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 2017

FINANCIAL HIGHLIGHTS

Revenue of the Group for the six months ended 30 June 2017 amounted to approximately RMB607.2 million, representing an increase of approximately RMB106.6 million or 21.3% comparing with that in the same period of 2016.

Gross profit of the Group for the six months ended 30 June 2017 amounted to approximately RMB156.2 million, representing a decrease of approximately RMB3.2 million or 2.0% comparing with that in the same period of 2016.

Net profit of the Group for the six months ended 30 June 2017 amounted to approximately RMB57.5 million, representing a decrease of approximately RMB17.1 million or 22.9% comparing with that in the same period of 2016.

Basic and diluted earnings per share of the Group for the six months ended 30 June 2017 amounted to RMB0.06, representing a decrease of RMB0.01 or 14.3% comparing with that in the same period of 2016.

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2017.

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 2017 (the "**Period**" or "**Review Period**" or "**Reporting Period**"), together with the comparative figures for the same period in 2016. 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	**2017** *RMB'000* **(Unaudited)**	2016 *RMB'000* (Unaudited) (Restated)*
REVENUE		**607,201**	500,594
Cost of sales		**(451,048)**	(341,187)
Gross profit		**156,153**	159,407
Other income and gains		**4,697**	8,924
Selling and distribution expenses		**(24,065)**	(18,943)
Administrative expenses		**(51,455)**	(42,130)
Other expenses		**(2,318)**	(1,873)
Finance costs	*5*	**(7,406)**	(4,991)
Exchange loss, net		**(31)**	(6,119)
PROFIT BEFORE TAX	*6*	**75,575**	94,275
Income tax expense	*7*	**(18,030)**	(19,684)
PROFIT FOR THE PERIOD		**57,545**	74,591
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(7,682)**	8,812
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**49,863**	83,403
Profit attributable to:			
Owners of the parent		**57,545**	74,591
Total comprehensive income attributable to:			
Owners of the parent		**49,863**	83,403
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (expressed in RMB per share)	*8*	**0.06**	0.07**

* Certain items in the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2017 have been restated due to a business combination under common control, further details of which are included in Note 3.

** Besides the business combination under common control, basic and diluted earnings per share attributable to ordinary equity holders of the parent for the six months ended 30 June 2016 have been restated due to a bonus issue of shares, further details of which are included in Note 8.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**997,417**	882,002
Prepaid land lease payments		**82,922**	85,207
Other intangible assets		**1,213**	114
Investments in joint ventures		**900**	900
Available-for-sale investments	*10*	**20,700**	18,300
Deferred tax assets		**26,125**	26,963
Other non-current assets		**12,636**	–
Total non-current assets		**1,141,913**	1,013,486
CURRENT ASSETS			
Inventories	*11*	**120,474**	81,765
Trade receivables	*12*	**226,388**	206,623
Notes receivables		**102,667**	74,406
Prepayments and other receivables		**171,991**	94,249
Restricted cash		**219,999**	72,461
Cash and cash equivalents		**119,810**	396,743
Total current assets		**961,329**	926,247
CURRENT LIABILITIES			
Trade payables	*13*	**303,390**	256,523
Other payables and accruals		**124,608**	199,168
Interest-bearing bank borrowings	*14*	**117,993**	181,622
Income tax payable		**17,154**	19,634
Current portion of long-term bank and other borrowings	*14*	**116,316**	60,000
Dividend payable		**38,115**	–
Total current liabilities		**717,576**	716,947
NET CURRENT ASSETS		**243,753**	209,300
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,385,666**	1,222,786

Continued/...

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
as at

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Deferred income		**21,527**	21,001
Deferred tax liabilities		**800**	800
Interest-bearing bank and other borrowings	*14*	**296,660**	240,000
Total non-current liabilities		**318,987**	261,801
Net assets		**1,066,679**	960,985
EQUITY			
Equity attributable to owners of the parent			
Share capital		**32,090**	30,649
Reserves		**1,034,589**	930,336
Total equity		**1,066,679**	960,985

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	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*
At 1 January 2017	**30,649**	**593,724**	**(308,202)**	**39,900**	**84,295**	**51,158**	**469,461**	**960,985**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**57,545**	**57,545**
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**(7,682)**	**–**	**(7,682)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**(7,682)**	**57,545**	**49,863**
Issue of shares	**1,441**	**92,505**	**–**	**–**	**–**	**–**	**–**	**93,946**
2016 dividend declared	**–**	**–**	**–**	**–**	**–**	**–**	**(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**

For the six months ended 30 June 2016

	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*
At 1 January 2016 (as previously reported)	30,649	593,724	(315,467)	33,345	56,842	25,215	417,780	842,088
Adjustment in relation to the acquisition of Shandong Tsaker Dongao Chemicals Co. Limited ("**Tsaker Dongao**") *(Note 3)*	–	–	24,626	(51)	–	–	(4,111)	20,464
At 1 January 2016 (restated)	30,649	593,724	(290,841)	33,294	56,842	25,215	413,669	862,552
Profit for the period (as previously reported)	–	–	–	–	–	–	75,100	75,100
Adjustment in relation to the acquisition of Tsaker Dongao *(Note 3)*	–	–	–	–	–	–	(509)	(509)
Profit for the period (restated)	–	–	–	–	–	–	74,591	74,591
Other comprehensive income for the period	–	–	–	–	–	8,812	–	8,812
Total comprehensive income for the period	–	–	–	–	–	8,812	74,591	83,403
Appropriation to safety production fund	–	–	–	3,179	–	–	(3,179)	–
At 30 June 2016 (unaudited)	30,649	593,724*	(290,841)*	36,473*	56,842*	34,027*	485,081*	945,955

* These reserve accounts comprise the consolidated reserves of RMB1,034,589,000 and RMB915,306,000 in the unaudited interim condensed consolidated statements of financial position as at 30 June 2017 and 30 June 2016, respectively.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June

	Notes	**2017** ***RMB'000*** **(Unaudited)**	2016 *RMB'000* (Unaudited) (Restated)*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**75,575**	94,275
Adjustments for:			
Finance costs		**7,406**	4,991
Exchange gains, net		**(784)**	(845)
Interest income		**(705)**	(4,886)
Loss on disposal of items of property, plant and equipment	*9*	**260**	152
Depreciation		**30,811**	25,149
Amortisation of prepaid land lease payments		**2,286**	2,287
Amortisation of other non-current assets		**2**	9
Amortisation of deferred income		**(895)**	(572)
Impairment of trade receivables	*12*	**614**	–
Write-down of inventories to net realisable value	*11*	**1,200**	2,069
		115,770	122,629
Increase in inventories		**(39,907)**	(28,286)
Increase in trade and notes receivables		**(48,639)**	(28,567)
Increase in prepayments and other receivables		**(36,451)**	(8,266)
Increase/(decrease) in trade payables		**94,439**	(3,168)
Decrease in other payables and accruals		**(1,612)**	(448)
Increase in restricted cash		**(1)**	(1)
Cash generated from operations		**83,599**	53,893
Interest received		**207**	64
Interest paid		**(7,065)**	(5,054)
Income tax paid		**(19,672)**	(10,295)
Net cash flows generated from operating activities		**57,069**	38,608

Continued/...

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

	Notes	**2017**	2016
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
			(Restated)*
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(159,875)**	(125,720)
Purchase of other intangible assets		**–**	(117)
Proceeds on disposal of items of property, plant and equipment		**21**	6
Capital contribution to joint ventures		**–**	(600)
Purchase of available-for-sale investments		**(2,400)**	(18,300)
Proceeds from government grants		**1,420**	130
Net cash flows used in investing activities		**(160,834)**	(144,601)
CASH FLOWS FROM FINANCING ACTIVITIES			
Funding from related parties	*21*	**–**	6,860
Funding to related parties	*21*	**(82,700)**	(800)
Service fee payment for other borrowings		**(5,000)**	–
Proceeds from bank and other borrowings		**154,790**	106,810
Repayment of bank and other borrowings		**(187,451)**	(35,000)
Proceeds from issue of shares		**93,946**	–
Increase in time deposits pledged for bank loans		**(147,537)**	–
Net cash flows (used in)/ generated from financing activities		**(173,952)**	77,870
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(277,717)**	(28,123)
Cash and cash equivalents at beginning of the period		**396,743**	194,192
Effect of foreign exchange rate changes, net		**784**	845
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	*15*	**119,810**	166,914

Major non-cash transaction

During the period, the Group obtained borrowings from International Far Eastern Leasing Co., Ltd. ("**IFEL**") with total net proceeds of RMB150,000,000, among which RMB75,000,000 was settled by cash and the remaining RMB75,000,000 was settled by endorsed notes receivables (the "**Endorsed Notes**"). The Endorsed Notes were then endorsed out by the Group to settle certain operating payables.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at 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 sale of dye intermediates
- manufacture and sale of agricultural chemical intermediates (previously known as mononitrotoluene (comprising para-nitrotoluene ("**PNT**"), ortho-nitrotoluene ("**ONT**") and meta-nitrotoluene ("**MNT**")) as well as ortho-toluidine ("**OT**") and others)
- manufacture and sale of battery materials

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 2017 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 2016.

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

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 2016, except for the adoption of new standards effective as at 1 January 2017 as summarised below:

Amendments to HKAS 7 *Statement of Cash Flows: Disclosure Initiative*

Amendments to HKAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses*

Annual Improvements Cycle – 2014-2016
Amendments to HKFRS 12 *Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in HKFRS 12*

The adoption of the new standards and amendments does not have any significant effect on the interim condensed consolidated financial statements of the Group.

The Group has not early adopted any other accounting standard, interpretation or amendment that has been issued but is not yet effective.

3. RESTATEMENT

During the year ended 31 December 2016, the Company completed a business combination of Tsaker Dongao under common control of Mr. Ge Yi. Tsaker Dongao was established on 15 March 2004. Huage Holdings Group Co., Ltd. (華戈控股集團有限公司) ("**Huage Holdings**"), controlled by Mr. Ge Yi, acquired the entire equity interests in Tsaker Dongao from an independent third party on 11 September 2014.

On 4 May 2016, Tsaker Chemical (Dongying) Co., Ltd. (彩客化學(東營)有限公司) ("**Tsaker Dongying**") and Huage Holdings entered into a sale and purchase agreement (the "**SPA**"). According to the SPA, Huage Holdings agreed to sell and Tsaker Dongying agreed to purchase the entire equity interests in Tsaker Dongao, a directly wholly-owned subsidiary of Huage Holdings, at an aggregate cash consideration of RMB17,361,000. The acquisition was completed on 18 July 2016.

As the Group and Tsaker Dongao were under common control of Mr. Ge Yi, the acquisition is considered as a combination of entities under common control. Accordingly, the assets and liabilities of Tsaker Dongao have been accounted for at the fair value recognised by Huage Holdings when it acquired Tsaker Dongao and the consolidated financial statements of the Group prior to the business combination have been restated to include the results of operations of Tsaker Dongao commencing from the date when Tsaker Dongao became under control of Huage Holdings. The consideration paid by the Company for the acquisition has been accounted for as an equity transaction in the consolidated statement of changes in equity.

The Group incurred transaction costs of RMB520,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in profit or loss.

3. RESTATEMENT (CONTINUED)

As a result of the business combination, the relevant line items in the unaudited interim condensed consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the six months ended 30 June 2016 have been restated as follows:

	The Group (as previously reported)	Tsaker Dongao	The Group (as restated)
Condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2016:			
Revenue	500,299	295	500,594
Profit for the period	75,100	(509)	74,591
Other comprehensive income for the period, net of tax	8,812	–	8,812
Total comprehensive income for the period	83,912	(509)	83,403
Condensed consolidated statement of changes in equity for the six months ended 30 June 2016:			
Equity attributable to the owners of the parent	926,000	–	926,000
Deemed contribution from the then shareholder	–	24,626	24,626
Total comprehensive income in 2015 and 2014	–	(4,162)	(4,162)
Total comprehensive income for the six months ended 30 June 2016	–	(509)	(509)
Total equity	926,000	19,955	945,955
Condensed consolidated statement of cash flows for the six months ended 30 June 2016:			
Net cash flow from operating activities	33,076	5,532	38,608
Net cash flow used in investing activities	(131,731)	(12,870)	(144,601)
Net cash flow from financing activities	71,810	6,060	77,870
Effect of foreign exchange rate changes, net	845	–	845

4. OPERATING SEGMENT INFORMATION

The following tables present revenue and profit information for the Group's operating segments for the six months ended 30 June 2017 and 2016, respectively.

Six months ended 30 June 2017 (unaudited)

	Pigment intermediates *RMB'000*	Dye intermediates *RMB'000*	Agricultural chemical intermediates *RMB'000*	Battery materials *RMB'000*	Total segments *RMB'000*	Corporate, other unallocated expenses and eliminations *RMB'000*	Consolidated *RMB'000*
Revenue							
External customer	**100,782**	**303,593**	**202,271**	**555**	**607,201**	**–**	**607,201**
Inter-segment	**56,075**	**172,476**	**88,205**	**–**	**316,756**	**(316,756)**	**–**
Total revenue	**156,857**	**476,069**	**290,476**	**555**	**923,957**	**(316,756)**	**607,201**
Results							
Segment profit	**18,703**	**69,560**	**10,042**	**(449)**	**97,856**	**(22,281)**	**75,575**

Six months ended 30 June 2016 (unaudited) (restated)

	Pigment intermediates *RMB'000*	Dye intermediates *RMB'000*	Agricultural chemical intermediates *RMB'000*	Battery materials *RMB'000*	Total segments *RMB'000*	Corporate, other unallocated expenses and eliminations *RMB'000*	Consolidated *RMB'000*
Revenue							
External customer	96,529	241,075	162,990	–	500,594	–	500,594
Inter-segment	83,259	161,390	39,738	–	284,387	(284,387)	–
Total revenue	179,788	402,465	202,728	–	784,981	(284,387)	500,594
Results							
Segment profit	28,929	65,008	22,254	–	116,191	(21,916)	94,275

4. OPERATING SEGMENT INFORMATION (CONTINUED)

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2017 and 31 December 2016, respectively:

	Pigment intermediates *RMB'000*	Dye intermediates *RMB'000*	Agricultural chemical intermediates *RMB'000*	Battery materials *RMB'000*	Total segments *RMB'000*	Corporate, other unallocated expenses and eliminations *RMB'000*	Consolidated *RMB'000*
Assets							
30 June 2017 (unaudited)	**267,944**	**1,155,206**	**551,391**	**140,051**	**2,114,592**	**(11,350)**	**2,103,242**
31 December 2016 (audited)	522,078	1,029,140	522,850	8,049	2,082,117	(142,384)	1,939,733
Liabilities							
30 June 2017 (unaudited)	**251,237**	**907,505**	**106,979**	**110,623**	**1,376,344**	**(339,781)**	**1,036,563**
31 December 2016 (audited)	205,865	804,036	469,748	101	1,479,750	(501,002)	978,748

Corporate and eliminations

Research and development expenses are not allocated to individual segment as these are managed on an overall group basis. These are included in corporate and eliminations in the segment disclosures.

Reconciliation of profit	**For the six months ended 30 June**	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)
Segment profit	**97,856**	116,191
Elimination of intersegment transactions	**(224)**	47
Corporate and other unallocated expenses	**(22,057)**	(21,963)
Profit before tax	**75,575**	94,275

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenue from external customers

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)
Mainland China	**381,333**	333,632
India	**69,970**	55,655
United States of America (the "US")	**32,959**	22,784
Italy	**24,953**	12,836
Germany	**22,250**	23,624
Taiwan	**21,975**	14,895
Indonesia	**18,984**	14,139
Spain	**12,932**	6,877
Brazil	**9,071**	5,350
Japan	**6,660**	6,007
Korea	**2,722**	1,176
Turkey	**352**	2,119
Other countries	**3,040**	1,500
	607,201	500,594

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

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

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Interest on bank and other borrowings wholly repayable within five years	**14,096**	8,746
Other finance costs	**2,160**	1,407
Less: Interest expenses capitalised	**(8,850)**	(5,162)
	7,406	4,991

The weighted-average interest rate of capitalisation for the six months ended 30 June 2017 is 6.03% (for the six months ended 30 June 2016: 5.03%).

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Cost of inventories sold	**451,048**	341,187
Depreciation	**30,811**	25,149
Research and development costs	**6,121**	5,114
Amortisation of prepaid land lease payments	**2,286**	2,287
Auditors' remuneration	**2,675**	1,473
Wages, salaries and welfare	**48,425**	46,216
Pension and other social insurances	**7,984**	9,559
Exchange losses, net	**31**	6,119
Impairment of trade receivables	**614**	–
Loss on disposal of items of property, plant and equipment	**260**	152
Write-down of inventories to net realisable value	**1,200**	2,069

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 statement of profit or loss are:

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax expense		
– The People's Republic of China (the "**PRC**")	**16,140**	15,356
– Hong Kong	**1,052**	1,811
Deferred income tax expense	**838**	2,517
Total income tax charge for the period	**18,030**	19,684

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	
	2017	2016
	(Unaudited)	(Unaudited) (Restated)
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent (RMB'000)	**57,545**	74,591
Number of shares:		
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation ('000)	**1,012,283**	1,002,250
Earnings per share		
Basic and diluted (RMB)	**0.06**	0.07

Pursuant to the annual general meeting held on 16 June 2017, a bonus issue of shares of the Company (the "**2017 Bonus Issue**") on the basis of 1 bonus share for each existing share held on 30 June 2017 was approved. 522,125,000 bonus shares were issued under the 2017 Bonus Issue on 13 July 2017.

The weighted average number of ordinary shares for the purpose of the basic earnings per share calculations for the period ended 30 June 2017 has been adjusted and that of 2016 has been restated to reflect the 2017 Bonus Issue in accordance with HKAS 33.

The Group did not have any dilutive potential ordinary shares during the six months ended 30 June 2017 or 2016.

9. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 June 2017, the Group acquired property, plant and equipment with an aggregate cost of RMB146,503,000 (the six months ended 30 June 2016 (restated): RMB158,473,000).

The amount of borrowing costs capitalised during the six months ended 30 June 2017 was approximately RMB8,850,000 (the six months ended 30 June 2016: RMB5,162,000).

Assets with a net book value of RMB278,000 were disposed of by the Group during the six months ended 30 June 2017 (the six months ended 30 June 2016: RMB158,000), resulting in a net loss on disposal of RMB260,000 (the six months ended 30 June 2016: net loss RMB152,000).

As at 30 June 2017, no impairment loss was provided (31 December 2016: Nil).

10. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Non-publicly traded investments, at cost:		
Private equity fund in Tibet Winshare Equity Venture Capital Fund Partnership (Limited Partnership) ("**Winshare Equity**")	**20,700**	18,300
	20,700	18,300

The private equity fund represents an investment in Winshare Equity and is stated at cost less any impairment, as there is no market price available.

As at 30 June 2017, no impairment loss was provided (31 December 2016: Nil).

11. INVENTORIES

During the six months ended 30 June 2017, the Group wrote down RMB1,200,000 (the six months ended 30 June 2016: RMB2,069,000) of inventories to their net realisable value.

12. TRADE RECEIVABLES

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**227,002**	206,623
Impairment provision	**(614)**	–
	226,388	206,623

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:

12. TRADE RECEIVABLES (CONTINUED)

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Within 1 month	**119,419**	98,412
1 month to 2 months	**44,860**	55,084
2 months to 3 months	**29,835**	25,091
3 months to 4 months	**5,322**	11,395
Over 4 months	**26,952**	16,641
	226,388	206,623

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

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
At 1 January	**–**	–
Impairment provided	**614**	–
	614	–

As at 30 June 2017, provision for impairment of trade receivables is a provision for individually impaired trade receivables with a carrying amount before provision of RMB614,000. The individually impaired receivables mainly relate to a customer which was in unexpected difficult economic situations and it is expected that these receivables would not be recovered.

12. TRADE RECEIVABLES (CONTINUED)

The ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**156,791**	152,430
Less than 1 month past due	**29,344**	31,822
1 to 3 months past due	**14,651**	13,744
Over 3 months past due	**25,602**	8,627
	226,388	206,623

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**105,716**	76,871
1 month to 2 months	**36,301**	56,146
2 months to 3 months	**20,612**	22,092
Over 3 months	**140,761**	101,414
	303,390	256,523

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 2017 *RMB'000* **(Unaudited)**			31 December 2016 *RMB'000* (Audited)	
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured	**HIBOR+2.7**	**2017**	**26,203**	HIBOR+2.7	2017	26,832
Bank loans – secured	**3.92-7.60**	**2017-2018**	**151,790**	3.92-7.60	2017	214,790
Other borrowings – secured	**10.83-10.84**	**2018**	**56,316**	–	–	–
			234,309			241,622
Non-current						
Bank loans – secured	**5.23-6.98**	**2018-2019**	**210,000**	5.23-6.98	2018-2019	240,000
Other borrowings – secured	**10.83-10.84**	**2018-2020**	**86,660**	–	–	–
			296,660			240,000
Total			**530,969**			481,622
Analysed into:						
Bank and other borrowings repayable:						
Within one year			**234,309**			241,622
In the second year to fifth years, inclusive			**296,660**			240,000
Total			**530,969**			481,622

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 2017 *RMB'000* **(Unaudited)**	30 June 2016 *RMB'000* (Unaudited) (Restated)
Cash at bank and in hand	**78,779**	167,431
Time deposits	**261,030**	300,000
Less: Restricted cash	**(1,079)**	(517)
Pledged time deposits for short term bank loans	**(218,920)**	(300,000)
Total cash and cash equivalents	**119,810**	166,914
Denominated in RMB	**74,766**	106,673
Denominated in other currencies	**45,044**	60,241
Total cash and cash equivalents	**119,810**	166,914

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The financial assets of the Group mainly include cash and cash equivalents, restricted cash, trade and notes receivables, prepayments and other receivables, other non-current assets and investment in joint ventures which are accounted for as loan and receivables, and available-for-sale investments which are accounted for as available-for-sale financial assets. Financial liabilities of the Group mainly include trade payables, other payables and accruals, interest-bearing bank and other borrowings and dividend payable which are accounted for using amortised cost. The carrying amounts of the Group's financial assets and financial liabilities closely approximate to their fair value.

17. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is an overview of financial assets and financial liabilities held by the Group as at 30 June 2017 and 31 December 2016:

Financial assets

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Loan and receivables		
Trade and notes receivables	**329,055**	281,029
Financial assets included in prepayments and other receivables	**73,328**	49,988
Restricted cash	**219,999**	72,461
Cash and cash equivalents	**119,810**	396,743
Other non-current assets	**12,636**	–
Investments in joint ventures	**900**	900
Available-for-sale financial assets		
Available-for-sale investments	**20,700**	18,300
	776,428	819,421

Financial liabilities at amortised cost

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Trade payables	**303,390**	256,523
Financial liabilities included in other payables and accruals	**93,716**	169,113
Interest-bearing bank and other borrowings	**530,969**	481,622
Dividend payable	**38,115**	–
	966,190	907,258

18. CONTINGENT LIABILLITIES

The Group did not have any significant contingent liabilities as at 30 June 2017 (31 December 2016: Nil).

19. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its property, plant, and equipment and premises under operating lease arrangements with terms from 1 January 2017 to 31 December 2020 and from 23 May 2017 to 22 May 2022, respectively.

As at 30 June 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within one year	**5,474**	5,276
In the second to fifth years, inclusive	**13,167**	7,397
	18,641	12,673

20. COMMITMENTS

In addition to the operating lease commitments detailed in Note 19 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contracted, but not provided for plant and machinery	**299,424**	182,200
Capital contributions payable to equity investments	**29,300**	31,700
	328,724	213,900

21. RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions that have been entered into with related parties during the six months ended 30 June 2017 and 2016, as well as balances with related parties as at 30 June 2017 and 31 December 2016:

(a) Transactions with related parties:

		For the six months ended 30 June	
		2017	2016
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited) (Restated)
Related party funding from Huage Holdings	*(i)*	**–**	27,006
Related party funding to Huage Holdings	*(i)*	**85,697**	7,800
Property leasing fee Huage Holdings		**658**	789
Deposit and part payment of acquisition fee paid to Huage Holdings	*(ii)*	**–**	5,016

Notes:

(i) Fundings from and fundings to related parties are mainly for meeting capital requirements of the Group. These fundings were unsecured, interest-free and had no fixed repayment term and were included in other payables and accruals, and prepayments and other receivables, respectively, of the consolidated statements of financial position at 30 June 2017 and 31 December 2016, respectively.

(ii) On 4 May 2016, Tsaker Dongying, an indirectly wholly-owned subsidiary of the Company, and Huage Holdings entered into the SPA. According to the SPA, Huage Holdings agreed to sell and Tsaker Dongying agreed to purchase the entire equity interests in Tsaker Dongao, a directly wholly-owned subsidiary of Huage Holdings, at an aggregate consideration of RMB17,361,000. Tsaker Dongying paid RMB5,016,000 out of the total consideration on 30 June 2016.

21. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Outstanding balances with related parties:

		30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Other payables and accruals:			
Huage Holdings	(i)	**781**	87,398

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

(i) Controlled by Mr. Ge Yi

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

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Compensation paid to key management personnel	**1,659**	1,307

22. DIVIDEND

The Board does not recommend an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

23. EVENTS AFTER THE REPORTING PERIOD

On 21 July 2017, the Company, Mr. Liu Zhixun (the "**Seller**") and Ynnovate Sanzheng (Yingkou) Fine Chemicals Co., Ltd.* (營創三征(營口)精細化工有限公司) (the "**Target Company**" or "**Ynnovate Sanzheng**") entered into a termination agreement (the "**Termination Agreement**"), pursuant to which the parties agreed to terminate a legally binding memorandum of understanding dated 10 February 2017 (the "**MOU**") in relation to the proposed acquisition of 75% equity interest in the Target Company by the Company (or its designated subsidiary) from the Seller, as the Company, the Seller and the Target Company could not reach an agreement on certain terms in respect of the proposed acquisition.

24. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2017 were authorised for issue in accordance with a resolution of the Board on 23 August 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE REVIEW

Operating segment information

Six-month period ended 30 June 2017 (unaudited)	Pigment intermediates	Dye intermediates	Agricultural chemical intermediates	Battery materials	Total
Revenue (RMB'000)	100,782	303,593	202,271	555	607,201
Cost of sales (RMB'000)	65,180	224,028	161,437	403	451,048
Sales volume (tonnes)	3,481	18,577	20,663	24	42,745
Gross profit margin	35.3%	26.2%	20.2%	27.4%	25.7%
Average unit selling price (RMB/tonne)	28,952	16,342	9,789	23,125	14,205

Six-month period ended 30 June 2016 (unaudited) (restated)	Pigment intermediates	Dye intermediates	Agricultural chemical intermediates	Battery materials	Total
Revenue (RMB'000)	96,529	241,075	162,990	–	500,594
Cost of sales (RMB'000)	56,373	164,549	120,265	–	341,187
Sales volume (tonnes)	3,170	16,509	17,689	–	37,368
Gross profit margin	41.6%	31.7%	26.2%	–	31.8%
Average unit selling price (RMB/tonne)	30,451	14,603	9,214	–	13,396

Compared with the first half of 2016, during the Review Period, the sales volume and sales amount of the four segments of the Group have significantly increased, but the gross profit margin showed a decreasing trend. During the Review Period, the revenue of the Group increased by 21.3% as compared with the first half of 2016. The gross profit margin, however, decreased by 6.1 percentage points. It was mainly due to an increase in the price of raw materials. During the Review Period, the Group has gradually raised the selling price of the main products. As the overall selling prices increased and the market share of the main products of the Group remained stable, the Company has confidence in its future development.

Currently, the major customers of the Group are world-renowned international chemical producers and our product qualities are highly recognised. With a sales amount of approximately RMB171.6 million, the sales to the five largest customers of the Group accounted for approximately 28.3% of the Group's overall revenue during the Review Period. In terms of the geographical location, revenue from Mainland China, India, the United States of America, Italy, Germany, Taiwan and other regions accounted for approximately 62.8%, 11.5%, 5.4%, 4.1%, 3.7%, 3.6% and 8.9% respectively.

During the Review Period, the overall gross profit of the Group decreased by approximately 2.0% to approximately RMB156.2 million as compared with that in the same period of last year. This is because the agricultural chemical intermediates business became a significant revenue contributor of the Group, yet its average gross profit margin was slightly lower than that of the other products by approximately 20.2%. Meanwhile, the production costs for the Company's main products have been rising as a result of the increasing prices of raw materials, as compared with that of the same period of 2016. However, the adjustment of selling prices came later than the increase in costs during the same period. Due to the two main factors mentioned above, the overall gross profit margin of the Group decreased by 6.1 percentage points to approximately 25.7%, as compared with that in the same period of last year.

During the Review Period, profit attributable to equity holders of the Company decreased by approximately 22.9% to approximately RMB57.5 million as compared with that in the same period of last year. The profit margin attributable to equity holders of the Company decreased by 5.4 percentage points to approximately 9.5% as compared with that in the same period of last year. The decrease in profit was mainly due to a decrease of 6.1 percentage points in gross profit margin as a result of rising operating costs of its principal activities due to the increasing prices of raw materials. In addition, the transportation fees went up due to the sales expenses caused by the increase in sales volume resulting in an increase of 27.5% in selling and distribution expenses as compared with that in the same period of 2016. The administrative expenses such as remuneration and benefits for top talents, research and development and intermediate fees relating to the proposed acquisition of Ynnovate Sanzheng increased by 22.1% as compared with that in the same period of 2016. Due to the above mentioned reasons, the basic and diluted earnings per share of the Group decreased by RMB0.01 to RMB0.06 as compared with that in the same period of last year.

Dye intermediates – accounted for approximately 50.0% of the overall revenue (the first half of 2016: 48.2%)

The Group is the world's largest manufacturer of 4,4'-Diaminostilbene-2,2'-disulfonic acid ("**DSD Acid**"). DSD Acid is mainly used in the production of optical brightening agents ("**OBA**"), and its end applications include brightening elements of bleach for textile, brightening of paper and detergents. During the Review Period, the customers were keen to increase their inventories. As a result, the sales volume of dye intermediates increased from 16,509 tonnes in the first half of 2016 to 18,577 tonnes during the Review Period, representing an increase of approximately 12.5%. Revenue generated from the segment increased by approximately 25.9% to approximately RMB303.6 million as compared with that in the same period of last year, accounting for approximately 50.0% of the overall revenue.

For the average unit selling price, during the Review period, the average selling price of dye intermediates increased gradually, representing an increase by approximately 11.9% to approximately RMB16,342 per tonne as compared with that in the same period of last year. Gross profit margin, however, dropped slightly due to the fact that the growth of increase in the average selling prices was slower than that of the increase in the average production costs. The gross profit margin of the segment dropped from approximately 31.7% in the first half of 2016 to approximately 26.2% during the Review Period, representing a decrease of approximately 5.5 percentage points.

Pigment intermediates – accounted for approximately 16.6% of the overall revenue (the first half of 2016: 19.3%)

Being the world's largest Dimethyl 1,4-Cylohexanedione-2,5-dicarboxylate ("**DMSS**") manufacturer and distributor, the Group is also the world's second largest manufacturer of other major pigment intermediates, such as Dimethyl acetylsuccinate ("**DMAS**") and Diisopropyl succinate ("**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 pigments in various aspects, including heat and light resistance, it is expected that the market demand for such 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, the revenue of pigment intermediates segment for the period increased by approximately 4.4% to approximately RMB100.8 million as compared with that in the same period of last year, accounting for approximately 16.6% of the Group's overall revenue. As for gross profit, the overall gross profit of the segment decreased by approximately 11.3% to approximately RMB35.6 million, while the gross profit margin decreased by 6.3 percentage points to approximately 35.3% due to the increase in the price of raw materials.

Agricultural chemical intermediates – accounted for approximately 33.3% of the overall revenue (the first half of 2016: 32.5%)

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. The Group expects that the increasing demand for herbicides will drive the overall development of the segment.

During the Review Period, driven by the increase in sales volume, revenue generated from the agricultural chemical intermediates segment showed an increase of approximately 24.1% to approximately RMB202.3 million as compared with that in the same period of last year. The average unit selling price and sales volume increased by approximately 6.2% and approximately 16.8% to approximately RMB9,789 per tonne and 20,663 tonnes respectively as compared with that in the same period of last year. As for gross profit, affected by the price growth in raw materials, the gross profit margin of agricultural chemical intermediates decreased by 6.0 percentage points to approximately 20.2% as compared with that in the same period of last year.

Battery materials – accounted for approximately 0.1% of the overall revenue (the first half of 2016: Nil)

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 Group's iron phosphate lab scale products have been launched in and recognized by the market.

EXPORT

During the Review Period, the export revenue of the Group amounted to approximately RMB225.9 million, representing an increase of approximately RMB58.9 million or 35.3% as compared to the export revenue of approximately RMB167.0 million for the same period of 2016, which was mainly due to the increase in average unit selling price and sales volume of dye intermediates.

During the Review Period, the export revenue accounted for approximately 37.2% of the total revenue as compared to approximately 33.4% for the same period of 2016.

BUSINESS OUTLOOK

Looking forward to the second half of 2017, the overall competition landscape and the global market will remain challenging. Nevertheless, with the Group's leading position in the market, advanced production, research and development technologies as well as its visionary strategic moves, we will stand out in a market with intensified competitions, solidify our position and seek for stable development. In the future, the Group will continue to implement the following development strategies.

Firstly, we will solidify the core position of our current products in the market. Dye intermediates, pigment intermediates and agricultural chemical intermediates, which are the current core products of the Group, have been in a leading position in the global market. In the future, we will continue to consolidate the position of our current products in the competitive market and enhance their market competitiveness through technological innovation and upgrading of our production techniques. We will continue to upgrade the production techniques for our current products, further enhance the quality of our products, reduce the production costs for products and explore new applications. We will also expand our capacity for our current core products in a timely manner, so as to lay a sound foundation for our future development.

Secondly, we will actively implement our strategy of vertical extension for our production chain. The Group has been actively expanding its production chain to upstream and downstream with the competitive advantages of the current products. In 2015, we have expanded our business to Mononitrotoluene, an upstream raw material for DSD Acid, which is a core product of dye intermediates. We also expanded its capacity in 2016. This allowed us to succeed in implementing our strategy of extending our production chain to upstream raw materials, maintaining our strategic control on the core raw materials for the production of DSD Acid and solidifying our leading position in the global market of agricultural chemical intermediates.

At the end of 2016, we have leased relevant assets from Xiajin Zhenhua Chemical & Technology Company Limited (夏津縣振華化學科技有限公司) ("**Xiajin Zhenhua**") for OBA production, which is used for dyeing and detergent. It has enabled the Group to extend the production chain for DSD Acid, one of its core products, to the downstream products of OBA industry. We will continue to implement the strategy of extending our production chain vertically to expand the current products in enhancing the market competitiveness of our current products.

In 2017, we plan to partner with the third parties to further expand our current production of N-methyl-2-pyrrolidone ("**NMP**") products to the area of carbon nanotube paste. Carbon nanotube paste is a new type of conductor used for the production of lithium batteries and is applied to the production of electrode materials for lithium batteries. It can considerably enhance electric conductivity and thermal conductivity of materials for batteries to enlarge the battery capacity and shorten the time for re-charging. It can also improve the heat dissipation effects of the batteries cooled with its good thermal conductivity. We are planning to build a production line of carbon nanotube paste with an initial annual capacity of 2,000 tonnes. As NMP is the key raw material in the production of carbon nanotube paste, we believe that the vertical expansion of our business to this area can further enhance the Company's position in the market of materials for batteries and achieve better synergy with iron phosphate, which is used for the production of cathode materials for lithium batteries.

Thirdly, we will implement our strategy of the horizontal extension for production chain to various fields with our core competitive advantage. With its competitive advantage in technology research and development as well as ample production experiences acquired in the fine chemical industry, the Group is actively exploring new business segments. With the growing awareness of environmental protection both domestically and internationally, the demand for battery materials grows rapidly, particularly in the market of high-performance cathode materials for batteries. The Group seizes this opportunity to horizontally expand its product range to the area of iron phosphate, a cathode material for lithium batteries. The Group is building a new iron phosphate product production line in Cangzhou, Hebei Province to produce the high-performance iron phosphate product. We have implanted our own competitive core production techniques and green treatment practice into the production process of iron phosphate, in order to produce competitive high performance iron phosphate products.

In addition, with our competitive advantage in green treatment developed during the long history of our production, we have been actively working with the third parties on consultancy and other services for green technologies against a backdrop of increasing calls for environmental protection in the PRC and tightening the regulations on environmental protection. As a leading fine chemical enterprise, we have effectively reduced the production costs for our products and the green treatment costs with our advantages in terms of green treatment, and have gained significant competitive advantage in the market. Leveraging on these technical advantages, we are planning to actively commence the business of third party green treatment solutions, with emphasis on the consultancy services relating to air, water and solid waste pollution. We believe that the expansion of our business to environmental protection, which is a new area, will be an important development direction of the Group in the future.

FINANCIAL REVIEW

REVENUE AND GROSS PROFIT

During the Review Period, the revenue and gross profit amounted to approximately RMB607.2 million and approximately RMB156.2 million respectively, representing an increase of approximately RMB106.6 million or 21.3% and a decrease of approximately RMB3.2 million or 2.0% from approximately RMB500.6 million (restated) and approximately RMB159.4 million (restated) respectively for the same period in 2016. During the Review Period, the gross profit margin of the Group was approximately 25.7%, as compared to approximately 31.8% (restated) for the same period in 2016. The decrease in the Group's gross profit margin was mainly due to the increasing price of raw materials from the second half of 2016 while the growth of increase in the selling prices of products from 2017 was slower than that of the increase in the price of raw materials, despite the selling prices of products have been increased in 2017, and the revenue proportion of agricultural chemical intermediates, the gross profit margin of which was lower, in the Group's overall revenue increased.

NET PROFIT AND NET PROFIT MARGIN

During the Review Period, the net profit of the Group was approximately RMB57.5 million, representing a decrease of approximately RMB17.1 million or 22.9% as compared to approximately RMB74.6 million (restated) for the same period in 2016. During the Review Period, the net profit margin of the Group was approximately 9.5%, as compared to approximately 14.9% (restated) for the same period in 2016.

SELLING AND DISTRIBUTION EXPENSES

During the Review Period, selling and distribution expenses amounted to approximately RMB24.1 million, representing an increase of approximately RMB5.2 million as compared to approximately RMB18.9 million (restated) for the same period in 2016. The increase in selling and distribution expenses was mainly attributable to the increase in the sales volume of products, leading to higher transportation fees, packaging fees and handling fees.

During the Review Period, selling and distribution expenses represented approximately 4.0% of the Group's revenue (for the six months ended 30 June 2016: approximately 3.8% (restated)).

ADMINISTRATIVE EXPENSES

During the Review Period, administrative expenses amounted to approximately RMB51.5 million, representing an increase of approximately RMB9.4 million as compared to approximately RMB42.1 million (restated) for the same period in 2016. The increase in administrative expenses was mainly due to the increase in staff costs, research and development expenses as well as the service fees payable to intermediaries recognised for the proposed acquisition of Ynnovate Sanzheng.

During the Review Period, administrative expenses represented approximately 8.5% of the Group's revenue (for the six months ended 30 June 2016: approximately 8.4% (restated)).

FINANCE COSTS

During the Review Period, finance costs amounted to approximately RMB7.4 million, representing an increase of approximately RMB2.4 million as compared to approximately RMB5.0 million (restated) for the same period in 2016, mainly attributable to the increase of bank loans.

EXCHANGE LOSS

During the Review Period, the exchange loss amounted to approximately RMB0.03 million, representing a decrease of approximately RMB6.1 million as compared to the exchange loss of approximately RMB6.1 million (restated) for the same period of 2016, which was mainly due to the change of overseas RMB deposits to United States Dollars deposits.

INCOME TAX EXPENSE

The PRC subsidiaries of the Company are generally subject to the PRC Enterprise Income Tax (EIT) at a rate of 25%.

During the Review Period, income tax expenses amounted to approximately RMB18.0 million, representing a decrease of approximately RMB1.7 million as compared to approximately RMB19.7 million (restated) for the same period in 2016. The decrease in income tax expense was mainly attributable to (i) the fact that Tsaker Dongao utilized the deductible tax losses it generated in the previous years during the Review Period, resulting in a decrease in the Group's taxable profit as compared with that in the same period of 2016; and (ii) profit before tax during the Review Period decreased as compared with that in the same period of 2016.

CASH FLOWS

During the Review Period, the Group generated net cash flow from operating activities of approximately RMB57.1 million, representing an increase of approximately RMB18.5 million as compared to approximately RMB38.6 million (restated) for the same period in 2016, which was mainly due to the settlement of certain operating payables by the Endorsed Notes of RMB75.0 million obtained from IFEL.

During the Review Period, the Group's net cash flows used in investing activities were approximately RMB160.8 million, representing an increase of approximately RMB16.2 million as compared to approximately RMB144.6 million (restated) for the same period in 2016, primarily as a result of an increase in investment expenses arising from 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 were approximately RMB174.0 million, representing a decrease of approximately RMB251.9 million as compared to the net cash inflow generated from financing activities of approximately RMB77.9 million (restated) for the same period in 2016, primarily as a result of (i) funds paid to related parties increased by approximately RMB88.8 million during the Review Period as compared to the same period of 2016; and (ii) the net amount of proceeds from issue of shares, bank and other borrowings and external guarantees decreased by approximately RMB163.1 million during the Review Period as compared to the same period of 2016.

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 2017, the Group had cash and cash equivalents of approximately RMB119.8 million, which include RMB74.8 million denominated in RMB and approximately RMB45.0 million in other currencies (USD and HKD) (31 December 2016: approximately RMB396.7 million, which include RMB191.8 million denominated in RMB and approximately RMB204.9 million in other currencies (USD and HKD); (ii) restricted cash of approximately RMB220.0 million (31 December 2016: approximately RMB72.5 million); and (iii) interest-bearing bank and other borrowings of approximately RMB531.0 million with interest rates from HIBOR+2.7 to 10.84% per annum, of which approximately RMB234.3 million shall be repayable within one year (as at 31 December 2016: approximately RMB481.6 million with interest rate from HIBOR+2.7 to 7.60% per annum, of which approximately RMB241.6 million shall be repayable within one year). As at 30 June 2017, banking facilities of HKD20.0 million were unutilised by the Group.

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 2017, the Group's gearing ratio was approximately 49.8% as compared to approximately 50.1% as at 31 December 2016, 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 2017, total current assets of the Group amounted to approximately RMB961.3 million (as at 31 December 2016: approximately RMB926.2 million), primarily consisting of inventories of approximately RMB120.5 million (as at 31 December 2016: approximately RMB81.8 million), trade receivables and notes receivables of approximately RMB329.1 million (as at 31 December 2016: approximately RMB281.0 million), prepayments and other receivables of approximately RMB172.0 million (as at 31 December 2016: approximately RMB94.2 million), cash and cash equivalents of approximately RMB119.8 million (as at 31 December 2016: approximately RMB396.7 million) and restricted cash of approximately RMB220.0 million (as at 31 December 2016: approximately RMB72.5 million).

INVENTORIES

Inventories of the Group mainly include raw materials, work-in-progress and finished products. The turnover days for inventories were 40 days during the Review Period (the turnover days for inventories for 2016: 39 days).

TRADE AND NOTES RECEIVABLES

As at 30 June 2017, trade and notes receivables of the Group increased by approximately RMB48.1 million as compared to that at the end of 2016, mainly due to the increase in sales revenue during the Review Period as compared to the same period of 2016, leading to an increase in balance of trade and notes receivables at the end of the period.

The turnover days for trade receivables were 64 days during the Review Period while that for the year 2016 were 64 days.

As at 4 August 2017, approximately RMB127.8 million or 56.4% of the trade receivables outstanding of the Group as at 30 June 2017 were settled.

PREPAYMENTS AND OTHER RECEIVABLES

As at 30 June 2017, prepayments and other receivables of the Group increased by approximately RMB77.8 million from approximately RMB94.2 million in aggregate as at 31 December 2016 to approximately RMB172.0 million in aggregate, which was mainly due to an increase in the prepaid equipment, construction costs and prepaid tax.

CURRENT LIABILITIES

As at 30 June 2017, total current liabilities of the Group amounted to approximately RMB717.6 million (as at 31 December 2016: approximately RMB716.9 million), primarily consisting of trade payables of approximately RMB303.4 million (as at 31 December 2016: approximately RMB256.5 million), other payables and accruals of approximately RMB124.6 million (as at 31 December 2016: approximately RMB199.2 million), interest-bearing bank borrowings of approximately RMB118.0 million (as at 31 December 2016: approximately RMB181.6 million), tax payables of approximately RMB17.2 million (as at 31 December 2016: approximately RMB19.6 million) current portion of long-term bank and other borrowings of approximately RMB116.3 million (as at 31 December 2016: RMB60.0 million) and dividend payable of RMB38.1 million as at 30 June 2017 (as at 31 December 2016: Nil).

TRADE PAYABLES

During the Review Period, the turnover days for trade payables decreased from 122 days in the year of 2016 to 112 days during the Review Period, which was mainly due to the decrease in the balance of construction costs payable as compared to 31 December 2016.

OTHER PAYABLES AND ACCRUALS

As at 30 June 2017, other payables and accruals of the Group decreased by approximately RMB74.6 million from approximately RMB199.2 million in aggregate as at 31 December 2016 to approximately RMB124.6 million in aggregate, which was mainly due to the amount due to related parties being settled during the Review Period.

PLEDGE OF ASSETS

As at 30 June 2017, certain of the Group's property, plant and equipment, lands and bank deposits with a net carrying amount of approximately RMB467.5 million (31 December 2016: approximately RMB118.7 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 2017.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2017.

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. Along with the continuous expansion of the export business scale of the Company, 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, provident funds, etc., are also provided to employees of the Group.

As at 30 June 2017, the Group had 1,673 employees (as at 31 December 2016: 1,613).

For the six months ended 30 June 2017, the total staff costs of the Group (including wages, bonuses, social insurances and provident funds) amounted to approximately RMB56.4 million (for the six months ended 30 June 2016: approximately RMB55.8 million (restated)).

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 2017, 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 RMB25.1 million has been used to develop new products and approximately RMB18.9 million has been used to pay the rents of Phase I and Phase II of Tsaker Dongao.

APPLICATION OF PROCEEDS FROM PLACING

On 28 April 2017, the Company, Guotai Junan Securities (Hong Kong) Limited and China Investment Securities International Brokerage Limited (the "**Joint Placing Agents**") entered into a placing agreement (the "**Placing Agreement**"), pursuant to which the Joint Placing Agents have conditionally agreed to procure the subscription of up to 21,000,000 new shares of the Company (the "**Placing Share(s)**") to professional, institutional or other investors (the "**Placees**") 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 million, of which 50% was used for construction and operation of cathode materials for lithium ion batteries – ironic phosphate project, and 50% for providing additional working capital for the Group as at 30 June 2017. The proceeds were used for the purposes as disclosed in the announcement of the Company dated 18 May 2017.

EVENTS SUBSEQUENT TO THE REVIEW PERIOD

On 21 July 2017, as the Company, the Seller and Ynnovate Sanzheng were unable to reach an agreement in respect of the proposed acquisition of 75% equity interest in Ynnovate Sanzheng by the Company from the Seller pursuant to the MOU, the parties of the MOU therefore entered into the termination agreement, pursuant to which the parties agreed to terminate the MOU and the proposed acquisition with effect from the date thereof. Upon termination, the MOU (save for the terms in relation to confidentiality) shall cease to have any further binding and legal effect upon the Company, the Seller and the Target Company, and each of them shall be released from all rights and obligations thereunder. For details, please refer to the announcements dated 10 February 2017 and 21 July 2017 of the Company, respectively.

Following the approval by the shareholders of the Company at the annual general meeting of the Company held on 16 June 2017, the Company distributed a final dividend of RMB0.073 per share (equivalent to HK$0.084 per share) for the year ended 31 December 2016 on 13 July 2017 to the shareholders. The final dividend was declared in RMB and paid in Hong Kong dollars. The relevant exchange rate was HK$1:RMB0.87116, being the average of the mean exchange rate for the conversion of RMB against Hong Kong dollars as announced by the People's Bank of China for the five business days immediately preceding 16 June 2017. Furthermore, following the approval by the shareholders of the Company at the annual general meeting of the Company held on 16 June 2017, the Company conducted the 2017 Bonus Issue on the basis of one bonus share for every one existing share held by eligible shareholders (except overseas shareholders). Following the bonus issue, the amount of total shares of the Company increased from 522,125,000 to 1,044,250,000. The issue of such bonus shares was completed on 13 July 2017. Details of the payment of final dividend and the bonus issue were set out in the circular dated 26 April 2017 and the announcement on poll results dated 16 June 2017 of the Company.

Except for the above, there were no other material events of the Group after 30 June 2017.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2017.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Purchase, Sale or Redemption of Listed Securities of the Company

On 18 May 2017, the Company completed the allotment and issue of 21,000,000 Placing Shares (representing approximately 4.02% of the issued share capital of the Company as enlarged by the 21,000,000 Placing Shares) to no less than six Placees at the placing price of HK$5.15 per Placing Share. The gross proceeds and net proceeds (after deducting the placing commission payable to the joint placing agents and other expenses incurred in the Placing) were approximately HK$108 million and HK$107 million, respectively, of which 50% was used for construction and operation of cathode materials for lithium ion batteries-ironic phosphate project, and 50% for providing additional working capital for the Group. Details of the Placing Shares were set out in the announcements dated 28 April 2017 and 18 May 2017 of the Company.

During the Review Period, except for the above allotment and issuance of Placing Shares, and the 2017 Bonus Issue, neither the Company, nor any of its 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 and corporate governance report in Appendix 14 to the Listing Rules as its own code of corporate governance.

For the six months ended 30 June 2017, 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 person 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 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 2017.

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 2017 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 2017 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 despatched to the shareholders.

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 2017 containing all the information required by the Listing Rules will be despatched 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

Qingdao, the PRC, 23 August 2017

As at the date of this announcement, the executive Directors are Mr. GE Yi, Ms. DUAN Weihua, Ms. JIN Ping 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*