21,097 per ton in 2018 to RMB18,500 per ton in 2019. During the Review Year, the sales volume of pigment intermediates of the Group increased by 631 tons to approximately 8,858 tons (2018: approximately 8,227 tons), and the revenue was approximately RMB263.2 million, representing an increase of approximately 0.3% as compared with last year.

During the Review Year, as the unit cost of pigment intermediates decreased more than the unit price, the gross profit margin increased by approximately 3.8 percentage points as compared with 2018 to approximately 37.7% in 2019 (2018: approximately 33.9%).

Environmental technology consultancy service – accounting for approximately 2.0% of total revenue (2018: approximately 2.5%)

With mounting pressure for environmental protection in Mainland China and increasing demands from the environmental protection treatment market, we leveraged our long-established edge in environmental protection treatment and proactively cooperated with third parties to conduct environmental technology consultancy business, focusing on environmental technology consultancy services regarding the atmosphere, sewage, and soil treatment. During the Review Year, the environmental protection business generated revenue of approximately RMB37.1 million (2018: approximately RMB38.3 million), with a gross profit margin of approximately 24.1% (2018: approximately 16.8%).

Battery materials – accounting for approximately 0.5% of total revenue (2018: approximately 0.2%)

During the Review Year, the Group's 15,000-ton iron phosphate production line recorded revenue of approximately RMB8.4 million. During the Review Year, the Group's new production technology for iron phosphate has successfully passed testing and is planned to be officially put into mass production in 2020.

EXPORT

In 2019, the export revenue of the Group amounted to approximately RMB845.6 million, representing an increase of approximately RMB258.4 million or 44.0% as compared with the export revenue of approximately RMB587.2 million in 2018. The increase in export revenue of the Group was mainly due to the increase in average sales price of dye intermediates.

In 2019, the export revenue accounted for approximately 46.5% of the total revenue of the Group (2018: approximately 38.7%).

RESEARCH AND DEVELOPMENT

The Group continues to optimise its production processes and improve the quality of existing products, and has developed the green process for iron phosphate (a battery material) by adopting a new process to reduce waste water generation and costs, and enhance product competitiveness. The Group increased research on energy-saving and consumption-reduction processes, optimised the nitrification process, made cascade use of steam, and recycled process water, thereby reducing overall operating costs. To address the rise in environmental protection standards, the Group upgraded and renovated existing treatment facilities and implemented ultra-low emission and treatment of smoke plume for boilers, successfully accomplishing the tasks assigned by the Chinese government.

With the belief that technological advancement is core competitiveness, the Group will continue to maintain its investment and efforts in research and development to retain the market advantages enjoyed by its products and identify new growth drivers.

OUTLOOK

During the Review Year, the business environment was challenging. Frequent safety accidents in chemical companies in China have led to tightened requirements by government on the safety and environmental protection supervision of chemical companies, imposing higher requirements for the business management of the Group and peer companies. The China-U.S. trade frictions have brought great uncertainty to the global economic development, and increased the difficulty of exporting chemical products to the United States. Faced with the complex and changing market conditions, the Group remained confident. With years of experience in fine chemical production and operation, the Group increased investment in environmental protection, improved environmental protection facilities, enhanced research and development of environmental protection technologies, and continued to strengthen production safety management, so as to achieve sustainable corporate development and continue to create value for the shareholders of the Company (the "**Shareholders**").

2020 is bound to be an eventful year. The global outbreak of novel coronavirus (COVID-19) epidemic triggered a world-wide spread of panic, causing tumults in the financial market. The Chinese government adopted strict prevention and control measures against the epidemic, leading to large-scale suspension of work and production of enterprises across China, tremendously affecting the real economy. In 2019, due to the shortage of market supply, the sales price of the Group's core product DSD acid remained high, suppressing the demands of downstream customers. In 2020, the Group will pay much attention to the impact caused by the COVID-19 epidemic on the upstream and downstream as well as overseas markets, and actively take measures accordingly. Recently, the international crude oil prices fluctuated significantly, and is expected to stay at low level for a period in the future, which is expected to have certain impact on the price of raw materials for the Group's core products, as the core raw materials of the Group are petroleum derivatives. Taking the above factors into consideration, in order to face various uncertainties and the possible global economic depression, the Group will adjust the pricing strategy based on market conditions, proactively explore the market for existing products and make greater efforts in the research and development of new products as well as focus on controlling the related expenses, thereby creating long-term, stable and sustained enterprise value for the Shareholders.

As for the new business, mass production of iron phosphate, the Group's precursor product for battery cathode materials, is expected to commence in 2020. After years of research and development of product technology, the production process of iron phosphate products has been further enhanced, and environmental protection treatment technology has been further optimised. The product has won the trust of downstream customers with its excellent quality. In respect of the market, lithium iron phosphate power batteries, due to its high safety, low cost and increasing energy density, may again become the mainstream of electric vehicle market applications, driving the accelerated development of lithium iron phosphate batteries and the surge of their market demand. The enhanced packing technology of the batteries in market increases battery volume density, while also causing the demand for lithium iron phosphate power batteries to continue to rise. In addition, energy storage and base station power backup create incremental demand. As such, the prospect of the lithium iron phosphate industry is getting more promising. We believe that with our robust research and development strength, superior product performance and premium part of customer, the battery materials business will surely lay a solid foundation for the Group's future development.

In addition, the environmental protection consultancy business has been gradually stabilised. In addition to the environmental protection technology previously accumulated, the Group has obtained more environmental protection consultancy qualifications, allowing it to provide diversified services to more customers.

Looking ahead, in addition to consolidating its existing business, the Group will continue the expansion strategy of extending upstream and downstream along the industrial chain, and actively seek high-quality mergers and acquisitions with potential, so as to create greater value for the Shareholders.

FINANCIAL REVIEW

REVENUE AND GROSS PROFIT

In 2019, the revenue and gross profit of the Group amounted to approximately RMB1,818.3 million and approximately RMB1,041.0 million, respectively, representing an increase of approximately RMB302.4 million, and approximately RMB516.9 million or 20.0% and 98.6% from approximately RMB1,515.9 million and approximately RMB524.1 million, respectively, in 2018. The increase in the revenue was mainly due to a rise in the price of the dye intermediates products in 2019, which was offset by a decrease in the sale volume. In 2019, the Group's gross profit margin was approximately 57.3%, as compared with that of approximately 34.6% in 2018. The increase in gross profit margin was due to the significant increase in the average sales price of the Group's dye intermediates products in 2019.

NET PROFIT AND NET PROFIT MARGIN

In 2019, the net profit of the Group was approximately RMB518.3 million, representing an increase of approximately RMB295.5 million or 132.6%, as compared with approximately RMB222.8 million in 2018. In 2019, the Group's net profit margin was approximately 28.5%, as compared with that of approximately 14.7% in 2018.

SELLING AND DISTRIBUTION EXPENSES

In 2019, selling and distribution expenses amounted to approximately RMB44.9 million, representing a decrease of approximately RMB3.6 million, as compared with approximately RMB48.5 million in 2018. The decrease in selling and distribution expenses was mainly due to the decline in sales volume of dye intermediates.

In 2019, selling and distribution expenses represented approximately 2.5% of the Group's revenue (2018: approximately 3.2%).

ADMINISTRATIVE EXPENSES

In 2019, administrative expenses amounted to approximately RMB188.4 million, representing an increase of approximately RMB56.8 million, as compared with approximately RMB131.6 million in 2018. The increase in administrative expenses was mainly due to the following reasons: (i) the increase in environmental protection-related charges paid to the agents; (ii) the increase in the depreciation expenses and labor costs of certain production lines during the maintenance process; should they be in non-maintenance status, the above expenses would have been included in costs instead of administrative expenses; and (iii) the increase in labor costs due to enhanced staff benefits.

In 2019, administrative expenses represented approximately 10.4% of the Group's revenue (2018: approximately 8.7%).

IMPAIRMENT LOSSES OF PROPERTY, PLANTS AND EQUIPMENT

In 2019, the Group has provided for the impairment losses of property, plants and equipment of RMB52.0 million (2018: RMB0.7 million). The increase in impairment losses were mainly attributed to the impairment provision of the TCCBM CGU, the NMP CGU and certain equipment used for researching and testing. For more details, please refer to note 11 to financial statements of this announcement.

FINANCE COSTS

In 2019, finance costs amounted to approximately RMB31.7 million, as compared with approximately RMB22.8 million in 2018, representing an increase of approximately RMB8.9 million. The increase was mainly due to the following reasons: (i) the increase in banking fees due to increased factoring of bills receivables accepted by banks; (ii) the increase in interest expenses of financing services provided by China National Offshore Oil Sale (Beijing) Co., Ltd. and its associates to improve the working capital management of the Group's overseas sales; and (iii) the increase in front end fee incurred from early repayment of syndicated loans.

EXCHANGE LOSS

In 2019, exchange loss amounted to approximately RMB8.4 million, representing a decrease of approximately RMB9.2 million, as compared with approximately RMB17.6 million in 2018, which was mainly attributable to the significant fluctuation in the exchange rate of RMB against USD and the decrease in loans denominated in 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 HKD2 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%. In 2019, income tax expenses amounted to approximately RMB191.4 million, representing an increase of approximately RMB105.3 million, as compared with approximately RMB86.1 million in 2018. 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 2018.

CASH FLOWS

In 2019, net cash inflows from operating activities of the Group amounted to approximately RMB564.9 million, as compared with approximately RMB216.7 million in 2018, representing an increase of approximately RMB348.2 million, which was mainly due to the increase in revenue and profit in 2019 as compared with that in 2018.

In 2019, net cash outflows used in investing activities of the Group amounted to approximately RMB213.7 million, as compared with approximately RMB463.1 million in 2018, representing a decrease of approximately RMB249.4 million, which was mainly due to the decrease in capital expenditure and payment for production line constructed in Tsaker Chemical (Dongying) Co., Ltd., a wholly owned subsidiary of the Company as well as decrease in payment for iron phosphate production line as it was ready for mass production in late 2019.

In 2019, the Group's net cash outflows used in financing activities was approximately RMB369.6 million, as compared with the net inflow of approximately RMB10.0 million in 2018. Such increase in cash outflows in 2019 were mainly due to the increase in the net cash outflows of approximately RMB390.4 million as a result of the repayment of bank loans and other borrowings as compared with that of 2018.

LIQUIDITY AND CAPITAL STRUCTURE

In 2019 the daily working capital of the Group was primarily derived from internally generated cash flow from operations and bank borrowings. As at 31 December 2019, the Group had (i) cash and cash equivalents of approximately RMB104.8 million, in which approximately RMB100.2 million was denominated in RMB and approximately RMB4.6 million in other currencies (USD, HKD and SGD) (as at 31 December 2018: approximately RMB124.3 million, in which approximately RMB75.8 million was denominated in RMB and approximately RMB48.5 million in other currencies (USD and HKD)); (ii) restricted cash of approximately RMB3.9 million, including approximately RMB3.8 million denominated in RMB and RMB0.1 million denominated in another currency (USD) (as at 31 December 2018: approximately RMB20.2 million, in which approximately RMB1.0 million was denominated in RMB and RMB19.2 million in other currencies (USD and HKD)); and (iii) interest-bearing bank and other borrowings of approximately RMB313.8 million with interest rate of 4.61%-13.45% per annum, including (a) approximately RMB223.5 million denominated in RMB and RMB90.3 million denominated in another currency (USD), of which approximately RMB283.9 million shall be repayable within one year (as at 31 December 2018: approximately RMB651.2 million with interest rate of 4.52%-10.84% per annum, including approximately RMB208.6 million denominated in RMB and approximately RMB442.6 million denominated in other currencies (USD and HKD), of which approximately RMB364.8 million shall be repayable within one year); and (b) approximately RMB223.5 million bearing fixed interest rates (as at 31 December 2018: approximately RMB208.7 million). The Group had unutilised banking facilities of RMB39,881,000 in aggregate as at 31 December 2019 (as at 31 December 2018: Nil).

In 2019, 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 2019. 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 2019, the Group's gearing ratio was approximately 17.8% as compared with approximately 49.3% as at 31 December 2018, 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 repayment of syndicated loans by the Group during the Review Year.

CURRENT ASSETS

As at 31 December 2019, the total current assets of the Group amounted to approximately RMB856.4 million (as at 31 December 2018: approximately RMB875.1 million), primarily consisting of inventories of approximately RMB274.2 million (as at 31 December 2018: approximately RMB210.0 million), trade receivables and notes receivable of approximately RMB286.0 million (as at 31 December 2018: approximately RMB254.5 million), prepayments and other receivables of approximately RMB187.4 million (as at 31 December 2018: approximately RMB266.1 million), cash and cash equivalents of approximately RMB104.8 million (as at 31 December 2018: approximately RMB124.3 million) and restricted cash of approximately RMB3.9 million (as at 31 December 2018: approximately RMB20.2 million).

INVENTORIES

Inventories of the Group mainly consisted of raw materials, work-in-progress and finished products. The inventory turnover days increased from 59 days in 2018 to 112 days in 2019, the increase in the inventory turnover days was mainly due to the increase in inventories. The increase in inventory helps the Company cope with instabilities in the market and enhances the stability of production and supply.

TRADE RECEIVABLES AND NOTES RECEIVABLE

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**203,276**	186,316
Notes receivable	**82,761**	68,224
	286,037	254,540

As at 31 December 2019, trade receivables and notes receivable of the Group increased by approximately RMB31.5 million as compared with those of last year.

The turnover days for trade receivables decreased from 69 days for 2018 to 54 days for 2019, which was mainly due to the Group's intensified efforts to collect receivables and the increase in sales revenue in 2019 as compared that of 2018.

PREPAYMENTS AND OTHER RECEIVABLES

As at 31 December 2019, prepayments and other receivables of the Group decreased by approximately RMB78.7 million from approximately RMB266.1 million in aggregate as at 31 December 2018 to approximately RMB187.4 million in aggregate, which was mainly due to the decrease in the advance payment for equipment and construction costs as well as raw materials.

CURRENT LIABILITIES

As at 31 December 2019, the total current liabilities of the Group amounted to approximately RMB745.9 million (as at 31 December 2018: approximately RMB871.5 million), primarily consisting of trade payables of approximately RMB283.3 million (as at 31 December 2018: approximately RMB345.5 million), other payables and accruals of approximately RMB119.8 million (as at 31 December 2018: approximately RMB100.9 million) and interest-bearing bank and other borrowings of approximately RMB283.9 million (as at 31 December 2018: approximately RMB364.8 million).

TRADE PAYABLES

The turnover days for trade payables increased from 130 days in 2018 to 146 days in 2019. The increase in the turnover days was mainly due to the suppliers extended the payment period for the Group based on our excellent business credit and business negotiation ability in the market.

OTHER PAYABLES AND ACCRUALS

As at 31 December 2019, other payables and accruals of the Group increased by approximately RMB18.9 million from approximately RMB100.9 million in aggregate as at 31 December 2018 to approximately RMB119.8 million in aggregate, which was mainly due to the increase in salaries payable to employees during the Review Year.

PLEDGE OF ASSETS

As at 31 December 2019, certain of the Group's property, plant and equipment, right-of-use assets and trade receivables with a net carrying amount of approximately RMB204.0 million (as at 31 December 2018: approximately RMB223.3 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

On 14 March 2019, the Company was allocated 11,119,000 shares of China Risun Group Limited (Stock Code: 1907.HK) ("**China Risun**") at the final offer price of HK$2.80 per share. The total subscription price paid by the Company in respect of these shares is approximately HK$31.447 million, which is determined by multiplying the final number of these shares and the final offer price plus the SFC transaction levy at 0.0027%, the Stock Exchange trading fee at 0.005% and brokerage commission at 1%. For details, please refer to the Company's announcement dated 14 March 2019.

According to the prospectus of China Risun, China Risun is an integrated coke, coking chemical and refined producer and supplier in China. Details of the business of China Risun are set out in the prospectus of China Risun, which has been published on the website of the Stock Exchange on 28 February 2019. During the Review Year, there was no significant fluctuation in the share price of China Risun. On the last trading day of 2019, its closing price was HK$2.6 per share, and the total market value of the shares held by the Group was approximately HK$28.9 million, accounting for 1.6% of the net asset value of the Group. As at 31 December 2019, the Group received dividend of approximately HK$2.7 million from China Risun. China Risun declared the dividend as per its dividend policy. The share price may fluctuate. The Company will evaluate this investment on a regular basis.

Save as disclosed in this announcement, 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 2019.

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 2019 and the date of this announcement.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any significant contingent liabilities.

FOREIGN EXCHANGE RISK

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

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

EMPLOYEES AND REMUNERATION POLICIES

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

In support of the Group's talent development strategy, we built a talent information system and a succession system in 2017, and completed the further drawing of a talent map using a competency model.

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 2019, the Group had 1,553 employees (2018: 1,694).

For the year ended 31 December 2019, the total staff costs of the Group (including salaries, bonuses, social insurances and provident funds) amounted to approximately RMB164.4 million (2018: approximately RMB142.3 million).

APPLICATION OF PROCEEDS FROM THE LISTING

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

Till 31 December 2019, the net proceeds of approximately RMB37.9 million, RMB189.4 million, RMB37.9 million, RMB18.9 million and RMB20.6 million have been used as the supplemental working capital, for the expansion of production capacity, for the development of new products, for the rental payment of Phase I and Phase II of Shandong Tsaker Dongao Chemicals Co., Ltd. ("**Tsaker Dongao**"), and for the purchase of the entire equity interest of Tsaker Dongao, respectively. During the Review Year, the Company has not utilised any net proceeds from the Listing.

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

FINAL DIVIDEND

The Board recommends a final dividend of RMB0.092 per ordinary share for the year ended 31 December 2019. Such final dividend is subject to the approval by the Shareholders at the annual general meeting (the "**AGM**") to be held on 12 June 2020 and will be paid to the Shareholders on 31 July 2020 whose names appear on the register of members of the Company (the "**Register of Members**") on 26 June 2020.

Together with the Special Dividend of RMB0.058 per share, the dividends in aggregate for the year ended 31 December 2019 will amount to RMB0.150 per share (2018: RMB0.064 per share), and the total amount will be approximately RMB155.8 million (2018: approximately RMB66.5 million).

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members will be closed from Tuesday, 9 June 2020 to Friday, 12 June 2020, 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 Monday, 8 June 2020.

The Register of Members will also be closed from Tuesday, 23 June 2020 to Friday, 26 June 2020, both days inclusive, in order to determine the entitlement of the Shareholders to receive the final dividend during which period no share transfers will be registered. To qualify for the final dividend, 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 Monday, 22 June 2020.

CORPORATE GOVERNANCE

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries to all the Directors, including the existing Directors and the former Director who had been a Director during the year ended 31 December 2019, each of such 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

For the year ended 31 December 2019, as the Board considered that the price of the Company's shares did not reflect their intrinsic value, the share repurchase program could reflect the Board's confidence in the Company's development prospects, the total number of shares repurchased by the Company on the Stock Exchange was 3,450,000 at a total consideration (before deduction of expenses) of HK$8,971,055. The repurchased 2,367,000 shares and 1,083,000 shares were subsequently cancelled on 23 January 2019 and 13 December 2019, respectively.

The details of repurchase are set out as below:

Month	Number of shares repurchased	Highest purchase price per share *HK$*	Lowest purchase price per share *HK$*	Total consideration (before expenses) *HK$*
January	2,367,000	5.62	1.35	6,995,510
October	1,083,000	1.92	1.73	1,975,545

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 2019.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 23 to the financial statements in this announcement, 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 2019.

The figures in relation to the results of the Group for the year ended 31 December 2019 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 2019 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 2019 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 2020

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*