

*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) UNAUDITED FINANCIAL INFORMATION  
(2) BUSINESS UPDATES  
AND  
(3) DELAY IN PUBLICATION OF THE INTERIM RESULTS FOR  
THE SIX MONTHS ENDED 30 JUNE 2018 AND  
DESPATCH OF 2018 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, 31 August 2015, 23 March, 30 August 2016, 30 March, 18 August 2017 and 29 March 2018 in relation to, among others, delay in (i) publication of the 2014, 2015, 2016 and 2017 Annual Results and despatch of corresponding annual reports, and (ii) publication of the 2015, 2016 and 2017 Interim Results and despatch of corresponding interim reports. Capitalised terms used in this announcement shall have the same meanings as defined in the abovementioned announcements unless the context otherwise requires.

### **Unaudited Financial Information for the Six Months Ended 30 June 2018**

In order to provide additional information to the shareholders of the Company for an assessment of the most recent financial performance of the Group, the Board hereby announces the Group’s unaudited financial information from its management accounts for the six months ended 30 June 2018 as set out below.

	Six months ended 30 June		Year-on- Year changes
	2018	2017	
	RMB million (unaudited)	RMB million (unaudited)	
<b>Revenue</b>	700.4	1,104.6	(36.6)%
Cost of sales	(423.5)	(600.8)	
Gross Profit	276.9	503.8	(45.0)%
Other income	1.6	2.5	
Other gains	-	2.4	
Selling and distribution costs	(5.4)	(11.0)	
Administrative expenses	(54.7)	(72.6)	
Other expenses	(5.7)	(5.8)	
<b>Profit from operations</b>	212.7	419.3	(49.3)%
Finance cost	(48.7)	(67.6)	
<b>Profit before taxation</b>	164.0	351.7	(53.4)%
Income tax expense	(29.9)	(55.0)	
<b>Profit and total comprehensive income for the period attributable to the owners of the Company</b>	134.1	296.7	(54.8)%

Based on the unaudited consolidated management accounts, the Group recorded a net profit of approximately RMB134.1 million for the six months ended 30 June 2018, representing a decline of approximately 54.8% when compared with that in the corresponding period in 2017. Our lubricant additives segment recorded a decline in both revenue and gross profit of approximately 30.9% and 36.2% respectively for the first half of 2018. As mentioned in previous announcement, the market competition of lubricant oil products in the domestic market has become more intensified which affected the demand of our products from certain major customers. In addition, some of our other major customers have been carrying out product upgrades for their lubricant oil products, and thus ordered fewer lubricant additives from the Company during the first six months of 2018. The Company's lubricant additives research and development ("R&D") team has been working closely with these customers for the development and testing work relating to their product upgrades. The Company foresees that when such customers' product upgrades are completed, the sales of the Company's lubricant additive products will increase to the normal level in the last quarter of 2018 following the recovery of orders from such customers. The gross profit margin of the lubricant additives segment decreased to approximately 40.5% from 43.9% on a year-on-year comparison due to higher fixed cost of sales incurred against lower sales volume during the first half of 2018. In our specialty fluorochemicals segment, the adverse impact of Fuxin Hengtong's relocation continued to affect the production capacity of the segment. For downstream products, due to the fact that almost no residual inventory of the core TI intermediate was available, the sales of the segment were down approximately 94.4% during the first half of 2018. As a result of the fixed cost of sales in depreciation charges on plant and machinery and amortization charges on intangible assets incurred, this segment recorded a gross loss during the first six months of 2018. As of the date of the announcement, the relocation of Fuxin Hengtong's production equipment is proceeding smoothly as per the Company's announcement dated 29 June 2018. The Company received positive responses during re-engagement with major customers of the specialty fluorochemicals segment and continues to negotiate details of the framework purchase agreements in 2019.

As at 30 June 2018, the Group had cash and cash equivalents of approximately RMB3,610.5 million (unaudited) and total borrowings and shareholder's loan of RMB2,901.3 million (unaudited).

The above financial information has not been reviewed by the Company's auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

## **Business Updates – Results of R&D**

The Company is pleased to announce that with the efforts from the Company's R&D team in developing new products and new applications, the Company has achieved encouraging results which are set out below.

### *R&D Results of our Specialty Fluorochemicals Segment*

The Company has been committed to penetrating into the end-use market, expanding end-use applications and developing new products by leveraging our technological advantages in specialty fluorochemical intermediates. Recently, the R&D of our water-based fluorocarbon coatings achieved a significant breakthrough. The pilot testing and scale trial production of relevant new products was successful, and the Company has devised respective technical flows for production as well as 74 product standards. Fluorocarbon coatings have excellent chemical stability, anti-corrosion property and weather-resistance performance. The products can be widely applied in various areas such as marine, ship container, drilling platform, mega-scale steel structure, automobile, machinery and electric industries, and therefore, the market prospects of such new products are promising.

### *R&D Results of our Lubricant Additives Segment*

The advanced CH-4 diesel engine oil developed by the Company has passed respective bench tests of two world renowned OEM certifications, namely, the Cummins ISM and the Caterpillar 1R. Besides, there are six newly developed products achieved favourable results in scale trial production, including (among others) novel products of sulphonate, metal deactivating agent and sulphurized calcium alkylphenate detergent. In addition, the Company's R&D team also achieved considerable progress in the R&D of lubricant additive packages used in class SN high-end petrol engine oil, anti-wear hydraulic oil and gear oil. At present, the Company is applying patents for three new lubricant additive products including a new water-based metal-processing liquid component in China, United States, India and Hong Kong, pending the issuance of letters patent.

## **Delay in Publication of 2018 Interim Results and Despatch of 2018 Interim Report**

Due to the delay of publication of the 2014, 2015, 2016 and 2017 Annual Results, and 2015, 2016 and 2017 Interim Results, the Company will not be able to publish its interim results for the six months ended 30 June 2018 ("**2018 Interim Results**") on or before 31 August 2018 as well as despatch its interim report for the six months ended 30 June 2018 ("**2018 Interim Report**") to its shareholders on or before 30 September 2018.

The Board acknowledges that the delay in the publication of the 2018 Interim Results and the despatch of the 2018 Interim Report will constitute 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 its shareholders the date of board meeting and the publication of the 2018 Interim Results, the expected date of despatch of the 2018 Interim Report and any other material information as and when appropriate.

Trading in the shares of the Company on the Stock Exchange will remain 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 2018

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