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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

Revenue of the Group for the six months ended 30 June 2019 amounted to approximately RMB1,075.3 million, representing an increase of approximately RMB320.7 million or 42.5% comparing with that in the same period of 2018.

Gross profit of the Group for the six months ended 30 June 2019 amounted to approximately RMB670.5 million, representing an increase of approximately RMB413.8 million or 161.2% comparing with that in the same period of 2018.

Net profit of the Group for the six months ended 30 June 2019 amounted to approximately RMB406.7 million, representing an increase of approximately RMB285.2 million or 234.7% comparing with that in the same period of 2018.

Basic and diluted earnings per share of the Group for the six months ended 30 June 2019 amounted to approximately RMB0.39, representing an increase of approximately RMB0.27 or 225.0% comparing with that in the same period of 2018.

RESULTS

The board (the "**Board**") of directors (the "**Director(s)**") of Tsaker Chemical Group Limited (the "**Company**" or "**we**" or "**our**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2019 (the "**Review Period**"), together with the comparative figures for the same period in 2018. These results were prepared based on the Group's unaudited consolidated financial statements, which were prepared in accordance with the Hong Kong Accounting Standard 34, "Interim financial reporting", and the disclosure requirements of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June

	Notes	**2019** **RMB'000** **(Unaudited)**	2018 *RMB'000* (Unaudited)
REVENUE	*3*	**1,075,274**	754,634
Cost of sales		**(404,811)**	(497,915)
Gross profit		**670,463**	256,719
Other income and gains		**2,740**	7,466
Selling and distribution expenses		**(21,726)**	(24,289)
Administrative expenses		**(75,094)**	(55,284)
Other expenses		**(3,793)**	(2,568)
Finance costs	*5*	**(18,377)**	(9,483)
Exchange losses, net		**(1,480)**	(5,990)
PROFIT BEFORE TAX	*6*	**552,733**	166,571
Income tax expense	*7*	**(146,074)**	(45,037)
PROFIT FOR THE PERIOD		**406,659**	121,534
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operations		**2,678**	(313)
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")		**1,132**	825
Other comprehensive income, net of tax		**3,810**	512
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**410,469**	122,046
Profit attributable to:			
Owners of the parent		**406,672**	121,549
Non-controlling interests		**(13)**	(15)
		406,659	121,534
Total comprehensive income attributable to:			
Owners of the parent		**410,482**	122,061
Non-controlling interests		**(13)**	(15)
		410,469	122,046
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (expressed in RMB per share)	*8*	**0.39**	0.12

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2019 RMB'000 (Unaudited)**	31 December 2018 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**1,504,244**	1,496,085
Right-of-use assets		**79,300**	–
Prepaid land lease payments		**–**	76,063
Intangible assets		**11,051**	3,086
Equity investments designated at FVOCI	*10*	**36,997**	9,287
Deferred tax assets		**29,812**	23,931
Restricted cash		**–**	9,598
Other non-current assets		**–**	16,045
Total non-current assets		**1,661,404**	1,634,095
CURRENT ASSETS			
Inventories	*11*	**230,521**	209,998
Trade receivables	*12*	**237,113**	186,316
Notes receivable		**97,083**	68,224
Prepayments and other receivables		**189,958**	266,073
Restricted cash		**20,992**	20,170
Cash and cash equivalents		**58,353**	124,275
Other current assets		**15,520**	–
Total current assets		**849,540**	875,056
CURRENT LIABILITIES			
Trade payables	*13*	**250,375**	345,506
Notes payable		**40,000**	–
Other payables and accruals		**69,057**	100,910
Contract liabilities		**10,953**	7,755
Interest-bearing bank and other borrowings	*14*	**234,785**	230,806
Income tax payable		**86,706**	52,475
Current portion of long-term bank and other borrowings	*14*	**49,102**	134,020
Dividend payable	*20*	**66,527**	–
Total current liabilities		**807,505**	871,472
NET CURRENT ASSETS		**42,035**	3,584
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,703,439**	1,637,679

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	**30 June 2019** *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Deferred income		**22,259**	23,316
Deferred tax liabilities		**11,818**	8,087
Interest-bearing bank and other borrowings	*14*	**10,927**	286,391
Lease liabilities		**520**	–
Total non-current liabilities		**45,524**	317,794
Net assets		**1,657,915**	1,319,885
EQUITY			
Equity attributable to owners of the parent			
Share capital		**67,167**	67,491
Treasury shares		**–**	(11,031)
Reserves		**1,589,972**	1,262,636
		1,657,139	1,319,096
Non-controlling interests		**776**	789
Total equity		**1,657,915**	1,319,885

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June

	Attributable to owners of the parent											
	Share capital *RMB'000*	**Treasury shares** *RMB'000*	**Share premium** *RMB'000*	**Capital reserve** *RMB'000*	**Safety production fund** *RMB'000*	**Statutory reserve** *RMB'000*	**Translation reserve** *RMB'000*	**Fair value reserve of financial assets at FVOCI** *RMB'000*	**Retained profits** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2019 (audited)	**67,491**	**(11,031)**	**650,828**	**(105,764)**	**48,223**	**79,249**	**46,518**	**(1,005)**	**544,587**	**1,319,096**	**789**	**1,319,885**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**406,672**	**406,672**	**(13)**	**406,659**
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**2,678**	**1,132**	**–**	**3,810**	**–**	**3,810**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**2,678**	**1,132**	**406,672**	**410,482**	**(13)**	**410,469**
Repurchase of own shares	**–**	**(5,912)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,912)**	**–**	**(5,912)**
2018 dividend declared *(Note 20)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(66,527)**	**(66,527)**	**–**	**(66,527)**
Write-off of own shares	**(324)**	**16,943**	**(16,619)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Appropriation to safety production fund	**–**	**–**	**–**	**–**	**4,659**	**–**	**–**	**–**	**(4,659)**	**–**	**–**	**–**
At 30 June 2019 (unaudited)	**67,167**	**–**	**634,209**	**(105,764)**	**52,882**	**79,249**	**49,196**	**127**	**880,073**	**1,657,139**	**776**	**1,657,915**

	Attributable to owners of the parent										
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Safety production fund *RMB'000*	Statutory reserve *RMB'000*	Translation reserve *RMB'000*	Fair value reserve of financial assets at FVOCI *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2018 (audited)	67,491	650,828	(308,202)	43,875	92,520	39,502	2,675	555,179	1,143,868	645	1,144,513
Profit for the period	–	–	–	–	–	–	–	121,549	121,549	(15)	121,534
Other comprehensive income for the period	–	–	–	–	–	(313)	825	–	512	–	512
Total comprehensive income for the period	–	–	–	–	–	(313)	825	121,549	122,061	(15)	122,046
Capital contribution	–	–	–	–	–	–	–	–	–	200	200
2017 dividend declared	–	–	–	–	–	–	–	(40,726)	(40,726)	–	(40,726)
Appropriation to safety production fund	–	–	–	4,115	–	–	–	(4,115)	–	–	–
At 30 June 2018 (unaudited)	67,491	650,828	(308,202)	47,990	92,520	39,189	3,500	631,887	1,225,203	830	1,226,033

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June

	Notes	**2019** **RMB'000** **(Unaudited)**	2018 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations		**483,871**	127,534
Income tax paid		**(113,993)**	(36,926)
Net cash flows from operating activities		**369,878**	90,608
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for the purchase of property, plant and equipment, lease prepayments/right-of-use assets, and intangible assets		**(66,262)**	(266,023)
Other cash flows (used in)/arising from investing activities		**(34,435)**	983
Net cash flows used in investing activities		**(100,697)**	(265,040)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**127,986**	72,000
Repayment of borrowings		**(484,390)**	(114,536)
Principal portion of lease liabilities		**(101)**	–
Other cash flows from financing activities		**22,882**	10,197
Net cash flows used in financing activities		**(333,623)**	(32,339)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(64,442)**	(206,771)
Cash and cash equivalents at beginning of the period		**124,275**	359,787
Effect of foreign exchange rate changes, net		**(1,480)**	235
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	*15*	**58,353**	153,251

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

1. CORPORATE 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. The Company's subsidiaries are 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 51.31% voting right of the Company.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS** ") 34.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2018.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") effective as at 1 January 2019.

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 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments* and *Annual improvements 2015-2017 Cycle*-Amendments to HKAS 23, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (continued)

(a) HKFRS 16 supersedes 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. Lessor accounting under HKFRS 16 is substantially unchanged under HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact on leases where the Group is the lessor.

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

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.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (continued)

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, vehicles 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 short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

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.

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) ***RMB'000*** **(Unaudited)**
Assets	
Increase in right-of-use assets	80,430
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	(4,367)
Increase in total assets	–
Liabilities	
Increase in total liabilities	–

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (continued)

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

	RMB'000 (Unaudited)
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	–

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (continued)

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease equipment for additional terms of three years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

The Group included the renewal period as part of the lease term for leases of machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

Amounts recognised in the interim condensed consolidated statements of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follows:

	Right-of-use assets			Lease liabilities
	Land use rights *RMB'000*	Buildings *RMB'000*	Total *RMB'000*	*RMB'000*
As at 1 January 2019	80,430	–	80,430	–
Addition	–	1,261	1,261	1,261
Depreciation expenses	(2,286)	(105)	(2,391)	–
Interest expenses	–	–	–	9
Payments	–	–	–	(110)
Reclassification to current liabilities	–	–	–	(640)
As at 30 June 2019	78,144	1,156	79,300	520

The Group recognised rental expenses from short-term leases of RMB4,322,000 for the six months ended 30 June 2019.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (continued)

(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. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

(c) Amendments under Annual Improvements to HKFRSs 2015-2017 Cycle

HKAS 23 *Borrowing Costs* clarifies that an entity treats part of general borrowings as 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 interim condensed consolidated financial information.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of goods and provision of consultancy and maintenance services	**1,075,274**	754,634
	1,075,274	754,634

3. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	For the six months ended 30 June 2019				
Segments	**Dye and agricultural chemical intermediates**	**Pigment intermediates**	**Environmental technology consultancy services**	**Battery materials**	**Total**
Types of goods or services	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Sale of chemical intermediates and battery materials	904,332	152,812	–	5,136	1,062,280
Sale of environmental technology equipment	–	–	11,265	–	11,265
Provision of installation services	–	–	1,729	–	1,729
Total revenue from contracts with customers	904,332	152,812	12,994	5,136	1,075,274
Geographical markets					
Mainland China	393,597	92,248	12,994	5,136	503,975
Indonesia	158,217	–	–	–	158,217
India	55,243	41,907	–	–	97,150
Germany	80,314	–	–	–	80,314
Brazil	65,810	–	–	–	65,810
Spain	60,440	–	–	–	60,440
United States	40,555	10,215	–	–	50,770
Taiwan, China	27,753	–	–	–	27,753
Other countries/regions	22,403	8,442	–	–	30,845
Total revenue from contracts with customers	904,332	152,812	12,994	5,136	1,075,274
Timing of revenue recognition					
Goods transferred at a point in time	904,332	152,812	11,265	5,136	1,073,545
Services transferred over time	–	–	1,729	–	1,729
Total revenue from contracts with customers	904,332	152,812	12,994	5,136	1,075,274

3. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

	For the six months ended 30 June 2018				
Segments	Dye and agricultural chemical intermediates	Pigment intermediates	Environmental technology consultancy services	Battery materials	Total
Types of goods or services	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Sale of chemical intermediates and battery materials	608,653	131,139	–	902	740,694
Sale of environmental technology equipment	–	–	13,441	–	13,441
Provision of installation services	–	–	499	–	499
Total revenue from contracts with customers	608,653	131,139	13,940	902	754,634
Geographical markets					
Mainland China	361,613	96,393	13,940	902	472,848
India	67,598	18,591	–	–	86,189
United States	54,548	5,596	–	–	60,144
Germany	31,557	295	–	–	31,852
Taiwan, China	31,524	–	–	–	31,524
Spain	20,713	–	–	–	20,713
Indonesia	11,672	–	–	–	11,672
Brazil	11,108	–	–	–	11,108
Other countries/regions	18,320	10,264	–	–	28,584
Total revenue from contracts with customers	608,653	131,139	13,940	902	754,634
Timing of revenue recognition					
Goods transferred at a point in time	608,653	131,139	13,441	902	754,135
Services transferred over time	–	–	499	–	499
Total revenue from contracts with customers	608,653	131,139	13,940	902	754,634

4. 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 the production of dye-related products and products for the use in the production of agricultural chemicals;

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

(c) the environmental technology consultancy services 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 the profit or loss for the Company is excluded from such measurement.

The measurement of segment assets and liabilities is the same as that of the interim condensed consolidated statement of financial position as at 30 June 2019, except for assets and liabilities related to the Company and other unallocated assets and liabilities managed on a group basis.

The following tables present revenue and profit information for the Group's operating segments for the six months ended 30 June 2019 and 2018.

Six months ended 30 June 2019 (unaudited)	**Dye and agricultural chemical intermediates** *RMB'000*	**Pigment intermediates** *RMB'000*	**Environmental technology consultancy services** *RMB'000*	**Battery materials** *RMB'000*	**Total for segments** *RMB'000*	**Corporate, other unallocated expenses and eliminations** *RMB'000*	**Consolidated** *RMB'000*
Revenue							
External customers	**904,332**	**152,812**	**12,994**	**5,136**	**1,075,274**	**–**	**1,075,274**
Inter-segment	**713**	**–**	**2,961**	**–**	**3,674**	**(3,674)**	**–**
Total revenue	**905,045**	**152,812**	**15,955**	**5,136**	**1,078,948**	**(3,674)**	**1,075,274**
Results							
Segment profit	**546,114**	**36,652**	**288**	**(10,416)**	**572,638**	**(19,905)**	**552,733**

4. SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2018 (unaudited)	Dye and agricultural chemical intermediates *RMB'000*	Pigment intermediates *RMB'000*	Environmental technology consultancy services *RMB'000*	Battery materials *RMB'000*	Total for segments *RMB'000*	Corporate, other unallocated expenses and eliminations *RMB'000*	Consolidated *RMB'000*
Revenue							
External customers	608,653	131,139	13,940	902	754,634	–	754,634
Inter-segment	348,704	68,521	307	462	417,994	(417,994)	–
Total revenue	957,357	199,660	14,247	1,364	1,172,628	(417,994)	754,634
Results							
Segment profit	159,668	25,588	(10,848)	(1,652)	172,756	(6,185)	166,571

The following table presents asset and liability information for the Group's operating segments as at 30 June 2019 and 31 December 2018, respectively:

	Dye and agricultural chemical intermediates *RMB'000*	**Pigment intermediates** *RMB'000*	**Environmental technology consultancy service** *RMB'000*	**Battery materials** *RMB'000*	**Total for segments** *RMB'000*	**Corporate, other unallocated expenses and eliminations** *RMB'000*	**Consolidated** *RMB'000*
Assets							
30 June 2019 (unaudited)	**1,934,777**	**411,723**	**78,141**	**383,381**	**2,808,022**	**(297,078)**	**2,510,944**
31 December 2018 (audited)	1,662,417	446,340	64,013	350,479	2,523,249	(14,098)	2,509,151
Liabilities							
30 June 2019 (unaudited)	**845,953**	**161,642**	**15,835**	**370,196**	**1,393,626**	**(540,597)**	**853,029**
31 December 2018 (audited)	993,327	237,010	13,756	327,085	1,571,178	(381,912)	1,189,266

4. SEGMENT INFORMATION (CONTINUED)

Corporate and eliminations

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Reconciliation of profit		
Segment profit	**572,638**	172,756
Elimination of intersegment transactions	**(6,185)**	(1,043)
Corporate and other unallocated expenses	**(13,720)**	(5,142)
Profit before tax	**552,733**	166,571

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China	**503,975**	472,848
Indonesia	**158,217**	11,672
India	**97,150**	86,189
Germany	**80,314**	31,852
Brazil	**65,810**	11,108
Spain	**60,440**	20,713
United States	**50,770**	60,144
Taiwan, China	**27,753**	31,524
Other countries/regions	**30,845**	28,584
	1,075,274	754,634

Revenue information above is based on the locations of the customers.

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

(b) Information about major customers

For the first six months of 2019, revenue of RMB177,041,000 was derived from sales by the dye and agricultural chemical intermediates segment to a single customer.

For the first six months of 2018, revenue of RMB191,408,000 was derived from sales by the dye and agricultural chemical intermediates segment to another single customer.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings wholly repayable within five years	**18,138**	18,387
Other finance costs	**8,474**	7,131
Less: Interest expenses capitalised	**(8,235)**	(16,035)
	18,377	9,483

The weighted average interest rate of capitalisation for the six months ended 30 June 2019 was 6.17% (the six months ended 30 June 2018: 6.28%).

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**404,385**	497,915
Cost of services provided	**426**	–
Depreciation of property, plant and equipment	**32,948**	30,016
Research and development costs	**6,178**	10,056
Depreciation of right-of-use assets *(note(i))*	**2,391**	–
Amortisation of prepaid land lease payments *(note(i))*	**–**	2,286
Auditors' remuneration	**1,619**	1,244
Wages, salaries and welfare	**64,608**	54,079
Pension and other social insurances	**14,270**	10,632
Exchange losses, net	**1,480**	5,990
Impairment of trade receivables	**–**	34
Loss on disposal of items of property, plant and equipment	**1,196**	801
Write-down of inventories to net realisable value	**1,360**	766

Note:

(i) Upon the adoption of HKFRS 16, amortisation of lease prepayments was reclassified from "amortisation of prepaid land lease payments" to "depreciation of right-of-use assets".

7. INCOME TAX EXPENSE

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim condensed profit or loss are as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Income taxes		
Current income tax expense	**148,224**	41,577
Deferred income tax expense	**(2,150)**	3,460
Total income tax charge for the period	**146,074**	45,037

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

The calculation of basic earnings per share attributable to ordinary equity holders of the parent is based on the following data:

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent (RMB'000)	**406,672**	121,549
Number of shares:		
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation ('000)	**1,039,572**	1,044,250
Earnings per share		
Basic and diluted (RMB)	**0.39**	0.12

The Group did not have any dilutive potential ordinary shares during the six months ended 30 June 2019 or 2018.

9. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 June 2019, the Group acquired property, plant and equipment with an aggregate cost of RMB42,581,000 (the six months ended 30 June 2018: RMB269,092,000).

The amount of borrowing costs capitalised during the six months ended 30 June 2019 was approximately RMB8,235,000 (the six months ended 30 June 2018: RMB16,035,000).

Assets with a net book value of RMB1,474,000 were disposed of by the Group during the six months ended 30 June 2019 (the six months ended 30 June 2018: RMB937,000), resulting in a net loss on disposal of RMB1,196,000 (the six months ended 30 June 2018: net loss of RMB801,000).

During the six months ended 30 June 2019, no impairment loss was provided (the six months ended 30 June 2018: nil.)

10. EQUITY INVESTMENTS DESIGNATED AT FVOCI

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Equity investments designated at FVOCI:		
Quoted equity investments	**36,997**	9,287

The gross gain in respect of the Group's financial assets at FVOCI recognised in other comprehensive income amounted to RMB1,132,000 for the six months ended 30 June 2019 (the six months ended 30 June 2018: RMB825,000).

11. INVENTORIES

During the six months ended 30 June 2019, the Group wrote down RMB1,360,000 (the six months ended 30 June 2018: RMB766,000) of inventories to their net realisable value.

12. TRADE RECEIVABLES

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**237,873**	187,076
Impairment provision	**(760)**	(760)
	237,113	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. 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. Trade receivables are non-interest-bearing.

12. TRADE RECEIVABLES (CONTINUED)

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

	30 June 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Within 1 month	**136,850**	79,625
1 month to 2 months	**42,027**	50,558
2 months to 3 months	**19,700**	23,283
3 months to 4 months	**9,447**	9,789
Over 4 months	**29,089**	23,061
	237,113	186,316

The movements in provision for impairment of trade receivables are as follows:

	30 June 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
At 1 January	**760**	745
Impairment provided	**–**	15
	760	760

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 of trade receivables, trade debtors have been grouped based on shared credit risk characteristics and the ageing.

13. 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:

	30 June 2019 ***RMB'000*** **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Within 1 month	**126,280**	128,829
1 month to 2 months	**16,693**	50,580
2 months to 3 months	**15,914**	22,120
Over 3 months	**91,488**	143,977
	250,375	345,506

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

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2019 ***RMB'000*** **(Unaudited)**			31 December 2018 *RMB'000* (Audited)		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	**4.50-7.20**	**2019-2020**	**234,785**	4.52-7.20	2019	309,438
Other borrowings – secured	**6.00-13.45**	**2019-2020**	**49,102**	10.83-10.84	2019	55,388
			283,887			364,826
Non-current						
Bank loans – secured	**–**	**–**	**–**	5.29	2020	274,528
Other borrowings – secured	**10.83-13.45**	**2020-2022**	**10,927**	10.83-10.84	2020	11,863
			10,927			286,391
Total			**294,814**			651,217
Analysed into:						
Bank and other borrowings repayable:						
Within one year			**283,887**			364,826
In the second year			**4,653**			286,391
In the third year to fifth year, inclusive			**6,274**			–
Total			**294,814**			651,217

Certain of the Group's property, plant and equipment, Right-of-use assets and restricted cash with net carrying amounts of approximately RMB173.9 million (31 December 2018: approximately RMB223.3 million) were pledged to secure bank and other borrowings granted to the Group.

15. CASH AND CASH EQUIVALENTS

For the purpose of the unaudited interim condensed consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	30 June 2019 *RMB'000*	30 June 2018 *RMB'000*
Cash and bank balances	**79,345**	168,635
Less: Restricted cash	**(20,992)**	(15,384)
Cash and cash equivalents	**58,353**	153,251
Denominated in RMB	**49,721**	44,006
Denominated in other currencies	**8,632**	109,245
Cash and cash equivalents	**58,353**	153,251

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e., unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e., observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

At 30 June 2019 and 31 December 2018, the financial instruments of the Group carried at fair value were equity investments at FVOCI. These instruments fall into Level 1 of the fair value hierarchy described above.

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial assets and liabilities measured at fair value (continued)

	Fair value measurements as at 30 June 2019 categorised into			
	Fair value at 30 June 2019 RMB'000	**Quoted prices in active markets for identical assets (Level 1) RMB'000**	**Significant other observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**
Financial assets:				
Quoted equity investment in listed companies, at fair value	**36,997**	**36,997**	**–**	**–**

	Fair value measurements as at 31 December 2018 categorised into			
	Fair value at 31 December 2018 RMB'000	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Financial assets:				
Quoted equity investment in listed companies, at fair value	9,287	9,287	–	–

(b) Fair values of financial assets and liabilities not carried at fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2019 and 31 December 2018.

17. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2019 (31 December 2018: nil).

18. COMMITMENTS

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

	30 June 2019 ***RMB'000*** **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Contracted, but not provided for :		
Plant and machinery	**135,440**	126,965

19. RELATED PARTY DISCLOSURES

The following table provides the total amounts of transactions that have been entered into with related parties during the six months ended 30 June 2019 and 2018, as well as balances with a related party as at 30 June 2019 and 31 December 2018:

(a) Transactions with related parties:

		For the six months ended 30 June	
		2019	2018
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Purchases of products and services:	*(i)*		
Cangzhou Qianshengyuan Hotel Management Co., Ltd.		**237**	–
Cangzhou Wugu Food Technology Co., Ltd.		**300**	–
Cangzhou Aomu Agricultural Development Co., Ltd.		**227**	–

Note:

(i) The purchases from the related parties were made according to the published prices and conditions offered by the related parties to their major customers.

(b) Outstanding balance with a related party:

	30 June	31 December
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Other payables and accruals:		
Huage Holdings Group Co., Ltd., controlled by Ms. Ge Hong, sister of Mr. Ge Yi	**123**	123

The above balance is unsecured, non-interest-bearing and repayable on demand.

(c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Compensation paid to key management personnel	**2,507**	1,433

20. DIVIDENDS

(i) Dividends payable to equity shareholders attributable to the interim period

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2019 (the six months ended 30 June 2018: nil).

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, declared during the interim period

	30 June 2019	30 June 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Final dividend approved during the period in respect of the previous financial year of RMB0.064 per share (the six months ended 30 June 2018: RMB0.039 per share)	**66,527**	40,726

21. EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, the Group had no significant event after the reporting period required to be disclosed.

22. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2019 were authorised for issue in accordance with a resolution of the Board on 23 August 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE REVIEW

Operating segment results

For the period ended 30 June 2019

	Dye and agricultural chemical intermediates	**Pigment intermediates**	**Environmental technology consultancy services**	**Battery materials**	**Total**
Revenue (RMB'000)	**904,332**	**152,812**	**12,994**	**5,136**	**1,075,274**
Cost of sales (RMB'000)	**289,422**	**96,710**	**9,014**	**9,665**	**404,811**
Sales volume (tons)	**19,194**	**5,363**	**N/A**	**534**	**25,091**
Gross profit margin	**68.0%**	**36.7%**	**30.6%**	**(88.2%)**	**62.4%**
Average unit selling price (RMB/ton)	**47,115**	**28,494**	**N/A**	**9,618**	**N/A**

For the period ended 30 June 2018

	Dye and agricultural chemical intermediates	Pigment intermediates	Environmental technology consultancy services	Battery materials	Total
Revenue (RMB'000)	608,653	131,139	13,940	902	754,634
Cost of sales (RMB'000)	401,670	86,094	9,271	880	497,915
Sales volume (tons)	30,584	4,187	N/A	44	34,815
Gross profit margin	34.0%	34.3%	33.5%	2.4%	34.0%
Average unit selling price (RMB/ton)	19,901	31,321	N/A	20,500	N/A

During the Review Period, total revenue of the Group increased by approximately 42.5% to approximately RMB1,075.3 million as compared with that in the first half of 2018, and the overall gross profit of the Group increased by approximately 161.2% period-on-period to approximately RMB670.5 million, mainly due to the increase in sales price of dye intermediates. Compared with the same period in 2018, average sales price of dye intermediates continued to rise due to changes in the balance of market supply and demand, thereby increasing the overall gross profit margin of the Group by 28.4 percentage points period-on-period to approximately 62.4%.

During the Review Period, profit attributable to equity holders of the Company increased by approximately 234.7% period-on-period to approximately RMB406.7 million. The profit margin attributable to equity holders of the Company increased by 21.7 percentage points period-on-period to approximately 37.8%. In view of the rise in the Group's sales price of dye intermediates and the stable market position of its main products, the Company is confident about its future development.

Dye and agricultural chemical intermediates – accounting for approximately 84.1% of total revenue (first half of 2018: 80.7%)

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 of bleach for textile, brightening of paper and detergents.

The Group is one of the world's three largest mononitrotoluene manufacturers. PNT, ONT and MNT are collectively called mononitrotoluene. 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 herbicides.

During the Review Period, market demand and supply were both affected by the intensified environmental protection measures by the Chinese government. However, relying on the Group's continuous investment in technologies for environmental protection during production in the past, the Group was able to gain advantage in market competition and obtain greater market predominance. During the Review Period, the revenue of the segment increased by approximately 48.6% over the same period in last year to approximately RMB904.3 million. The revenue of this segment accounted for approximately 84.1% of the Group's total revenue.

As for gross profit, the overall gross profit of the segment increased by approximately 197.1% to approximately RMB614.9 million, and the gross profit margin increased by 34.0 percentage points to approximately 68.0%, as compared with that in the same period of 2018.

Pigment intermediates – accounting for approximately 14.2% of total revenue (first half of 2018: 17.4%)

Being the world's largest DMSS manufacturer and distributor, the Group is also the world's main manufacturer of other major intermediates such as DMAS and DIPS. Pigment intermediates are mainly used in printing ink, food additives, and high-performance pigments, such as automotive paints and coatings. As the market requirement for the performance of pigments gradually increases and high-performance pigments outperform ordinary pigment in various aspects, including heat and light resistance, it is expected that the market demand for high-performance pigments will gradually increase, which will in turn promote the overall development of the segment.

During the Review Period, as driven by the increase in sales volume, the revenue of pigment intermediates segment increased by approximately 16.5% to approximately RMB152.8 million as compared with that in the same period of last year, accounting for approximately 14.2% of the Group's overall revenue.

As for gross profit, the overall gross profit of the segment increased by approximately 24.5% to approximately RMB56.1 million, and the gross profit margin of the segment increased slightly by 2.4 percentage points to approximately 36.7%, as compared with that in the same period of 2018.

Environmental technology consultancy service – accounting for approximately 1.2% of total revenue (first half of 2018: 1.8%)

With mounting pressure for environmental protection in China, the environmental protection treatment market possesses tremendous development potential. Leveraging its advantages in environmental protection treatment accumulated over the years, the Group proactively cooperates with third parties to carry out environmental protection consultancy business with a focus on environmental technology consultancy service in air, sewage, and solid waste treatment.

During the Review Period, the Group's environmental protection business developed stably, achieving a revenue of approximately RMB13.0 million, with the gross profit margin reducing by 2.9 percentage points to approximately 30.6%, as compared with that in the same period of 2018.

Battery materials – accounting for approximately 0.5% of total revenue (first half of 2018: 0.1%)

In 2017, the Group started to invest in and construct its production line in Cangzhou, Hebei Province with a production capacity of 15,000 tonnes for iron phosphate, a raw material used to produce cathode materials for lithium battery, to produce high-performance iron phosphate products. Iron phosphate is the core raw material for producing cathode materials for lithium ion batteries-ironic phosphate, which is ultimately used as cathode materials for lithium ion batteries and widely applied in the area of automotive power battery, energy storage battery, lithium battery for daily electronic products etc.

During the Review Period, domestic market for iron phosphate was generally sluggish. The Group planned to take this opportunity to tap potential, enhance technology and reduce cost. It is applying several new technologies to the 15,000-tonne production line for iron phosphate. As at the date of this announcement, mass production has not yet begun.

EXPORT

During the Review Period, the export revenue of the Group amounted to approximately RMB571.3 million, representing an increase of approximately RMB289.5 million or 102.7% as compared to the export revenue of approximately RMB281.8 million for the same period in 2018, mainly due to the increase in the average sales price of products.

During the Review Period, the export revenue accounted for approximately 53.1% of the total revenue of the Group, while the export revenue accounted for approximately 37.3% for the same period in 2018.

BUSINESS OUTLOOK

During the Review Period, leveraging its world-leading market position, the Group fully grasped market opportunities to achieve strong financial performance. In the first half of 2019, frequent work safety accidents occurred in chemical corporates. As a leading company of fine chemicals, the Group always attaches great importance to safety production. It continuously enhances its supervision on safety production, and regards comprehensive environmental protection equipment and advanced environmental protection technology as its core competitiveness that enables it to achieve sustainable development and continuously create value for shareholders.

2019 is a year of uncertainty and challenge. The escalating Sino-US trade conflict has led to a lower growth expectation for the global economy. With increasingly tightening environmental supervision in China and the impact of explosion accident in Xiangshui Chemical Industrial Park on 21 March 2019, both suppliers and customers of the Group were affected to different degrees. The sales price of DSD Acid, our core product, continued to rise due to continued shortage of market supply. Supply shortage of DSD Acid is expected to continue in the short run, which is conducive to the sales of the Group's core products. Thus, we remain confidence in the Group's performance in 2019.

Looking forward, the Group will continuously improve production technologies of existing products and enhance product quality while reducing production cost. We will also increase investment in environmental protection and the research and development ("**R&D**") of technologies thereof. In addition to further developing its existing business, the Group will seek merger and acquisition of businesses with synergy, consolidate industry chain advantage and push forward the development of battery material and the Group's Environmental Protection Division. The Group constantly conducts R&D on the production technologies of iron phosphate. As the battery material market rallies and its applications broaden, the Group remains optimistic about the future of the Battery Material Division. In addition, the environmental protection technology consultancy business continued to expand with diversified development of the business model, and began to contribute stable revenue. Leveraging the Group's stable cash flows and strong ability in respect of R&D and business expansion, we believe that our new business will develop in the established direction.

FINANCIAL REVIEW

Revenue and gross profit

During the Review Period, the revenue and gross profit amounted to approximately RMB1,075.3 million and approximately RMB670.5 million respectively, representing an increase of approximately RMB320.7 million or 42.5% and of approximately RMB413.8 million or 161.2% from approximately RMB754.6 million and approximately RMB256.7 million respectively for the same period in 2018. During the Review Period, the gross profit margin of the Group was approximately 62.4%, as compared with approximately 34.0% for the same period in 2018.

Net Profit and Net Profit Margin

During the Review Period, the net profit of the Group was approximately RMB406.7 million, representing an increase of approximately RMB285.2 million or 234.7% as compared with approximately RMB121.5 million for the same period in 2018. During the Review Period, the net profit margin of the Group was approximately 37.8%, as compared with approximately 16.1% for the same period in 2018.

Selling and distribution expenses

During the Review Period, selling and distribution expenses amounted to approximately RMB21.7 million, representing a decrease of approximately RMB2.6 million as compared with that in the same period of 2018. During the Review Period, selling and distribution expenses represented approximately 2.0% of the Group's revenue (for the six months ended 30 June 2018: approximately 3.2%).

Administrative expenses

During the Review Period, administrative expenses amounted to approximately RMB75.1 million, representing an increase of approximately RMB19.8 million as compared with approximately RMB55.3 million for the same period in 2018. The increase in administrative expenses was mainly due to the following reasons: (i) an increase in service fee provided by an agency for environmental protection related services; and (ii) an increase in depreciation and labor costs for certain production lines during their repairing and maintenance process, which should have been recorded in cost instead of administrative expenses if they were not in the repairing and maintenance process.

During the Review Period, administrative expenses represented approximately 7.0% of the Group's revenue (for the six months ended 30 June 2018: approximately 7.3%).

Finance costs

During the Review Period, finance costs amounted to approximately RMB18.4 million, representing an increase of approximately RMB8.9 million as compared with approximately RMB9.5 million for the same period in 2018. The increase was mainly attributable to the following reasons: (i) an increase in bank charges for increasing factoring of bills receivable accepted by banks; (ii) an increase in interest charges from China National Offshore Oil Sale (Beijing) Co,. Ltd. and its associate for providing financing service on improving the Group's working capital management upon the Group's oversea sales, as a result of the increase in the Group's oversea sales; and (iii) an increase in charges incurred for early repayment of syndicated loans.

Exchange losses, net

During the Review Period, the net exchange losses amounted to approximately RMB1.5 million as compared with approximately RMB6.0 million for the same period in 2018, which was mainly due to the fluctuation of Renminbi exchange rate and the decrease of loans denominated in US Dollars during the Review Period.

Income tax expense

The PRC subsidiaries of the Company are generally subject to the PRC Enterprise Income Tax at a rate of 25%. One of the subsidiaries of the Company in Hong Kong is subject to the two-tier tax regime, i.e., the first HK$2 million of assessable profits earned will by 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 subsidiaries of the Company are generally subject to the Singapore Enterprise Income Tax at a rate of 17%.

During the Review Period, income tax expenses amounted to approximately RMB146.1 million, representing an increase of approximately RMB101.1 million as compared with approximately RMB45.0 million for the same period in 2018. The increase in income tax expense was mainly attributable to the increase in profit before tax during the Review Period as compared with that in the same period of 2018.

Cash flows

During the Review Period, the Group generated net cash inflows from operating activities of approximately RMB369.9 million, representing an increase of approximately RMB279.3 million as compared with approximately RMB90.6 million for the same period in 2018, which was mainly due to the increase in profit from principal operations during the Review Period.

During the Review Period, the Group's net cash outflows used in investing activities were approximately RMB100.7 million, representing a decrease of approximately RMB164.3 million as compared with approximately RMB265.0 million for the same period in 2018. The decrease was mainly resulted from a decrease in payments for Tsaker Dongying Projects. Meanwhile, investment payments for production line of iron phosphate and production line of DMAS for the same period in 2018 was much more than that of the Review Period.

During the Review Period, the Group's net cash outflows used in financing activities were approximately RMB333.6 million, representing an increase of approximately RMB301.3 million as compared with the net cash outflows used in financing activities of approximately RMB32.3 million for the same period in 2018, primarily as a result of repayment of syndicated loans.

LIQUIDITY AND CAPITAL STRUCTURE

During the Review Period, the daily working capital of the Group was primarily derived from internally generated cash flow from operations and bank borrowings. As at 30 June 2019, the Group had (i) cash and cash equivalents of approximately RMB58.4 million, which include approximately RMB49.7 million denominated in RMB and approximately RMB8.7 million in other currencies (USD, HKD and SGD) (31 December 2018: approximately RMB124.3 million, which include RMB75.8 million denominated in RMB and approximately RMB48.5 million in other currencies

(USD, HKD and SGD); (ii) restricted cash of approximately RMB21.0 million, denominated in RMB (31 December 2018: approximately RMB20.2 million, which include RMB1.0 million denominated in RMB and approximately RMB19.2 million in other currencies (USD and HKD)); and (iii) interest-bearing bank and other borrowings of approximately RMB294.8 million with interest rates from 4.50% to 13.45% per annum, of which (a) approximately RMB247.4 million are denominated in RMB and approximately RMB47.4 million in other currencies (USD and HKD), and approximately RMB283.9 million shall be repayable within one year (31 December 2018: approximately RMB651.2 million with interest rate from 4.52% to 10.84% per annum, which include approximately RMB208.6 million denominated in RMB and approximately RMB442.6 million in other currencies (USD and HKD), of which approximately RMB364.8 million shall be repayable within one year); and (b) approximately RMB260.8 million are at a fixed interest rate (31 December 2018: approximately RMB208.7 million). As at 30 June 2019, the Group had unutilised banking facilities of USD13.0 million.

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

GEARING RATIO

As at 30 June 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 period divided by total equity. The decrease was primarily due to the repayment of syndicated loans by the Group during the Review Period.

CURRENT ASSETS

As at 30 June 2019, total current assets of the Group amounted to approximately RMB849.5 million (31 December 2018: approximately RMB875.1 million), primarily consisting of inventories of approximately RMB230.5 million (31 December 2018: approximately RMB210.0 million), trade and notes receivables of approximately RMB334.2 million (31 December 2018: approximately RMB254.5 million), prepayments and other receivables of approximately RMB190.0 million (31 December 2018: approximately RMB266.1 million), cash and cash equivalents of approximately RMB58.4 million (31 December 2018: approximately RMB124.3 million), restricted cash of approximately RMB21.0 million (31 December 2018: approximately RMB20.2 million) and other current assets of approximately RMB15.5 million (31 December 2018: nil).

INVENTORIES

Inventories of the Group mainly include raw materials, work-in-progress and finished products. The turnover days for inventories increased from 59 days in 2018 to 98 days in 2019 during the Review Period, mainly due to the increase in inventories in 2019. The increase in inventory helps the Company cope with instabilities in the market and enhance the stability of production and supply.

TRADE AND NOTES RECEIVABLES

As at 30 June 2019, trade and notes receivables of the Group was RMB334.2 million in aggregate, representing an increase of approximately RMB79.7 million as compared with that as at 31 December 2018. The increase was mainly due to the increase in the sale revenue.

The turnover days for trade receivables were 49 days during the Review Period while that for the year 2018 were 69 days.

PREPAYMENTS AND OTHER RECEIVABLES

As at 30 June 2019, prepayments and other receivables of the Group decreased by approximately RMB76.1 million from approximately RMB266.1 million in aggregate as at 31 December 2018 to approximately RMB190.0 million in aggregate, which was mainly due to the decrease of deductible value added tax and prepayment for purchasing materials.

CURRENT LIABILITIES

As at 30 June 2019, total current liabilities of the Group amounted to approximately RMB807.5 million (31 December 2018: approximately RMB871.5 million), primarily consisting of trade and notes payables of approximately RMB290.4 million (31 December 2018: approximately RMB345.5 million), other payables and accruals and contract liabilities of approximately RMB80.0 million (31 December 2018: approximately RMB108.7 million), interest-bearing bank and other borrowings of approximately RMB234.8 million (31 December 2018: approximately RMB230.8 million), income tax payables of approximately RMB86.7 million (31 December 2018: approximately RMB52.5 million), current portion of long-term bank and other borrowings of approximately RMB49.1 million (31 December 2018: approximately RMB134.0 million), and dividends payable of approximately RMB66.5 million (31 December 2018: nil).

TRADE PAYABLES

The turnover days for trade payables were 132 days during the Review Period while that for the year 2018 were 130 days.

OTHER PAYABLES AND ACCRUALS AND CONTRACT LIABILITIES

As at 30 June 2019, other payables and accruals and contract liabilities of the Group decreased by approximately RMB28.7 million from approximately RMB108.7 million in aggregate as at 31 December 2018 to approximately RMB80.0 million in aggregate.

PLEDGE OF ASSETS

As at 30 June 2019, certain of the Group’s property, plant and equipment, right-of-use assets and bank deposits with a net carrying amount of approximately RMB291.6 million (31 December 2018: approximately RMB223.3 million) were pledged to secure bank and other borrowings granted to the Group.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

There were no material acquisitions, disposals (including material acquisitions and disposals of subsidiaries, associates and joint ventures) or significant investment of the Group for the six months ended 30 June 2019.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2019 (31 December 2018: nil).

FOREIGN EXCHANGE RISK

Foreign exchange risk refers to the risk of loss caused by fluctuation in exchange rate. The foreign exchange risk of the Group is mainly related to its operating activities and financing activities. The operation of the Group may be affected by the future fluctuation in exchange rate. The Group is closely monitoring the impact of changes in currency exchange rates on the Group's foreign exchange risk.

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

EMPLOYEES AND REMUNERATION POLICIES

The Group has established its human resources policies and system with a view to add more incentives and rewards to the remuneration system, which include a wide range of training and personal development programs for its employees.

The remuneration package offered to the staff was in line with the duties and the prevailing market terms. Staff benefits, including pension, medical coverage and provident funds, etc., are also provided to employees of the Group.

As at 30 June 2019, the Group had 1,570 employees (as at 30 June 2018: 1,691) in aggregate.

For the six months ended 30 June 2019, the total staff costs of the Group (including wages, bonuses, social insurances and provident funds) amounted to approximately RMB78.9 million (for the six months ended 30 June 2018: approximately RMB64.7 million).

APPLICATION OF PROCEEDS FROM LISTING

Trading of the shares of the Company (the "**Shares**") on the Main Board of the Stock Exchange commenced on 3 July 2015, and the net proceeds from the listing of the Group amounted to approximately RMB378.8 million. The net proceeds were used for the purposes as disclosed in the use of proceeds of the prospectus of the Company dated 23 June 2015 (the "**Prospectus**").

As at 30 June 2019, the net proceeds of approximately RMB37.9 million has been used as additional working capital, approximately RMB189.4 million has been used to expand production capacity, approximately RMB37.9 million has been used to develop new products, approximately RMB18.9 million has been used to pay the rents of Phase I and Phase II of Shandong Tsaker Dongao Chemicals Lo., Ltd. ("**Tsaker Dongao**") and approximately RMB20.6 million has been used to acquire the entire equity interests in Tsaker Dongao and other chemicals manufacturers.

As at 30 June 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 utilized by the end of 2021 for the purposes disclosed in the Prospectus.

EVENTS SUBSEQUENT TO THE REVIEW PERIOD

The Group did not have any significant events from 30 June 2019 and up to the date of this announcement.

INTERIM DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2019 (the six months ended 30 June 2018: nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

Purchase, Sale or Redemption of Listed Securities of the Company

For the six months ended 30 June 2019, as the Board believed that the value of the Shares of the Company could not reflect their intrinsic value and the repurchase of Shares would reflect the Board's confidence in the Company's development prospects, the Company repurchased a total of 2,367,000 Shares on the Stock Exchange at the total consideration (before expenses) of HK$6,995,510. The repurchased 2,367,000 Shares were subsequently cancelled on 23 January 2019.

Details of the repurchase made by the Company are as follows:

Month	Total 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

Save as disclosed above, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

Corporate Governance Practices

The Group endeavours to maintain high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. The Company has adopted the corporate governance code in Appendix 14 to the Listing Rules as its own code of corporate governance.

For the six months ended 30 June 2019, the Company has complied with all the code provisions of the corporate governance code set out therein, except for code provision A.2.1 of the corporate governance code. In accordance with code provision A.2.1 of the corporate governance code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company deviates from the 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 Group for many years, he has a thorough understanding of the Group's business, management, customers and products. With his extensive experience in the business operation and management, the Board believes that vesting the two roles in the same individual provides the Company with strong and consistent leadership and facilitates effective implementation and execution of the Group's 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, 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 practices of the Company, the Board shall nevertheless review the effectiveness of the structure and composition of the Board from time to time in light of prevailing circumstances.

Compliance with the Model Code for Securities Transactions by Directors

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 six months ended 30 June 2019), each of the Directors (including the existing Directors and the former Director who had been a Director during the six months ended 30 June 2019) has confirmed that he/she has complied with the required standards as set out in the Model Code for the six months ended 30 June 2019.

Audit Committee and Review of Financial Statements

The Board has established an audit committee of the Board (the "**Audit Committee**") according to the Listing Rules, which comprises three independent non-executive Directors, namely Mr. Zhu Lin (chairman), Mr. Yu Miao and Mr. Ho Kenneth Kai Chung.

The unaudited interim financial statements of the Group for the six months ended 30 June 2019 have been reviewed by the Audit Committee. Ernst & Young, the independent auditor of the Company, conducted an independent review on the interim financial information of the Company for the six months ended 30 June 2019 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". The review report of the interim financial information will be set out in the interim report to be dispatched to the shareholders of the Company.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.tsaker.com), and the interim report for the six months ended 30 June 2019 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the above websites in due course.

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

Beijing, the PRC, 23 August 2019

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 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*