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## **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 ANNUAL RESULTS FOR  
THE YEAR ENDED 31 DECEMBER 2018 AND  
DESPATCH OF 2018 ANNUAL REPORT**

This announcement is made by Tianhe Chemicals Group Limited (the “**Company**”) pursuant to Rules 13.09(2) and 13.49(3) 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, 29 March and 30 August 2018 in relation to, among others, delay in (i) publication of the 2014, 2015, 2016 and 2017 Annual Results and despatch of the corresponding annual reports, and (ii) publication of the 2015, 2016, 2017 and 2018 Interim Results and despatch of the 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 Year Ended 31 December 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 consolidated financial information from its management accounts for the year ended 31 December 2018 as set out below.

	Year ended 31 December		Year-on- Year changes
	2018	2017	
	RMB million (unaudited)	RMB million (unaudited)	
<b>Revenue</b>	1,061.2	2,296.4	(53.8)%
Cost of sales	(660.5)	(1,285.8)	
Gross Profit	400.7	1,010.6	(60.4)%
Other income	2.1	3.6	
Other gains (losses)	5.2	(7.0)	
Selling and distribution costs	(7.2)	(22.8)	
Administrative expenses	(121.5)	(160.2)	
Other expenses	(11.5)	(13.0)	
<b>Profit from operations</b>	267.8	811.2	(67.0)%
Finance cost	(101.1)	(129.7)	
<b>Profit before taxation</b>	166.7	681.5	(75.5)%
Income tax expense	(35.6)	(118.1)	
<b>Profit and total comprehensive income for the year attributable to the owners of the Company</b>	<u>131.1</u>	<u>563.4</u>	(76.7)%

Our lubricant additives segment generated RMB1,051.1 million of revenue and RMB407.2 million of gross profit in 2018 representing a year-on-year decline of approximately 51.6% and 57.3% respectively. As mentioned in the Company's previous announcements, the market competition for lubricant oil products in the domestic market has become more intensified from foreign competition which in turn affected the demand for our products from certain major domestic customers. In addition, some of our other major overseas customers had been carrying out product upgrades for their lubricant oil products in 2018 resulting in reduced lubricant additives orders for the Company during the period of such upgrades. Due to higher fixed cost of sales incurred against lower sales volumes, the gross profit margin of the lubricant additives segment decreased to approximately 38.7% from 43.9% on a year-on-year comparison.

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 in 2018 were down approximately 92.1% when compared with that in 2017. 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 slight gross loss in 2018.

As a result of the above segment trends and based on the unaudited consolidated management accounts, the Group recorded a net profit of approximately RMB131.1 million for the year ended 31 December 2018, representing a decline of approximately 76.7% when compared with that in 2017.

As at 31 December 2018, the Group had cash balances (including bank deposits and cash and cash equivalents) of approximately RMB3,778.4 million (unaudited) and total borrowings and shareholder's loan of RMB2,903.8 million (unaudited).

The above financial information has been reviewed by the Audit Committee of the Company but has not been audited or reviewed by the Company's auditor and may be subject to audit adjustments. Further details of the Group's financial information will be disclosed as and when audited consolidated financial statements of the Group are published.

## **Business Updates**

### *Lubricant Additives*

Since certain major overseas customers have been carrying out product upgrades for their lubricant oil products in 2018, fewer lubricant additive products were purchased from the Company. The Company's lubricant additives research and development team had been working closely with these customers for the development and testing work relating to their product upgrades. The product upgrades of certain of these major customers have been completed in early 2019. The Company anticipates that, with the recovery of orders from such customers, the sales of lubricant additive products will rise progressively to the normal levels during the year. In light of developments in the domestic market for downstream lubricant oils, the Company expects an increased percentage of sales of lubricant oil additives to overseas customers compared to in years past. In addition, the production capacity expansion projects, including the construction of facilities for T154 ashless dispersant and T106 detergent products, have been completed in 2018 as previously expected. The Company remains positive on the prospects for this segment.

### *Progress on Fuxin Hengtong's Relocation*

As disclosed in the Company's announcement dated 9 November 2018, one of the primary focuses of the Company has been to complete the relocation of the production lines of Fuxin Hengtong. As of the date of this announcement, the relocation work is undergoing. Currently, the equipment assessment is finished and installation will be commenced shortly. The Company's sales team continues to re-engage and negotiate solid purchase orders with major customers. The Company expects that the production and sales of specialty fluorochemical products will gradually resume to ordinary production levels in the second half of 2019. The Company remains positive on the prospects for this segment.

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

Due to the delay of publication of the 2014 Annual Results, 2015 Interim Results, 2015 Annual Results, 2016 Interim Results, 2016 Annual Results, 2017 Interim Results, 2017 Annual Results and 2018 Interim Results, the Company will not be able to publish its annual results for the year ended 31 December 2018 (“**2018 Annual Results**”) on or before 31 March 2019 as well as despatch its annual report for the year ended 31 December 2018 (“**2018 Annual Report**”) to its shareholders on or before 30 April 2019.

The Board acknowledges that the delay in the publication of the 2018 Annual Results and the despatch of the 2018 Annual Report will constitute non-compliance of Rules 13.49(1) and 13.46(2) 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 2018 Annual Results, the expected date of despatch of the 2018 Annual Report as well as 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, 29 March 2019

*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, as non-executive Director; LOKE Yu (alias LOKE Hoi Lam), CHAN Kin Sang and XU Xiaodong, as independent non-executive Directors.*