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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 INTERIM RESULTS FOR
THE SIX MONTHS ENDED 30 JUNE 2019 AND
DESPATCH OF 2019 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, 29 March, 30 August 2018 and 29 March 2019 in relation to, among others, delay in (i) publication of the 2014, 2015, 2016, 2017 and 2018 Annual Results and despatch of corresponding annual reports, and (ii) publication of the 2015, 2016, 2017 and 2018 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 2019

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 2019 as set out below.

	Six months ended 30 June		Year-on- Year changes
	2019	2018	
	RMB million (unaudited)	RMB million (unaudited)	
Revenue	323.6	700.4	(53.8)%
Cost of sales	(205.9)	(423.5)	
Gross profit	117.7	276.9	(57.5)%
Other income	0.1	1.6	
Other gains	0.2	-	
Selling and distribution costs	(0.2)	(5.4)	
Administrative expenses	(44.9)	(54.7)	
Other expenses	(4.4)	(5.7)	
Profit from operations	68.5	212.7	(67.8)%
Finance cost	(52.0)	(48.7)	
Profit before taxation	16.5	164.0	(89.9)%
Income tax expense	(7.3)	(29.9)	
Profit and total comprehensive income for the period attributable to the owners of the Company	9.2	134.1	(93.1)%

Based on the unaudited consolidated management accounts, the Group recorded a net profit of approximately RMB9.2 million for the six months ended 30 June 2019, representing a decline of approximately 93.1% when compared with that in the corresponding period in 2018. Our lubricant additives segment recorded a decline in both revenue and gross profit of approximately 53.8% and 57.0% respectively for the first half of 2019. As mentioned in previous announcements, the market competition of lubricant oil products in the domestic market has become more intensified and the effective demand of such products declined, which affected the demand of our products from certain major customers. In addition, due to prolonged suspension of trading in the shares of the Company and the incompleteness of the audit, the Company was unable to meet all the requirements for the qualified suppliers as set out by some of our major customers, and thus there has been uncertainties on obtaining orders from such major customers. The gross profit margin of the lubricant additives segment decreased to approximately 37.7% from 40.5% on a year-on-year comparison due to higher fixed cost of sales incurred against lower sales volume during the first half of 2019. In our specialty fluorochemicals segment, the adverse impact of Fuxin Hengtong's relocation continued to affect the production capacity of the segment. As affected by relevant uncontrollable factors, the progress of the construction of new production site for this segment was slow, and the Company is unable to provide an accurate forecast on the completion time of such project at this stage. Since almost no residual inventory of the specialty fluorochemical intermediate was available, the sales of the segment decreased approximately 58.2% during the first half of 2019 and gross loss was recorded for this segment.

As at 30 June 2019, the Group had cash and cash equivalents of approximately RMB3,862.7 million (unaudited) and total borrowings and shareholder's loan of RMB2,931.0 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

Due to the adverse impact caused by the prolonged suspension of trading in the shares of the Company, the delay in progress of relevant major projects and the unstability arising from macro economy and international situation, the Company expects the performance of both lubricant additives segment and specialty fluorochemicals segment will be affected, specifically the production and sales of both segment will face tough challenges in the second half of the year.

Delay in Publication of 2019 Interim Results and Despatch of 2019 Interim Report

Due to the delay of publication of the 2014, 2015, 2016, 2017 and 2018 Annual Results, and 2015, 2016, 2017 and 2018 Interim Results, the Company will not be able to publish its interim results for the six months ended 30 June 2019 ("**2019 Interim Results**") on or before 31 August 2019 as well as despatch its interim report for the six months ended 30 June 2019 ("**2019 Interim Report**") to its shareholders on or before 30 September 2019.

The Board acknowledges that the delay in the publication of the 2019 Interim Results and the despatch of the 2019 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 2019 Interim Results, the expected date of despatch of the 2019 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 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; LOKE Yu (alias LOKE Hoi Lam), CHAN Kin Sang and XU Xiaodong, as independent non-executive Directors.