TSAKER

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1986)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

Revenue of the Group for the six months ended 30 June 2018 amounted to approximately RMB754.6 million, representing an increase of approximately RMB147.4 million or 24.3% comparing with that in the same period of 2017.

Gross profit of the Group for the six months ended 30 June 2018 amounted to approximately RMB256.7 million, representing an increase of approximately RMB100.5 million or 64.3% comparing with that in the same period of 2017.

Net profit of the Group for the six months ended 30 June 2018 amounted to approximately RMB121.5 million, representing an increase of approximately RMB64.0 million or 111.3% comparing with that in the same period of 2017.

Basic and diluted earnings per share of the Group for the six months ended 30 June 2018 amounted to approximately RMB0.12, representing an increase of approximately RMB0.06 or 100.0% comparing with that in the same period of 2017.

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2018 (the six months ended 30 June 2017: Nil).

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 2018 (the "**Review Period**"), together with the comparative figures for the same period in 2017. These results were prepared based on the 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	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
REVENUE	3	**754,634**	607,201
Cost of sales		**(497,915)**	(451,048)
Gross profit		**256,719**	156,153
Other income and gains		**7,466**	4,697
Selling and distribution expenses		**(24,289)**	(24,065)
Administrative expenses		**(55,284)**	(51,455)
Other expenses		**(2,568)**	(2,318)
Finance costs	5	**(9,483)**	(7,406)
Exchange losses, net		**(5,990)**	(31)
Profit before tax	6	**166,571**	75,575
Income tax expense	7	**(45,037)**	(18,030)
PROFIT FOR THE PERIOD		**121,534**	57,545
OTHER COMPREHENSIVE INCOME			
Other comprehensive loss to be reclassified to profit or loss in subsequent period (net of tax):			
Exchange differences on translation of foreign operations		**(313)**	(7,682)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):			
Net gain on equity instruments at fair value through other comprehensive income ("FVOCI")		**825**	–
Other comprehensive income/(loss), net of tax		**512**	(7,682)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**122,046**	49,863

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

For the six months ended 30 June

	Notes	**2018**	2017
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Profit attributable to:			
Owners of the parent		**121,549**	57,545
Non-controlling interests		**(15)**	–
		121,534	57,545
Total comprehensive income attributable to:			
Owners of the parent		**122,061**	49,863
Non-controlling interests		**(15)**	–
		122,046	49,863
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (expressed in RMB per share)	*8*	**0.12**	0.06

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**1,357,877**	1,119,738
Prepaid land lease payments		**78,351**	80,636
Other intangible assets		**1,880**	1,211
Investments in joint ventures		**600**	900
Available-for-sale financial assets	10	**–**	31,251
Deferred tax assets		**22,312**	23,883
Restricted cash		**–**	7,449
Other non-current assets		**15,866**	13,303
Total non-current assets		**1,476,886**	1,278,371
CURRENT ASSETS			
Inventories	11	**139,446**	114,967
Trade receivables	12	**235,887**	276,438
Notes receivable		**81,128**	51,800
Prepayments and other receivables		**175,090**	157,023
Financial assets at FVOCI	10	**36,875**	–
Restricted cash		**15,384**	17,868
Cash and cash equivalents		**153,251**	359,787
Total current assets		**837,061**	977,883
CURRENT LIABILITIES			
Trade payables	13	**309,251**	369,798
Other payables and accruals		**127,469**	125,968
Contract liabilities		**18,692**	–
Interest-bearing bank borrowings	14	**99,000**	87,000
Income tax payable		**19,619**	15,000
Current portion of long-term bank and other borrowings	14	**93,743**	107,576
Dividend payable	20	**40,726**	–
Total current liabilities		**708,500**	705,342
NET CURRENT ASSETS		**128,561**	272,541
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,605,447**	1,550,912

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Deferred income		**28,244**	21,555
Deferred tax liabilities		**1,889**	–
Interest-bearing bank and other borrowings	*14*	**349,281**	387,421
Total non-current liabilities		**379,414**	408,976
Net assets		**1,226,033**	1,141,936
EQUITY			
Equity attributable to owners of the parent			
Share capital		**67,491**	67,491
Reserves		**1,157,712**	1,073,800
		1,225,203	1,141,291
Non-controlling interests		**830**	645
Total equity		**1,226,033**	1,141,936

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	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 (as previously reported)	**67,491**	**650,828***	**(308,202)***	**43,875***	**92,520***	**39,502***	**–***	**555,277***	**1,141,291**	**645**	**1,141,936**
Adjustment from adoption of HKFRS 9 *(note 2.2)*	**–**	**–**	**–**	**–**	**–**	**–**	**2,675**	**(98)**	**2,577**	**–**	**2,577**
At 1 January 2018 (restated)	**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**

	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*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2017	30,649	593,724	(308,202)	39,900	84,295	51,158	469,461	960,985	–	960,985
Profit for the period	–	–	–	–	–	–	57,545	57,545	–	57,545
Other comprehensive income for the period	–	–	–	–	–	(7,682)	–	(7,682)	–	(7,682)
Total comprehensive income for the period	–	–	–	–	–	(7,682)	57,545	49,863	–	49,863
Issue of shares	1,441	92,505	–	–	–	–	–	93,946	–	93,946
2016 dividend declared	–	–	–	–	–	–	(38,115)	(38,115)	–	(38,115)
Appropriation to safety production fund	–	–	–	5,060	–	–	(5,060)	–	–	–
At 30 June 2017 (unaudited)	32,090	686,229	(308,202)	44,960	84,295	43,476	483,831	1,066,679	–	1,066,679

* These reserve accounts comprise the consolidated reserves of RMB1,157,712,000 and RMB1,073,800,000 in the unaudited interim condensed consolidated statements of financial position as at 30 June 2018 and 31 December 2017, respectively.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June

	Notes	**2018** **RMB'000** **(Unaudited)**	2017 *RMB'000* (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**166,571**	75,575
Adjustments for:			
Finance costs		**9,483**	7,406
Exchange gains		**(235)**	(784)
Interest income		**(931)**	(705)
Loss on disposal of items of property, plant and equipment	*9*	**801**	260
Depreciation		**30,016**	30,811
Amortisation of prepaid land lease payments		**2,286**	2,286
Amortisation of other non-current assets		**21**	2
Amortisation of deferred income		**(1,540)**	(895)
Impairment of trade receivables	*12*	**34**	614
Write-down of inventories to net realisable value	*11*	**766**	1,200
		207,272	115,770
Increase in inventories		**(25,245)**	(39,907)
Decrease/(increase) in trade and notes receivables		**16,046**	(48,639)
Increase in prepayments and other receivables		**(20,841)**	(36,451)
(Decrease)/increase in trade payables		**(60,843)**	94,439
Increase/(decrease) in other payables and accruals		**5,069**	(1,612)
Increase in contract liabilities		**14,207**	–
Increase in restricted cash		**(64)**	(1)
Cash generated from operations		**135,601**	83,599
Interest received		**931**	207
Interest paid		**(8,998)**	(7,065)
Income tax paid		**(36,926)**	(19,672)
Net cash flows generated from operating activities		**90,608**	57,069

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June

	Notes	**2018** **RMB'000** **(Unaudited)**	2017 *RMB'000* (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on disposal of an investment		**295**	–
Purchases of items of property, plant and equipment		**(266,023)**	(159,875)
Purchase of other non-current assets		**(243)**	–
Proceeds on disposal of items of property, plant and equipment		**136**	21
Purchase of financial assets at FVOCI		**(2,000)**	(2,400)
Proceeds from government grants		**2,795**	1,420
Net cash flows used in investing activities		**(265,040)**	(160,834)
CASH FLOWS FROM FINANCING ACTIVITIES			
Funding to related parties	*19*	**–**	(82,700)
Capital contribution from non-controlling interests		**200**	–
Service fee payment for other borrowings		**–**	(5,000)
Proceeds from bank and other borrowings		**72,000**	154,790
Repayment of bank and other borrowings		**(114,536)**	(187,451)
Proceeds from issue of shares		**–**	93,946
Decrease/(increase) in time deposits pledged for bank loans		**9,997**	(147,537)
Net cash flows used in financing activities		**(32,339)**	(173,952)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(206,771)**	(277,717)
Cash and cash equivalents at beginning of the period		**359,787**	396,743
Effect of foreign exchange rate changes, net		**235**	784
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	*15*	**153,251**	119,810

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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

In the opinion of the Directors, the ultimate holding company and parent of the Company is Cavalli Enterprises Inc., a company registered in the British Virgin Islands and controlled by Mr. Ge Yi.

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 2018 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") *34 Interim Financial Reporting*.

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 2017.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time in 2018, HKFRS 15 *Revenue from Contracts with Customers* and HKFRS 9 *Financial Instruments* that require restatement of previous financial statements. As required by HKAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations were applied for the first time in 2018, but have had no impact on the interim condensed consolidated financial statements of the Group.

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

2.2 New standards, interpretations and amendments adopted by the Group (continued)

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group elected to adopt HKFRS 15 using the modified retrospective method to all contracts that are not completed at the date of initial application. The Group concluded that the transitional adjustment to be made on 1 January 2018 to retained earnings upon initial adoption of HKFRS 15 is nil. It is because the Group recognises revenue upon the transfer of significant risks and rewards, which coincides with the fulfilment of performance obligations. Under the modified retrospective method, the comparative information has not been restated.

The impact on the Group's consolidated statement of financial position as at 1 January 2018:

	Under HKAS 18	**Reclassification**	**Under HKFRS 15**
Contract liabilities	–	4,485	4,485
Other payables and accruals	125,968	(4,485)	121,483

The Group received short-term advances from customers. Prior to the adoption of HKFRS 15, the Group presented these advances in other payables and accruals in the consolidated statement of financial position. Upon the adoption of HKFRS 15, the Group reclassified the advances to "contract liabilities".

The adoption of HKFRS 15 did not impact the interim condensed consolidated statement of profit or loss and other comprehensive income and interim condensed consolidated statement of cash flows for the six months ended 30 June 2017.

The Group principally derives revenue from sales of products.

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods sold or services performed, stated net of discounts, returns and value-added taxes. The Group recognises revenue when the specific criteria have been met for each of the Group's activities, as described below.

The Group's contracts with customers for the sales of dye and agricultural chemical intermediates, pigment intermediates and other products generally include one performance obligation. Revenue from the sales of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. The Group has insignificant service revenue which is recognised over time when the customer concurrently receives and consumes the benefits as the Group performs.

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

2.2 New standards, interpretations and amendments adopted by the Group (continued)

HKFRS 15 *Revenue from Contracts with Customers (continued)*

Determining whether revenue of the Group should be reported gross or net is based on a continuing assessment of various factors. Since the Group has sole discretion in determining the pricing, takes full responsibility of a good or service provided to the customers, and also is responsible for the risk associated with the goods before change of control over the goods, and the customers' complaints and requests, the Group considers it controls the specified goods or services before their delivery to its customers and is a principal in the transactions. Accordingly, the Group recognises revenues on the gross basis. Otherwise, the Group records the net amount earned as commissions from products sold or services provided.

As required for the condensed interim financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to note 3 for the disclosure on disaggregated revenue.

HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The adoption of HKFRS 9 *Financial Instruments* from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out below. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models should be applied to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories.

	Notes	**Under HKAS 39**	**Re-classification**	**Re-measurement**	**Under HKFRS 9**
Financial assets – amortised cost					
Trade receivables	*(b)*	276,438	–	(131)	276,307
Financial assets – at FVOCI					
Available-for-sale financial assets	*(a)*	31,251	(31,251)	–	–
Financial assets at FVOCI	*(a), (b)*	–	31,251	2,675	33,926
Deferred tax assets	*(b)*	23,883	–	33	23,916
Equity					
Fair value reserve of financial assets at FVOCI	*(b)*	–	–	2,675	2,675
Retained profits	*(b)*	555,277	–	(98)	555,179

The adoption of HKFRS 9 did not impact the interim condensed consolidated statements of profit or loss and other comprehensive income and the interim condensed consolidated statements of cash flows for the six months ended 30 June 2017.

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

2.2 New standards, interpretations and amendments adopted by the Group (continued)

HKFRS 9 *Financial Instruments (continued)*

(a) Classification and measurement

Under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("**FVPL**"), amortised cost, or FVOCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "**SPPI criterion**").

The new classification and measurement of the Group's debt financial assets are as follows:

Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade and other receivables, and loans included under other non-current assets.

Debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition. Currently the Group does not hold any assets of this category.

Other financial assets are classified and subsequently measured as follows:

Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under HKFRS 9. Under HKAS 39, the Group's equity instruments were classified as available-for-sale financial assets.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018. The assessment on whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the fact and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in profit or loss.

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

2.2 New standards, interpretations and amendments adopted by the Group (continued)

HKFRS 9 ***Financial Instruments (continued)***

(b) Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("**ECL**") approach.

HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other receivables included in current and non-current financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The adoption of the ECL requirements of HKFRS 9 resulted in increases in impairment allowances for the Group's debt financial assets. The increase in allowance resulted in adjustment to retained profits.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	For the six months ended 30 June 2018				
Segments	**Dye and agricultural chemical intermediates**	**Pigment intermediates**	**Environmental technology consultancy service**	**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	31,524	–	–	–	31,524
Spain	20,713	–	–	–	20,713
Indonesia	11,672	–	–	–	11,672
Brazil	11,108	–	–	–	11,108
Other countries	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

3. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

	For the six months ended 30 June 2017			
Segments	Dye and agricultural chemical intermediates	Pigment intermediates	Battery materials	Total
Types of goods or services	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Sale of chemical intermediates and battery materials	505,864	100,782	555	607,201
Total revenue from contracts with customers	505,864	100,782	555	607,201
Geographical markets				
Mainland China	314,094	66,684	555	381,333
India	51,623	18,347	–	69,970
United States	28,796	4,163	–	32,959
Germany	17,597	4,653	–	22,250
Taiwan	21,975	–	–	21,975
Indonesia	18,984	–	–	18,984
Spain	12,932	–	–	12,932
Brazil	9,071	–	–	9,071
Other countries	30,792	6,935	–	37,727
Total revenue from contracts with customers	505,864	100,782	555	607,201
Timing of revenue recognition				
Goods transferred at a point in time	505,864	100,782	555	607,201
Services transferred over time	–	–	–	–
Total revenue from contracts with customers	505,864	100,782	555	607,201

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and has four (2017: five) reportable operating segments as follows:

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

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

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

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

To improve operating efficiency, the Group combined the dye intermediates segment and agricultural chemical intermediates segment as dye and agricultural chemical intermediates segment as the new organisational structure during the reporting period. The corresponding information for period ended 30 June 2017 has been restated accordingly.

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 same as that of the consolidated statement of financial position as at 30 June 2018, 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 2018 and 2017.

Six months ended 30 June 2018 (unaudited)	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*
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

4. SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2017 (unaudited) (Restated)	Dye and agricultural chemical intermediates *RMB'000*	Pigment intermediates *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	505,864	100,782	555	607,201	–	607,201
Inter-segment	199,340	56,075	–	255,415	(255,415)	–
Total revenue	705,204	156,857	555	862,616	(255,415)	607,201
Results						
Segment results	79,602	18,703	(449)	97,856	(22,281)	75,575

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2018 and 31 December 2017, 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 2018 (unaudited)	**1,518,351**	**450,962**	**94,462**	**255,799**	**2,319,574**	**(5,627)**	**2,313,947**
31 December 2017 (audited) (Restated)	1,507,577	312,705	61,688	195,386	2,077,356	178,898	2,256,254
Liabilities							
30 June 2018 (unaudited)	**896,063**	**263,775**	**16,871**	**228,653**	**1,405,362**	**(317,448)**	**1,087,914**
31 December 2017 (audited) (Restated)	973,308	142,693	2,302	196,911	1,315,214	(200,896)	1,114,318

4. SEGMENT INFORMATION (CONTINUED)

Corporate and eliminations

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)
Reconciliation of profit		
Segment profit	**172,756**	97,856
Elimination of intersegment transactions	**(1,043)**	(224)
Corporate and other unallocated expenses	**(5,142)**	(22,057)
Profit before tax	**166,571**	75,575

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China	**472,848**	381,333
India	**86,189**	69,970
United States	**60,144**	32,959
Germany	**31,852**	22,250
Taiwan	**31,524**	21,975
Spain	**20,713**	12,932
Indonesia	**11,672**	18,984
Brazil	**11,108**	9,071
Japan	**9,976**	6,660
Italy	**8,722**	24,953
Korea	**4,102**	2,722
Turkey	**2,113**	352
Other countries	**3,671**	3,040
	754,634	607,201

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

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

4. SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

(b) Information about major customers

For the first six months of 2018, revenue of RMB191,408,000 (the six months ended 30 June 2017: RMB51,138,000) was derived from sales by the dye and agricultural chemical intermediates segment to a single customer.

For the first six months of 2017, the Group did not have any revenue from sales to a single customer which amounted for 10% or more of the Group's total revenue.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings wholly repayable within five years	**18,387**	14,096
Other finance costs	**7,131**	2,160
Less: Interest expenses capitalised	**(16,035)**	(8,850)
	9,483	7,406

The weighted average interest rate of capitalisation for the six months ended 30 June 2018 was 6.28% (for the six months ended 30 June 2017: 6.03%).

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**497,915**	451,048
Depreciation	**30,016**	30,811
Research and development costs	**10,056**	6,121
Amortisation of prepaid land lease payments	**2,286**	2,286
Auditors' remuneration	**1,244**	2,675
Wages, salaries and welfare	**54,079**	48,425
Pension and other social insurances	**10,632**	7,984
Exchange losses, net	**5,990**	31
Impairment of trade receivables	**34**	614
Loss on disposal of items of property, plant and equipment	**801**	260
Write-down of inventories to net realisable value	**766**	1,200

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:

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Income taxes		
Current income tax expense	**41,577**	17,192
Deferred income tax expense	**3,460**	838
Total income tax charge for the period	**45,037**	18,030

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	
	2018	2017
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent (RMB'000)	**121,549**	57,545
Number of shares:		
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation ('000)	**1,044,250**	1,012,283
Earnings per share		
Basic and diluted (RMB)	**0.12**	0.06

The Group did not have any dilutive potential ordinary shares during the six months ended 30 June 2018 and 2017.

9. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 June 2018, the Group acquired property, plant and equipment with an aggregate cost of RMB269,092,000 (the six months ended 30 June 2017: RMB146,503,000).

The amount of borrowing costs capitalised during the six months ended 30 June 2018 was approximately RMB16,035,000 (the six months ended 30 June 2017: RMB8,850,000).

Assets with a net book value of RMB937,000 were disposed of by the Group during the six months ended 30 June 2018 (the six months ended 30 June 2017: RMB278,000), resulting in a net loss on disposal of RMB801,000 (the six months ended 30 June 2017: net loss of RMB260,000).

As at 30 June 2018, no impairment loss was provided (31 December 2017: Nil).

10. FINANCIAL ASSETS AT FVOCI FOR 2018 AND AVAILABLE-FOR-SALE FINANCIAL ASSETS FOR 2017

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Unaudited)
Non-current portion		
Stated at fair value		
Quoted equity investments	**–**	9,801
Stated at cost		
Unquoted equity investments	**–**	21,450
	–	31,251
Current portion		
Stated at fair value		
Quoted equity investments	**12,750**	–
Unquoted equity investments	**24,125**	–
	36,875	–
	36,875	31,251

The gross gain in respect of the Group's financial assets at FVOCI recognised in other comprehensive income amounted to RMB825,000 (the six months ended 30 June 2017: Nil).

11. INVENTORIES

During the six months ended 30 June 2018, the Group wrote down RMB766,000 (the six months ended 30 June 2017: RMB1,200,000) of inventories to their net realisable value.

12. TRADE RECEIVABLES

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**236,666**	277,052
Impairment provision	**(779)**	(614)
	235,887	276,438

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. 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 provisions, is as follows:

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**113,783**	122,253
1 month to 2 months	**80,682**	92,083
2 months to 3 months	**21,383**	26,400
3 months to 4 months	**3,218**	10,760
Over 4 months	**16,821**	24,942
	235,887	276,438

12. TRADE RECEIVABLES (CONTINUED)

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

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
At 1 January 2018 (as previously reported)	**614**	–
Adjustment from adoption of HKFRS 9 *(note 2.2)*	**131**	–
At 1 January 2018 (restated)	**745**	–
Impairment provided	**34**	614
	779	614

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 debtors. To measure the expected credit loss of trade debtors, 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 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Within 1 month	**130,381**	172,195
1 month to 2 months	**27,496**	21,945
2 months to 3 months	**23,423**	24,377
Over 3 months	**127,951**	151,281
	309,251	369,798

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 2018 *RMB'000* (Unaudited)			31 December 2017 *RMB'000* (Audited)		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	**6.96-7.60**	**2018-2019**	**135,542**	3.92-7.60	2018	137,000
Other borrowings – secured	**10.83-10.84**	**2019**	**57,201**	10.83-10.84	2018	57,576
			192,743			194,576
Non-current						
Bank loans – secured	**4.50-5.19**	**2020**	**314,289**	4.50-6.98	2019-2020	326,710
Other borrowings – secured	**10.83-10.84**	**2020**	**34,992**	10.83-10.84	2019-2020	60,711
			349,281			387,421
Total			**542,024**			581,997
Analysed into:						
Bank and other borrowings repayable:						
Within one year			**192,743**			194,576
In the second year			**150,783**			51,420
In the third year to fifth year, inclusive			**198,498**			336,001
Total			**542,024**			581,997

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 2018 *RMB'000*	30 June 2017 *RMB'000*
Cash and bank balances	**168,635**	78,779
Time deposits	**–**	261,030
Less: Restricted cash	**(15,384)**	(1,079)
Pledged time deposits for short term bank loans	**–**	(218,920)
Cash and cash equivalents	**153,251**	119,810
Denominated in RMB	**44,006**	74,766
Denominated in other currencies	**109,245**	45,044
Cash and cash equivalents	**153,251**	119,810

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 2018 and 31 December 2017, the financial instruments of the Group carried at fair value were equity investments at FVOCI. These instruments fall into Level 1 and level 2 of the fair value hierarchy described above, respectively.

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

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

Fair value hierarchy (continued)

	Fair value at 30 June 2018 RMB'000	**Fair value measurements as at 30 June 2018 categorised into**		
		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:				
Unquoted equity investment in non-listed companies, at fair value	**24,125**	**–**	**24,125**	**–**
Quoted equity investment in listed companies, at fair value	**12,750**	**12,750**	**–**	**–**

	Fair value at 31 December 2017 RMB'000	Fair value measurements as at 31 December 2017 categorised into		
		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:				
Available-for-sale financial assets:	9,801	9,801	–	–

(b) Fair values of financial assets and liabilities carried at other than 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 2018 and 31 December 2017.

17. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2018 (31 December 2017: Nil).

18. COMMITMENTS

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

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Plant and machinery	**192,422**	200,356

19. RELATED PARTY DISCLOSURES

The following table provides the total amounts of transactions that have been entered into with a related party during the six months ended 30 June 2018 and 2017, as well as balances with a related party as at 30 June 2018 and 31 December 2017:

(a) Transactions with related party:

		For the six months ended 30 June	
		2018	2017
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Related party funding to			
Huage Holdings Group Co., Ltd. ("Huage Holdings")	*(i)*	**–**	85,697
Property leasing fee			
Huage Holdings		**–**	658

Notes:

(i) Funding to a related party is mainly for meeting the capital requirements of the Group. The funding was unsecured, interest-free and had no fixed repayment terms and was included in other payables and accruals of the consolidated statements of financial position at 31 December 2017.

(ii) In the opinion of the directors of the Group, the transactions between the Group and the related party were conducted in the ordinary and usual course of business and on normal commercial terms.

19. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Outstanding balances with a related party:

		30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Other payables and accruals:			
Huage Holdings	Controlled by Mr. Ge Yi	**123**	123

The above balances are unsecured, non-interest-bearing and repayable on demand.

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

	For the six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Compensation paid to key management personnel	**1,433**	1,659

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 2018 (the six months ended 30 June 2017: Nil).

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

	30 June 2018 RMB'000 (Unaudited)	30 June 2017 RMB'000 (Unaudited)
Final dividend approved during the period in respect of the previous financial year of RMB0.039 per share (the six months ended 30 June 2017: RMB0.073 per share)	**40,726**	38,115

21. EVENTS AFTER THE REPORTING PERIOD

On 13 July 2018, Tsaker Technology (Beijing) Co., Limited, a subsidiary of the Company entered into a sale and purchase agreement with a third party to transfer all of its interests in Tibet Winshare Equity Venture Capital Fund Partnership (Limited Partnership) which were recognised as financial assets at FVOCI as at the end of the reporting period with a transfer price of RMB24,125,000.

22. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2018 were authorised for issue in accordance with a resolution of the Board on 24 August 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE REVIEW

During the Review Period, total revenue of the Group increased by 24.3% to approximately RMB754.6 million as compared with that in the first half of 2017, and the overall gross profit of the Group increased by approximately 64.3% year on year to approximately RMB256.7 million, mainly due to the increase in sales price of dye and agricultural chemical intermediates. Compared with the same period in 2017, the production cost of main products continued to rise due to the increasing prices of raw materials. As the Group adopted a pricing model of cost markup, it was able to transfer the impact of rising raw material price to downstream customers, and the proportion of high profit product has also increased, thereby increasing the overall gross profit margin by 8.3 percentage points period-on-period to approximately 34.0%.

During the Review Period, profit attributable to equity holders of the Company increased by approximately 111.3% to approximately RMB121.5 million. The profit margin attributable to equity holders of the Company increased by 6.6 percentage points to approximately 16.1%. In view of the rise in the Group's overall product sales price and the continuously stable increase in the market shares of main products, the Company is confident about its future development.

Dye and agricultural chemical intermediates – accounting for approximately 80.7% of total revenue (first half of 2017 (restated): 83.3%)

To support the business development and strategic planning, the Group decided to combine the dye intermediates segment and agricultural chemical intermediates segment into the dye and agricultural chemical intermediates segment during the Review Period to implement a unified operation model for procurement, production and sales.

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. Mononitrotoluene is the upstream product of DSD Acid. It generates three chemical materials through chemical process, 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 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. In addition, the Group raised product price, increasing the revenue of the segment by approximately 20.3% over the same period last year to approximately RMB608.7 million. The revenue of segment accounted for approximately 80.7% of the Group's total revenue.

As for gross profit, the overall gross profit of the segment increased by approximately 71.9% to approximately RMB207.0 million, and the gross profit margin increased by 10.2 percentage points to approximately 34.0%.

Pigment intermediates – accounting for approximately 17.4% of total revenue (first half of 2017: 16.6%)

Being the world's largest DMSS manufacturer and distributor, the Group is also the world's second largest 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, with the impact of the increase in sales volume and the rise in sales price, the revenue of pigment intermediates segment for the period increased by approximately 30.1% to approximately RMB131.1 million as compared with that in the same period of last year, accounting for approximately 17.4% of the Group's overall revenue.

As for gross profit, the overall gross profit of the segment increased by approximately 26.5% to approximately RMB45.0 million. To further expand the share in the global market and consolidate market position, the increase in prices of main products is lower than that of raw materials. As a result, the gross profit margin of the segment dropped slightly by 1.0 percentage point to approximately 34.3%.

Environmental technology consultancy service -accounting for approximately 1.8% of total revenue (first half of 2017: Nil)

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 achieved satisfactory breakthroughs, recording a revenue of approximately RMB13.9 million, representing a gross profit margin of approximately 33.5%.

Battery materials – accounting for approximately 0.1% of total revenue (first half of 2017: 0.1%)

In 2017, the Group started to invest and construct its production line at Cangzhou, Hebei Province with a production capacity of 15,000 tonnes for iron phosphate, a product 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, the iron phosphate production line entered the production commissioning stage and the product quality continuously improved, winning initial recognition of the market. As downstream customers adjusted their product demand criteria, the commissioning period of the iron phosphate production line was extended accordingly. Mass production will commence once customer confirmation is obtained.

EXPORT

During the Review Period, the export revenue of the Group amounted to approximately RMB281.8 million, representing an increase of approximately RMB55.9 million or 24.7% as compared to the export revenue of approximately RMB225.9 million for the same period in 2017, mainly due to the increase in the average sales price of products.

During the Review Period, the export revenue accounted for approximately 37.3% of the total revenue of the Group, while the export revenue accounted for approximately 37.2% for the same period in 2017.

BUSINESS OUTLOOK

In the first half of 2018, international and local economic situations were both challenging. Ongoing and intensified global trade disputes and the continuous struggle between unilateralism and trade protectionism and multilateralism, especially the U.S.-China trade dispute, have created uncertainties for the Group's product export business.

According to the list of products for proposed tariff adjustment issued by the office of the United States Trade Representative on 10 July 2018 (Washington time), DSD Acid, the Group's main export products to the U.S., will be subject to 10% additional tariff should it still be included in the list of products for proposed tariff adjustment upon the completion of public hearing and the approval of the U.S. government. Considering the existing production capacity of our overseas competitors and the possibility and timeliness of the expansion thereof, we do not expect that the tariff policy will have a significant impact on the Group's export to the U.S. in the short run. Meanwhile, we are proactively addressing the issue to minimize the impacts of tariff on our U.S. customers and the uncertainty impacts on the Group's future business.

Recently, the Renminbi depreciated substantially against the U.S. dollar. This, on one hand, is conducive for the Group to further strengthen the competitiveness of its export business in overseas markets and further expand the overseas market share of its products. On the other hand, the Group's U.S. dollar-denominated loan suffered exchange losses as a result, affecting the Group's overall comprehensive income to a certain extent. We are considering actions against such uncertainties to mitigate their impacts on the Group.

During the Review Period, environmental protection policies were intensive and burdensome in China. With increasingly stringent regulation in environmental protection, enterprises found it more challenging than ever for them to survive and develop in a sustainable manner. Under environmental pressure within and outside China, the Group leveraged its industry-leading position in the global market and its advantages in environmental protection and technology gained over the years to promptly pass the impacts of the uncertainties downstream, thereby maintaining its leading position in the market and achieving excellent performance along with the increase in product sales prices and gross profit margin.

Looking ahead, the Group will continue to develop its traditional principal businesses to maintain its continuous profitability and stable development while continuing to push forward the battery materials business and environmental consultancy service business, to lay a solid foundation for the Group's future development in the long run. Currently, the Group's iron phosphate production line will commence mass production once customer requirements are met. Despite the current intensive competition in the new energy materials market which lowered product sales prices, we are still optimistic about the future development of this sector as the application fields of iron phosphate further expand. In addition, with increased presence of the Group in the battery materials sector, we believe the synergy among various products will be more prominent. Environmental consultancy service business is another area that the Group will focus on in the future. In wake of the rapidly increased environmental protection demands in China, the Group will utilize its long-accumulated environmental protection technology and treatment experience to serve upstream and downstream enterprises alike and benefit the public. With only half a year of its establishment, the Environmental Protection Division has achieved great breakthroughs. We believe more development opportunities will follow as the Group continues to enhance its brand awareness and reputation in the environmental protection sector.

FINANCIAL REVIEW

Revenue and gross profit

During the Review Period, the revenue and gross profit amounted to approximately RMB754.6 million and approximately RMB256.7 million respectively, representing an increase of approximately RMB147.4 million or 24.3% and of approximately RMB100.5 million or 64.3% from approximately RMB607.2 million and approximately RMB156.2 million respectively for the same period in 2017. During the Review Period, the gross profit margin of the Group was approximately 34.0%, as compared to approximately 25.7% for the same period in 2017.

Net Profit and Net Profit Margin

During the Review Period, the net profit of the Group was approximately RMB121.5 million, representing an increase of approximately RMB64.0 million or 111.3% as compared to approximately RMB57.5 million for the same period in 2017. During the Review Period, the net profit margin of the Group was approximately 16.1%, as compared to approximately 9.5% for the same period in 2017.

Selling and distribution expenses

During the Review Period, selling and distribution expenses amounted to approximately RMB24.3 million, representing an increase of approximately RMB0.2 million as compared to approximately RMB24.1 million for the same period in 2017.

During the Review Period, selling and distribution expenses represented approximately 3.2% of the Group's revenue (for the six months ended 30 June 2017: approximately 4.0%).

Administrative expenses

During the Review Period, administrative expenses amounted to approximately RMB55.3 million, representing an increase of approximately RMB3.8 million as compared to approximately RMB51.5 million for the same period in 2017. The increase in administrative expenses was mainly due to the increase in staff costs, research and development expenses.

During the Review Period, administrative expenses represented approximately 7.3% of the Group's revenue (for the six months ended 30 June 2017: approximately 8.5%).

Finance costs

During the Review Period, finance costs amounted to approximately RMB9.5 million, representing an increase of approximately RMB2.1 million as compared to approximately RMB7.4 million for the same period in 2017, mainly attributable to the increase in bank loans.

Exchange losses, net

During the Review Period, the net exchange losses amounted to approximately RMB6.0 million compared with approximately RMB0.03 million for the same period in 2017, which was mainly due to the fluctuation of Renminbi exchange rate during the Review Period which led to the exchange losses arising from the settlement of the US dollar denominated bank loans of the Company's subsidiaries in China.

Income tax expense

The PRC subsidiaries of the Company are generally subject to the PRC Enterprise Income Tax (EIT) at a rate of 25%. The Hong Kong subsidiaries of the Company are generally subject to the Hong Kong Enterprise Income 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 RMB45.0 million, representing an increase of approximately RMB27.0 million as compared to approximately RMB18.0 million for the same period in 2017. The increase in income tax expense was mainly attributable to profit before tax during the Review Period increased as compared with that in the same period of 2017.

Cash flows

During the Review Period, the Group generated net cash flow from operating activities of approximately RMB90.6 million, representing an increase of approximately RMB33.5 million as compared to approximately RMB57.1 million for the same period in 2017, which was mainly due to the increase in profit from principal operations as a result of the product price rise.

During the Review Period, the Group's net cash flows used in investing activities were approximately RMB265.0 million, representing an increase of approximately RMB104.2 million as compared to approximately RMB160.8 million for the same period in 2017, primarily as a result of an increase in investment expenses arising from the Tsaker Dongying Project, the construction of production line for iron phosphate and the extension of our production line for DMAS during the Review Period.

During the Review Period, the Group's net cash outflow used in financing activities was approximately RMB32.3 million, representing a decrease of approximately RMB141.7 million as compared to the net cash inflow used in financing activities of approximately RMB174.0 million for the same period in 2017, primarily as a result of cash outflow from bank loans and other borrowings decreased by RMB147.7 million during the Review Period as compared to the same period in 2017.

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 2018, the Group had (i) cash and cash equivalents of approximately RMB153.3 million, which include RMB44.0 million denominated in RMB and approximately RMB109.3 million in other currencies (USD, HKD and SGD) (as at 31 December 2017: approximately RMB359.8 million, which include RMB89.8 million denominated in RMB and approximately RMB270.0 million in other currencies (USD, HKD and SGD); (ii) restricted cash of approximately RMB15.4 million (as at 31 December 2017: approximately RMB17.9 million); and (iii) interest-bearing bank and other borrowings of approximately RMB542.0 million with interest rates from 4.50% to 10.84% per annum, of which approximately RMB192.7 million shall be repayable within one year (as at 31 December 2017: approximately RMB582.0 million with interest rate from 3.92% to 10.84% per annum, of which approximately RMB194.6 million shall be repayable within one year). As at 30 June 2018, the Group had no unutilised banking facilities.

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 2018, the Group's gearing ratio was approximately 44.2% as compared to approximately 51.0% as at 31 December 2017, which is calculated at interest-bearing bank and other borrowings at the end of the period divided by total equity.

CURRENT ASSETS

As at 30 June 2018, total current assets of the Group amounted to approximately RMB837.1 million (as at 31 December 2017: approximately RMB977.9 million), primarily consisting of inventories of approximately RMB139.4 million (as at 31 December 2017: approximately RMB115.0 million), trade and notes receivables of approximately RMB317.0 million (as at 31 December 2017: approximately RMB328.2 million), prepayments and other receivables of approximately RMB175.1 million (as at 31 December 2017: approximately RMB157.0 million), cash and cash equivalents of approximately RMB153.3 million (as at 31 December 2017: approximately RMB359.8 million) and restricted cash of approximately RMB15.4 million (as at 31 December 2017: approximately RMB17.9 million).

INVENTORIES

Inventories of the Group mainly include raw materials, work-in-progress and finished products. The turnover days for inventories were 46 days during the Review Period (the turnover days for inventories for 2017: 41 days).

TRADE AND NOTES RECEIVABLES

As at 30 June 2018, trade and notes receivables of the Group was RMB 317.0 million in aggregate, representing a decrease of approximately RMB11.2 million as compared to 31 December 2017, mainly due to intensified efforts in the follow-up of receivables and improved turnover days of receivables during the Review Period.

The turnover days for trade receivables were 61 days during the Review Period while that for the year 2017 were 71 days.

PREPAYMENTS AND OTHER RECEIVABLES

As at 30 June 2018, prepayments and other receivables of the Group increased by approximately RMB18.1 million from approximately RMB157.0 million in aggregate as at 31 December 2017 to approximately RMB175.1 million in aggregate, which was mainly due to an increase in the prepaid equipment, construction costs and credit tax of value-added tax not being deducted.

CURRENT LIABILITIES

As at 30 June 2018, total current liabilities of the Group amounted to approximately RMB708.5 million (as at 31 December 2017: approximately RMB705.3 million), primarily consisting of trade payables of approximately RMB309.3 million (as at 31 December 2017: approximately RMB369.8 million), other payables and accruals and contract liabilities of approximately RMB146.2 million (as at 31 December 2017: approximately RMB126.0 million), interest-bearing bank borrowings of approximately RMB99.0 million (as at 31 December 2017: approximately RMB87.0 million), tax payables of approximately RMB19.6 million (as at 31 December 2017: approximately RMB15.0 million) and current portion of long-term bank and other borrowings of approximately RMB93.7 million (as at 31 December 2017: approximately RMB107.6 million).

TRADE PAYABLES

During the Review Period, the turnover days for trade payables decreased from 129 days in the year of 2017 to 123 days during the Review Period, which was mainly due to the decrease in the balance of construction costs payable as compared to 31 December 2017.

OTHER PAYABLES AND ACCRUALS AND CONTRACT LIABILITIES

As at 30 June 2018, other payables and accruals and contract liabilities of the Group increased by approximately RMB20.2 million from approximately RMB126.0 million in aggregate as at 31 December 2017 to approximately RMB146.2 million in aggregate, which was mainly due to the increase in receipts in advance of the Group during the Review Period.

PLEDGE OF ASSETS

As at 30 June 2018, certain of the Group's property, plant and equipment, lands and bank deposits with a net carrying amount of approximately RMB173.9 million (as at 31 December 2017: approximately RMB257.5 million) were pledged to secure bank and other borrowings granted to the Group.

MATERIAL ACQUISITIONS, DISPOSALS AND MATERIAL INVESTMENT

There were no material acquisitions, disposals and material investment of the Group for the period ended 30 June 2018.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2018 (as at 31 December 2017: 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 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 2018, the Group had 1,691 employees (as at 31 December 2017: 1,716).

For the six months ended 30 June 2018, the total staff costs of the Group (including wages, bonuses, social insurances and provident funds) amounted to approximately RMB64.7 million (for the six months ended 30 June 2017: approximately RMB56.4 million).

APPLICATION OF PROCEEDS FROM LISTING

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

As at 30 June 2018, the 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 Tsaker Dongao and approximately RMB20.6 million has been used to acquire the entire equity interests in Tsaker Dongao and other chemicals manufacturers.

APPLICATION OF PROCEEDS FROM PLACING

On 28 April 2017, the Group entered into a placing agreement with Guotai Junan Securities (Hong Kong) Limited and China Investment Securities International Brokerage Limited (the "**Joint Placing Agents**"), pursuant to which the Joint Placing Agents have conditionally agreed to procure the subscription of up to 21,000,000 New Shares to any professional, institutional or other investor(s) (the "**Placee(s)**") at the placing price of HK$5.15 per Placing Share (the "**Placing**"). The condition set out in the placing agreement has been fulfilled and the Placing was completed on 18 May 2017. An aggregate of 21,000,000 Placing Shares have been allotted and issued to not less than six Placees at the placing price of HK$5.15 per Placing Share. The net proceeds from the Placing were approximately HK$107.0 million.

As at 31 December 2017, the Company has used the proceeds for the purposes as disclosed in the announcement of the Company dated 18 May 2017, where 50% was used for construction and operation of cathode materials for lithium ion batteries - ironic phosphate project, and the other 50% for providing additional working capital for the Group. Of the amount used to provide addition working capital, approximately 8.7% was used to pay taxes, approximately 14.0% was used to pay employee remuneration, approximately 34.8% was used to purchase raw materials, and approximately 42.5% was used to repay bank loans.

EVENTS SUBSEQUENT TO THE REVIEW PERIOD

On 13 July 2018, Tsaker Technology (Beijing) Co., Limited, a subsidiary of the Company entered into a sale and purchase agreement with a third party to transfer all of its interests in Tibet Winshare Equity Venture Capital Fund Partnership (Limited Partnership) which were recognised as financial assets at FVOCI as at the end of the Review Period with a transfer price of RMB24,125,000.

Save as above, the Group did not have any significant events after 30 June 2018.

INTERIM DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: Nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

Purchase, Sale or Redemption of Listed Securities of the Company

During the Review Period, neither the Company nor any of the subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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 2018, 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, each of the Directors 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 2018.

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 two independent non-executive Directors, namely Mr. Zhu Lin (chairman) and Mr. Yu Miao and one non-executive Director, namely Mr. Xiao Yongzheng.

The unaudited interim financial statements of the Company for the six months ended 30 June 2018 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 2018 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 is 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 2018 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

Cangzhou, the PRC, 24 August 2018

As at the date of this announcement, the executive Directors are Mr. GE Yi and Mr. BAI Kun; the non-executive Directors are Mr. XIAO Yongzheng and Mr. FONTAINE Alain Vincent; and the independent non-executive Directors are Mr. HO Kenneth Kai Chung, Mr. ZHU Lin and Mr. YU Miao.

* *For identification purpose only*