

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



TIANHE CHEMICALS GROUP LIMITED

天合化工集團有限公司

(Incorporated in the British Virgin Islands with limited liability)
(Stock Code: 1619)

- (1) UPDATE ON PROGRESS OF FORENSIC INVESTIGATION AND
FULFILMENT OF RESUMPTION CONDITIONS**
(2) UNAUDITED FINANCIAL INFORMATION
**(3) DELAY IN PUBLICATION OF THE INTERIM RESULTS FOR
THE SIX MONTHS ENDED 30 JUNE 2016**
AND
(4) DELAY IN DESPATCH OF 2016 INTERIM REPORT

This announcement is made by Tianhe Chemicals Group Limited (the “**Company**”) pursuant to Rules 13.09(2) and 13.49(6) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Reference is made to the announcements published by the Company on 26 March, 29 May, 14 August, 31 August 2015, 16 March and 23 March 2016 in relation to, among others, (i) delay in publication of the 2014 Annual Results and delay in despatch of the 2014 Annual Report, (ii) delay in publication of the 2015 Interim Results and delay in despatch of the 2015 Interim Report, (iii) delay in publication of the 2015 Annual Results and delay in despatch of the 2015 Annual Report and (iv) appointment of independent forensic specialist and update on fulfilment of Resumption Conditions. Capitalised terms used in this announcement shall have the same meanings as defined in the abovementioned announcements unless the context otherwise requires.

Update on Progress of Forensic Investigation

As disclosed in the Company's announcement dated 16 March 2016, the Company has appointed Grant Thornton Advisory Services Limited ("**Grant Thornton**") as the Company's independent forensic specialist to conduct a forensic investigation on the Potential Audit Issues. With the Company's cooperation and assistance, Grant Thornton has conducted an extensive investigation since it was appointed, including but not limited to: (1) conducting interviews with relevant management and staff of the Company and undertaking forensic examinations of the storage media in the computers of relevant personnel; (2) conducting interviews with personnel of relevant tax authorities and directly obtaining a written confirmation; (3) visiting the Bank (a large state-owned bank in China, one of the principal bankers of the Company), directly obtaining written bank confirmations on bank balances and checking the supporting evidence of bank transactions; (4) directly obtaining written confirmation on the details of sales to the Key Customer (a subsidiary of one of the largest central state-owned enterprises, one of the Company's major customers); (5) physically inspecting the construction-in-progress of the Project (a Group II/III base oil project and a fluoride lubricating oil project) accompanied by qualified chemical engineers; and (6) obtaining a legal opinion from a well-known PRC law firm in respect of the Potential Audit Issues.

The Company has been informed that Grant Thornton has completed most of the field work and is now thoroughly reviewing the relevant information and drafting the forensic investigation report. Grant Thornton expects that if no further enquiry or investigation is required, the first draft of the forensic investigation report will be submitted to the Resumption Committee for review in a number of weeks.

The Company will make further announcement(s) on the forensic investigation report and its details as and when appropriate.

Update on Fulfilment of Other Resumption Conditions

As of the date of this announcement, the Company's independent auditor ZHONGHUI ANDA has completed the field work relating to the audit of 2014 Annual Results and 2015 Annual Results. The Company's Internal Control Consultant has also completed the field work of reviewing the financial reporting procedures and internal control systems of the Company and is drafting the internal control review report. The Company will continue to focus on the forensic investigation at this stage.

The Company will make further announcement(s) on any material development on the fulfillment of the Resumption Conditions as and when appropriate.

Unaudited Financial Information for the Six Months Ended 30 June 2016

In order to provide additional information to the shareholders and potential investors of the Company for a better assessment of the most recent financial performance of the Group, the Board announces the Group's unaudited and unreviewed consolidated financial summary from its management accounts for the six months ended 30 June 2016 as set out below.

	Six months ended 30 June		Year-on- Year changes
	2016	2015	
	RMB million (unaudited)	RMB million (unaudited)	
Revenue	1,342.2	2,775.0	(51.6)%
- <i>lubricant additives</i>	<i>1,140.1</i>	<i>999.4</i>	<i>14.1 %</i>
- <i>specialty fluorochemicals</i>	<i>202.1</i>	<i>1,775.6</i>	<i>(88.6)%</i>
Cost of sales	(706.5)	(965.6)	
Gross profit	635.7	1,809.4	(64.9)%
Other income	9.0	44.3	
Other gains	0.1	12.8	
Selling and distribution costs	(8.3)	(5.7)	
Administrative expenses	(70.7)	(60.5)	
Other expenses	(7.9)	(7.0)	
Profit from operations	558.0	1,793.2	(68.9)%
Finance cost	(63.2)	(76.8)	
Profit before taxation	494.8	1,716.4	(71.2)%
Income tax expense	(82.4)	(276.6)	
Profit and total comprehensive income for the period attributable to the owners of the Company	412.3	1,439.8	(71.4)%

(Note: Certain amounts and percentage figures above have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.)

Based on the unaudited consolidated management accounts, the Group recorded a net profit of approximately RMB412.3 million for the six months ended 30 June 2016, representing a decline of approximately 71.4% when compared with that of the corresponding period in 2015. The decline was mainly attributed by the performance of our specialty fluorochemicals segment.

In early 2016, the Company's wholly-owned subsidiary Fuxin Hengtong Fluoride Chemicals Co., Ltd ("**Fuxin Hengtong**") received an administrative order issued by the local government, in which Fuxin Hengtong was required to relocate the production lines to a fluoride industrial park along with other local fluoride-related chemical facilities in accordance with the integrated planning of the government. Fuxin Hengtong was further required to reduce production volume as soon as possible so as to facilitate such relocation. In order to comply with the aforesaid government order, Fuxin Hengtong took immediate action to arrange the preparatory work relating to the relocation, notify the affected customers and reduce the production volume of specialty fluorochemical products. During the preparation for a potential relocation, the Company observed that the land forming of the proposed new plant area in the industrial park as designated by the local government was unfinished, and the construction of infrastructure including roads, water supply, electricity and telecommunication networks was incomplete. Therefore, the Company determined the conditions of the proposed new plant area was not ready for immediate move-in, and such fact may result in adverse impact on the production and operation of Fuxin Hengtong in the future. Accordingly, despite complying with the administrative order by reducing the production volume, Fuxin Hengtong initiated active communication with the local government to negotiate a possible solution that includes postponement of relocation or exemption from the relocation requirement. As at the date of this announcement, the negotiation between Fuxin Hengtong and the local government was still on-going.

The TI (perfluoroalkyl iodides) products of the Company, which are key intermediates required for producing TEI (perfluoroalkyl ethyl iodides) products and downstream specialty fluorochemical products, are produced by Fuxin Hengtong. Therefore, the reduction of production volume by Fuxin Hengtong has had material impact on the performance of the specialty fluorochemicals segment of the Company, and resulted in the significant decline of revenue and profit generated from the specialty fluorochemicals segment in the first half of 2016 as compared with the corresponding period in 2015. Assuming this matter can be resolved in the near future, it is expected that such impact will last through the second half of 2016, given it will likely take a few months to gradually ramp up production and sales.

Nevertheless, our lubricant additives segment continued the momentum of steady growth. The revenue and gross profit of this segment recorded an increase over 14% and 35% respectively for the six months ended 30 June 2016 as compared with the corresponding period in 2015. This was mainly contributed by the significant growth in the export sales of our lubricant additive products to multinational customers.

As at 30 June 2016, the Group had cash balances (including bank deposits and cash and cash equivalents) of approximately RMB5,257.9 million (unaudited) and total bank borrowings of approximately RMB2,186.4 million (unaudited).

The above financial information has not been reviewed by the Company's auditor.

Delay in Publication of 2016 Interim Results and Despatch of 2016 Interim Report

Due to the delay in the publication of the 2014 Annual Results, 2015 Interim Results and 2015 Annual Results, the Company will not be able to publish its finalised comprehensive financial statements for the six months ended 30 June 2016 (“**2016 Interim Results**”) on or before 31 August 2016 as well as despatch its interim report for the six months ended 30 June 2016 (“**2016 Interim Report**”) to its shareholders on or before 30 September 2016.

The Board acknowledges that the delay in the publication of the 2016 Interim Results and the despatch of 2016 Interim Report will constitute a non-compliance of Rules 13.49(6) and 13.48(1) of the Listing Rules respectively.

The Company will publish further announcement(s) to inform the Company’s shareholders the date of board meeting and the publication of the 2016 Interim Results, the expected date of despatch of the 2016 Interim Report as well as any other material information as and when appropriate.

At the request of the Company, trading in the Company’s shares on the Stock Exchange has been suspended with effect from 1:01 p.m. on 26 March 2015 and will continue to be suspended until further notice.

By order of the Board of Directors
Tianhe Chemicals Group Limited
WEI Qi
Chairman and Executive Director

Hong Kong, 30 August 2016

As at the date of this announcement, the Board of Directors of the Company comprises WEI Qi, WEI Xuan, Joseph LEE and JIANG Po, as executive Directors; Homer SUN, as non-executive Director; LOKE Yu (alias LOKE Hoi Lam), CHAN Kin Sang and XU Xiaodong, as independent non-executive Directors.