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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 2021

FINANCIAL HIGHLIGHTS

Revenue of the Group for the six months ended 30 June 2021 amounted to approximately RMB753.4 million, representing an increase of approximately RMB17.9 million or 2.4% comparing with that in the same period of 2020.

Gross profit of the Group for the six months ended 30 June 2021 amounted to approximately RMB214.4 million, representing a decrease of approximately RMB92.6 million or 30.2% comparing with that in the same period of 2020.

Net profit of the Group for the six months ended 30 June 2021 amounted to approximately RMB83.1 million, representing a decrease of approximately RMB55.6 million or 40.1% comparing with that in the same period of 2020.

Basic and diluted earnings per share attributable to ordinary equity holders of the parent for the six months ended 30 June 2021 amounted to approximately RMB0.08, representing a decrease of approximately RMB0.05 or 38.5% comparing with that in the same period of 2020.

The Board resolved to declare and pay an interim dividend of RMB0.039 per ordinary share for the six months ended 30 June 2021 (the six months ended 30 June 2020: RMB0.048 per ordinary share).

RESULTS

The board (the “**Board**”) of directors (the “**Director(s)**”) of Tsaker Chemical Group Limited (the “**Company**” or “**we**” or “**our**”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 (the “**Review Period**”), together with the comparative figures for the same period in 2020. These results were prepared based on the Group’s 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 | 2021 <i>RMB'000</i> (Unaudited) | 2020 <i>RMB'000</i> (Unaudited) |
|--|-------|---------------------------------------|---------------------------------------|
| REVENUE | 3 | 753,416 | 735,521 |
| Cost of sales | | <u>(539,025)</u> | <u>(428,544)</u> |
| Gross profit | | 214,391 | 306,977 |
| Other income and gains | | 14,142 | 3,627 |
| Selling and distribution expenses | | (27,273) | (20,166) |
| Administrative expenses | | (67,194) | (84,818) |
| Other expenses | | (10,838) | (2,951) |
| Finance costs | 5 | (13,845) | (13,603) |
| Exchange gains/(losses), net | | <u>101</u> | <u>(10,411)</u> |
| PROFIT BEFORE TAX | 6 | 109,484 | 178,655 |
| Income tax expense | 7 | <u>(26,421)</u> | <u>(39,928)</u> |
| PROFIT FOR THE PERIOD | | <u>83,063</u> | <u>138,727</u> |
| OTHER COMPREHENSIVE INCOME | | | |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax): | | | |
| Exchange differences on translation of foreign operations | | <u>(3,577)</u> | <u>6,326</u> |
| Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax): | | | |
| Equity investments designated at fair value through other comprehensive income (“FVOCI”) | | <u>19,675</u> | <u>(4,803)</u> |
| Other comprehensive income, net of tax | | <u>16,098</u> | <u>1,523</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | <u>99,161</u> | <u>140,250</u> |
| Profit attributable to: | | | |
| Owners of the parent | | 83,063 | 139,003 |
| Non-controlling interests | | <u>–</u> | <u>(276)</u> |
| | | <u>83,063</u> | <u>138,727</u> |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | | 99,161 | 140,526 |
| Non-controlling interests | | <u>–</u> | <u>(276)</u> |
| | | <u>99,161</u> | <u>140,250</u> |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| Basic and diluted (expressed in RMB per share) | 8 | <u>0.08</u> | <u>0.13</u> |

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

| | <i>Notes</i> | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|--|--------------|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | <i>9</i> | 1,438,555 | 1,477,147 |
| Right-of-use assets | | 89,165 | 93,843 |
| Intangible assets | | 18,373 | 19,625 |
| Equity investments designated at FVOCI | <i>10</i> | 73,676 | 50,218 |
| Deferred tax assets | | 35,456 | 43,016 |
| Other non-current assets | | 12,981 | 11,707 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 1,668,206 | 1,695,556 |
| CURRENT ASSETS | | | |
| Inventories | <i>11</i> | 218,137 | 177,787 |
| Trade receivables | <i>12</i> | 169,774 | 135,164 |
| Notes receivable | | 69,128 | 82,177 |
| Prepayments and other receivables | | 150,875 | 148,695 |
| Financial assets at fair value through profit or loss | | 29,036 | 1,709 |
| Restricted cash | | 187 | 760 |
| Cash and cash equivalents | | 104,562 | 101,240 |
| | | <hr/> | <hr/> |
| Total current assets | | 741,699 | 647,532 |
| CURRENT LIABILITIES | | | |
| Trade payables | <i>13</i> | 187,168 | 178,901 |
| Other payables and accruals | | 62,661 | 86,328 |
| Contract liabilities | | 13,993 | 11,514 |
| Interest-bearing bank and other borrowings | <i>14</i> | 280,024 | 282,000 |
| Income tax payable | | 10,817 | 10,651 |
| Current portion of long-term bank and other borrowings | <i>14</i> | 27,305 | 28,212 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 581,968 | 597,606 |
| NET CURRENT ASSETS | | <hr/> 159,731 | <hr/> 49,926 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <hr/> 1,827,937 | <hr/> 1,745,482 |

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2021

| | <i>Notes</i> | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|---|--------------|---|---|
| NON-CURRENT LIABILITIES | | | |
| Deferred income | | 22,865 | 21,177 |
| Deferred tax liabilities | | 5,250 | 5,250 |
| Interest-bearing bank and other borrowings | 14 | 25,665 | 39,440 |
| Lease liabilities | | 418 | 323 |
| | | <u>54,198</u> | <u>66,190</u> |
| Total non-current liabilities | | <u>54,198</u> | <u>66,190</u> |
| Net assets | | <u><u>1,773,739</u></u> | <u><u>1,679,292</u></u> |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | | 66,713 | 66,713 |
| Treasury shares | | (4,714) | – |
| Reserves | | 1,711,740 | 1,612,579 |
| | | <u>1,773,739</u> | <u>1,679,292</u> |
| Total equity | | <u><u>1,773,739</u></u> | <u><u>1,679,292</u></u> |

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

| | Attributable to owners of the parent | | | | | | | | | |
|---|--------------------------------------|----------------------------|--------------------------|----------------------------|-----------------------------------|------------------------------|--------------------------------|--|-----------------------------|-------------------------|
| | Share capital RMB'000 | Treasury shares RMB'000 | Share premium RMB'000 | Capital reserve RMB'000 | Safety production fund RMB'000 | Statutory reserve RMB'000 | Translation reserve RMB'000 | Fair value reserve of financial assets at FVOCI RMB'000 | Retained profits RMB'000 | Total equity RMB'000 |
| At 1 January 2021 (audited) | 66,713 | - | 421,899 | (105,894) | 63,679 | 152,189 | 33,244 | (5,004) | 1,052,466 | 1,679,292 |
| Profit for the period | - | - | - | - | - | - | - | - | 83,063 | 83,063 |
| Other comprehensive income for the period | - | - | - | - | - | - | (3,577) | 19,675 | - | 16,098 |
| Total comprehensive income for the period | - | - | - | - | - | - | (3,577) | 19,675 | 83,063 | 99,161 |
| Repurchase of own shares | - | (4,714) | - | - | - | - | - | - | - | (4,714) |
| Appropriation to safety production fund | - | - | - | - | 3,203 | - | - | - | (3,203) | - |
| At 30 June 2021 (unaudited) | <u>66,713</u> | <u>(4,714)</u> | <u>421,899</u> | <u>(105,894)</u> | <u>66,882</u> | <u>152,189</u> | <u>29,667</u> | <u>14,671</u> | <u>1,132,326</u> | <u>1,773,739</u> |

For the six months ended 30 June 2020

| | Attributable to owners of the parent | | | | | | | | | | | |
|---|--------------------------------------|----------------------------|--------------------------|----------------------------|-----------------------------------|------------------------------|--------------------------------|--|-----------------------------|-------------------------|--------------------------------------|------------------|
| | Share capital RMB'000 | Treasury shares RMB'000 | Share premium RMB'000 | Capital reserve RMB'000 | Safety production fund RMB'000 | Statutory reserve RMB'000 | Translation reserve RMB'000 | Fair value reserve of financial assets at FVOCI RMB'000 | Retained profits RMB'000 | Total equity RMB'000 | Non-controlling interests RMB'000 | |
| At 1 January 2020 (audited) | 67,088 | - | 632,318 | (105,894) | 54,550 | 131,469 | 54,914 | (5,720) | 937,440 | 1,766,165 | 276 | 1,766,441 |
| Profit for the period | - | - | - | - | - | - | - | - | 139,003 | 139,003 | (276) | 138,727 |
| Other comprehensive income for the period | - | - | - | - | - | - | 6,326 | (4,803) | - | 1,523 | - | 1,523 |
| Total comprehensive income for the period | - | - | - | - | - | - | 6,326 | (4,803) | 139,003 | 140,526 | (276) | 140,250 |
| Repurchase of own shares | - | (5,695) | - | - | - | - | - | - | - | (5,695) | - | (5,695) |
| 2019 dividend and special dividend declared (Note 20) | - | - | (155,465) | - | - | - | - | - | - | (155,465) | - | (155,465) |
| Cancellation of own shares | (227) | 3,461 | (3,234) | - | - | - | - | - | - | - | - | - |
| Appropriation to safety production fund | - | - | - | - | 5,352 | - | - | - | (5,352) | - | - | - |
| At 30 June 2020 (unaudited) | <u>66,861</u> | <u>(2,234)</u> | <u>473,619</u> | <u>(105,894)</u> | <u>59,902</u> | <u>131,469</u> | <u>61,240</u> | <u>(10,523)</u> | <u>1,071,091</u> | <u>1,745,531</u> | <u>-</u> | <u>1,745,531</u> |

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June

| | <i>Notes</i> | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
|---|--------------|---|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | | 94,773 | 216,497 |
| Income tax paid | | (28,328) | (61,907) |
| Net cash flows from operating activities | | 66,445 | 154,590 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payment for the purchase of property, plant and equipment, right-of-use assets, and intangible assets | | (18,347) | (30,241) |
| Other cash flows used in investing activities | | (7,323) | (19,374) |
| Net cash flows used in investing activities | | (25,670) | (49,615) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from borrowings | | 170,000 | 209,000 |
| Repayment of borrowings | | (201,683) | (227,787) |
| Principal portion of lease liabilities | | (1,138) | (4,811) |
| Dividend paid | | – | (60,227) |
| Repurchase of own shares | | (4,714) | (5,695) |
| Net cash flows used in financing activities | | (37,535) | (89,520) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | | |
| Cash and cash equivalents at beginning of the period | | 3,240 | 15,455 |
| Effect of foreign exchange rate changes, net | | 101,240 | 104,844 |
| | | 82 | (323) |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | | | |
| | <i>15</i> | 104,562 | 119,976 |

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is 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 dye and agricultural chemical intermediates
- manufacture and sale of pigment intermediates
- manufacture and sale of battery materials
- others

In the opinion of the Directors, the de facto controller of the Company is Mr. Ge Yi, who holds 51.63% voting right of the Company as at 30 June 2021.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2021 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34.

The interim condensed consolidated financial information 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 2020.

2.2 Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period's financial information.

Amendments to HKFRS 9, HKAS 39 ,
HKFRS 7, HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform – Phase 2

*Covid-19-Related Rent Concessions beyond 30 June 2021
(early adopted)*

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2021

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy. These amendments had no material impact on the interim condensed consolidated financial information of the Group.
- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the Covid-19 pandemic. The amendment did not have any impact on the financial position and performance of the Group as there were no material lease payments reduced or waived by the lessors as a result of the Covid-19 pandemic during the period.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2021

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

An analysis of revenue is as follows:

| | For the six months ended 30 June | |
|---|---|--------------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Revenue from contracts with customers | | |
| Sale of goods and provision of consultancy and maintenance services | 753,416 | 735,521 |

Set out below is the disaggregation of the Group's revenue from contracts with customers:

| | For the six months ended 30 June 2021 | | | | |
|--|--|----------------------------------|------------------------------|--------------------|--------------------|
| Segments | Dye and agricultural chemical intermediates | Pigment intermediates | Battery materials | Others | Total |
| Types of goods or services | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Sale of chemical intermediates and battery materials | 573,930 | 155,637 | 23,405 | – | 752,972 |
| Provision of consultancy and maintenance services | – | – | – | 444 | 444 |
| Total revenue from contracts with customers | 573,930 | 155,637 | 23,405 | 444 | 753,416 |
| Geographical markets | | | | | |
| Mainland China | 419,002 | 92,053 | 23,405 | 444 | 534,904 |
| India | 44,512 | 35,917 | – | – | 80,429 |
| Indonesia | 36,610 | – | – | – | 36,610 |
| Brazil | 23,978 | – | – | – | 23,978 |
| Spain | 17,993 | – | – | – | 17,993 |
| United States | 2,496 | 12,824 | – | – | 15,320 |
| Taiwan, China | 12,324 | – | – | – | 12,324 |
| Germany | 10,870 | – | – | – | 10,870 |
| Other countries/regions | 6,145 | 14,843 | – | – | 20,988 |
| Total revenue from contracts with customers | 573,930 | 155,637 | 23,405 | 444 | 753,416 |
| Timing of revenue recognition | | | | | |
| Goods transferred at a point in time | 573,930 | 155,637 | 23,405 | – | 752,972 |
| Services transferred over time | – | – | – | 444 | 444 |
| Total revenue from contracts with customers | 573,930 | 155,637 | 23,405 | 444 | 753,416 |

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2021

3. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

| Segments Types of goods or services | For the six months ended 30 June 2020 | | | | |
|--|---|---|---|----------------------------------|---------------------------------|
| | Dye and agricultural chemical intermediates RMB'000 (Unaudited) | Pigment intermediates RMB'000 (Unaudited) | Battery materials RMB'000 (Unaudited) | Others RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
| Sale of chemical intermediates and battery materials | 602,074 | 125,563 | 5,331 | – | 732,968 |
| Provision of consultancy and maintenance services | – | – | – | 2,553 | 2,553 |
| Total revenue from contracts with customers | 602,074 | 125,563 | 5,331 | 2,553 | 735,521 |
| Geographical markets | | | | | |
| Mainland China | 371,875 | 71,999 | 5,331 | 2,553 | 451,758 |
| India | 31,169 | 34,960 | – | – | 66,129 |
| Indonesia | 50,815 | – | – | – | 50,815 |
| Brazil | 16,190 | – | – | – | 16,190 |
| Spain | 29,875 | – | – | – | 29,875 |
| United States | 26,893 | 8,419 | – | – | 35,312 |
| Taiwan, China | 3,662 | – | – | – | 3,662 |
| Germany | 51,665 | – | – | – | 51,665 |
| Other countries/regions | 19,930 | 10,185 | – | – | 30,115 |
| Total revenue from contracts with customers | 602,074 | 125,563 | 5,331 | 2,553 | 735,521 |
| Timing of revenue recognition | | | | | |
| Goods transferred at a point in time | 602,074 | 125,563 | 5,331 | – | 732,968 |
| Services transferred over time | – | – | – | 2,553 | 2,553 |
| Total revenue from contracts with customers | 602,074 | 125,563 | 5,331 | 2,553 | 735,521 |

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2021

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four (2020: four) reportable operating segments as follows:

- (a) the dye and agricultural chemical intermediates segment produces dye intermediate products for the use in the production of dye-related products and products for the use in the production of agricultural chemicals;
- (b) the pigment intermediates segment produces pigment intermediate products for the use in the production of pigments;
- (c) the battery materials segment engages in the manufacture and sale of battery materials; and
- (d) the “others” segment comprises, principally, the Group’s environmental technology consultancy services engages in environmental protection.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated mainly based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group’s profit before tax except that interest income, finance costs and other unallocated expenses of the Company and corporate expenses are excluded from such measurement.

The measurement of segment assets and liabilities is the same as that of the interim condensed consolidated statement of financial position as at 30 June 2021, excluding unallocated corporate assets and liabilities as these assets and liabilities are managed on a group basis.

The following tables present revenue and profit information for the Group’s operating segments for the six months ended 30 June 2021 and 2020.

| Six months ended 30 June 2021 (unaudited) | Dye and agricultural chemical intermediates <i>RMB’000</i> (Unaudited) | Pigment intermediates <i>RMB’000</i> (Unaudited) | Battery materials <i>RMB’000</i> (Unaudited) | Others <i>RMB’000</i> (Unaudited) | Total for segments <i>RMB’000</i> (Unaudited) | Corporate, other unallocated expenses and eliminations <i>RMB’000</i> (Unaudited) | Consolidated <i>RMB’000</i> (Unaudited) |
|--|---|---|---|---|--|---|---|
| Revenue | | | | | | | |
| External customers | 573,930 | 155,637 | 23,405 | 444 | 753,416 | - | 753,416 |
| Inter-segment | 4,941 | - | - | - | 4,941 | (4,941) | - |
| Total revenue | <u>578,871</u> | <u>155,637</u> | <u>23,405</u> | <u>444</u> | <u>758,357</u> | <u>(4,941)</u> | <u>753,416</u> |
| Results | | | | | | | |
| Segment profit | <u>100,608</u> | <u>28,897</u> | <u>(11,926)</u> | <u>(2,782)</u> | <u>114,797</u> | <u>(5,313)</u> | <u>109,484</u> |
| Including: | | | | | | | |
| Write-down of inventories to net realisable value | - | - | (3,909) | - | (3,909) | - | (3,909) |

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2021

4. SEGMENT INFORMATION (CONTINUED)

| Six months ended 30 June 2020 (unaudited) | Dye and agricultural chemical intermediates <i>RMB'000</i> (Unaudited) | Pigment intermediates <i>RMB'000</i> (Unaudited) | Battery materials <i>RMB'000</i> (Unaudited) | Others <i>RMB'000</i> (Unaudited) | Total for segments <i>RMB'000</i> (Unaudited) | Corporate, other unallocated expenses and eliminations <i>RMB'000</i> (Unaudited) | Consolidated <i>RMB'000</i> (Unaudited) |
|--|---|---|---|---|--|---|---|
| Revenue | | | | | | | |
| External customers | 602,074 | 125,563 | 5,331 | 2,553 | 735,521 | – | 735,521 |
| Inter-segment | 4,771 | – | – | 49 | 4,820 | (4,820) | – |
| Total revenue | 606,845 | 125,563 | 5,331 | 2,602 | 740,341 | (4,820) | 735,521 |
| Results | | | | | | | |
| Segment profit | 185,108 | 31,835 | (22,896) | (3,008) | 191,039 | (12,384) | 178,655 |
| Including: Write-down of inventories to net realisable value | (1,180) | – | (8,451) | – | (9,631) | – | (9,631) |

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

The following table presents asset and liability information for the Group's operating segments as at 30 June 2021 and 31 December 2020, respectively.

| | Dye and agricultural chemical intermediates <i>RMB'000</i> | Pigment intermediates <i>RMB'000</i> | Battery materials <i>RMB'000</i> | Others <i>RMB'000</i> | Total for segments <i>RMB'000</i> | Corporate, other unallocated expenses and eliminations <i>RMB'000</i> | Consolidated <i>RMB'000</i> |
|----------------------------|--|--|--|--------------------------|---|--|--------------------------------|
| Assets | | | | | | | |
| 30 June 2021 (unaudited) | 1,943,321 | 362,009 | 333,664 | 96,141 | 2,735,135 | (325,230) | 2,409,905 |
| 31 December 2020 (audited) | 1,883,017 | 319,849 | 299,401 | 100,650 | 2,602,917 | (259,829) | 2,343,088 |
| Liabilities | | | | | | | |
| 30 June 2021 (unaudited) | 599,083 | 124,052 | 425,034 | 178 | 1,148,347 | (512,181) | 636,166 |
| 31 December 2020 (audited) | 613,316 | 99,977 | 384,116 | 3,075 | 1,100,484 | (436,688) | 663,796 |

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2021

4. SEGMENT INFORMATION (CONTINUED)

Corporate and eliminations

| | For the six months ended 30 June | |
|--|----------------------------------|----------------|
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Reconciliation of profit | | |
| Segment profit | 114,797 | 191,039 |
| Realisation/(elimination) of intersegment transactions | 1,017 | (1,052) |
| Corporate and other unallocated expenses | (6,330) | (11,332) |
| | <u>109,484</u> | <u>178,655</u> |
| Profit before tax | <u>109,484</u> | <u>178,655</u> |

Information about major customers

For the first six months of 2021, revenue of RMB114,418,000 was derived from sales by the dye and agricultural chemical intermediates segment to a single customer.

For the first six months of 2020, revenue of RMB109,575,000 was derived from sales by the dye and agricultural chemical intermediates segment to the same customer.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2021

5. FINANCE COSTS

An analysis of finance costs is as follows:

| | For the six months ended 30 June | |
|---------------------------------------|----------------------------------|---------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Interest on bank and other borrowings | 12,062 | 14,836 |
| Other finance costs | 1,783 | 3,168 |
| Less: Interest expenses capitalised | – | (4,401) |
| | <u>13,845</u> | <u>13,603</u> |

The weighted average interest rate of capitalisation for the six months ended 30 June 2021 was nil (six months ended 30 June 2020: 7.23%).

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived after charging/(crediting):

| | For the six months ended 30 June | |
|--|----------------------------------|-------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Cost of inventories sold | 538,506 | 427,221 |
| Cost of services provided | 519 | 1,323 |
| Depreciation of property, plant and equipment | 47,783 | 43,104 |
| Research and development costs | 8,903 | 7,335 |
| Depreciation of right-of-use assets | 2,761 | 4,749 |
| Amortisation of intangible assets | 1,150 | 1,200 |
| Lease payment not in the measurement of lease liabilities | 419 | 485 |
| Auditors' remuneration | 1,328 | 1,725 |
| Wages, salaries and welfare | 52,672 | 54,857 |
| Pension and other social insurances | 10,350 | 5,729 |
| Exchange (gains)/losses, net | (101) | 10,411 |
| Dividend income from equity investments at FVOCI | (1,323) | (16) |
| Loss on disposal of items of property, plant and equipment | 8,180 | 994 |
| Write-down of inventories to net realisable value | 3,909 | 9,631 |
| Fair value loss/(gain), net: | | |
| Financial assets at fair value through profit or loss | 479 | (85) |
| | <u>479</u> | <u>(85)</u> |

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2021

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 profit or loss are as follows:

| | For the six months ended 30 June | |
|--|----------------------------------|--------------------------------|
| | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
| Income taxes | | |
| Current income tax expense | 18,861 | 37,806 |
| Deferred income tax expense | 7,560 | 2,122 |
| Total income tax charge for the period | <u>26,421</u> | <u>39,928</u> |

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 | |
|---|----------------------------------|---------------------|
| | 2021 (Unaudited) | 2020 (Unaudited) |
| Earnings: | | |
| Profit for the period attributable to ordinary equity holders of the parent (RMB'000) | <u>83,063</u> | <u>139,003</u> |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation ('000) | <u>1,031,526</u> | <u>1,037,846</u> |
| Earnings per share | | |
| Basic and diluted (RMB) | <u>0.08</u> | <u>0.13</u> |

The Group did not have any dilutive potential ordinary shares during the six months ended 30 June 2021 or 2020.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2021

9. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 June 2021, the Group acquired property, plant and equipment with an aggregate cost of RMB18,869,000 (six months ended 30 June 2020: RMB17,254,000).

No borrowing costs was capitalised to property, plant and equipment during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB4,401,000).

Assets with a net book value of RMB9,678,000 were disposed of by the Group during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB2,374,000), resulting in a net loss on disposal of RMB8,180,000 (six months ended 30 June 2020: net loss of RMB994,000).

During the six months ended 30 June 2021, no impairment loss was provided (the six months ended 30 June 2020: nil).

10. EQUITY INVESTMENTS DESIGNATED AT FVOCI

| | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|--|---|---|
| Equity investments designated at FVOCI: | | |
| Quoted equity investments, at fair value: | | |
| Equity investments in a listed company | 45,149 | 25,829 |
| Unquoted equity investments, at fair value | 28,527 | 24,389 |
| | <u>73,676</u> | <u>50,218</u> |

The gross gain in respect of the Group's financial assets at FVOCI recognised in other comprehensive income amounted to RMB19,675,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: a loss of RMB4,803,000).

11. INVENTORIES

During the six months ended 30 June 2021, the Group wrote down RMB3,909,000 (six months ended 30 June 2020: RMB9,631,000) of inventories to their net realisable value.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2021

12. TRADE RECEIVABLES

| | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|----------------------|---|---|
| Trade receivables | 171,839 | 137,229 |
| Impairment provision | <u>(2,065)</u> | <u>(2,065)</u> |
| | <u>169,774</u> | <u>135,164</u> |

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. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. 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 loss allowance, is as follows:

| | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|----------------------|---|---|
| Within 1 month | 75,641 | 54,129 |
| 1 month to 2 months | 37,345 | 31,941 |
| 2 months to 3 months | 36,284 | 16,349 |
| 3 months to 4 months | 5,422 | 10,342 |
| Over 4 months | <u>15,082</u> | <u>22,403</u> |
| | <u>169,774</u> | <u>135,164</u> |

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2021

12. TRADE RECEIVABLES (CONTINUED)

The movements in the loss allowance for impairment of trade receivables is as follows:

| | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|-------------------------------------|---|---|
| At 1 January | 2,065 | 783 |
| Impairment provided | – | 1,347 |
| Amount written off as uncollectible | – | (65) |
| | <u>2,065</u> | <u>2,065</u> |

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if the Group is satisfied that recovery of the amount is remote.

The Group applies the simplified approach to the provision for expected credit losses prescribed by HKFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. To measure the expected credit loss on trade receivables, trade receivables have been grouped based on shared credit risk characteristics and the ageing.

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 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|----------------------|---|---|
| Within 1 month | 83,366 | 63,034 |
| 1 month to 2 months | 13,446 | 10,165 |
| 2 months to 3 months | 6,765 | 2,948 |
| Over 3 months | 83,591 | 102,754 |
| | <u>187,168</u> | <u>178,901</u> |

The trade payables are non-interest-bearing and are normally settled on 30-day to 90-day terms.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2021

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | 30 June 2021 | | | 31 December 2020 | | |
|--|-----------------------------|-----------|----------------|-----------------------------|-----------|----------------|
| | Effective interest rate (%) | Maturity | RMB'000 | Effective interest rate (%) | Maturity | RMB'000 |
| Short-term | | | | | | |
| Bank loans – secured | 4.50-6.80 | 2021-2022 | 260,000 | 4.50-6.96 | 2021 | 277,000 |
| Bank loans – unsecured | 6.00 | 2021 | 5,000 | 6.00 | 2021 | 5,000 |
| Other borrowings – secured | 5.25 | 2021 | 15,024 | – | 2021 | – |
| | | | <u>280,024</u> | | | <u>282,000</u> |
| Long-term | | | | | | |
| Bank loans – secured | 7.20 | 2022 | 19,000 | 7.20 | 2022 | 20,000 |
| Other borrowings – secured | 10.17-13.47 | 2022-2023 | 33,970 | 10.17-13.47 | 2022-2023 | 47,652 |
| | | | <u>52,970</u> | | | <u>67,652</u> |
| Less: Current portion of long-term bank and other borrowings | | | <u>27,305</u> | | | <u>28,212</u> |
| | | | <u>25,665</u> | | | <u>39,440</u> |
| Total bank and other borrowings | | | <u>332,994</u> | | | <u>349,652</u> |
| Analysed into: | | | | | | |
| Bank and other borrowings repayable: | | | | | | |
| Within one year | | | 307,329 | | | 310,212 |
| In the second year | | | 23,846 | | | 34,116 |
| In the third year to fifth year, inclusive | | | 1,819 | | | 5,324 |
| Total | | | <u>332,994</u> | | | <u>349,652</u> |

Certain of the Group's property, plant and equipment, right-of-use assets, equity investments designated at FVOCI and financial assets at fair value through profit or loss with aggregate net carrying amounts of approximately RMB196.6 million (31 December 2020: approximately RMB201.1 million) were pledged to secure bank and other borrowings as well as banking facilities granted to the Group.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2021

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 2021 RMB'000 (Unaudited) | 30 June 2020 RMB'000 (Unaudited) |
|---------------------------------|---|---|
| Cash and bank balances | 104,749 | 121,554 |
| Less: Restricted cash | (187) | (1,578) |
| | <hr/> 104,562 <hr/> | <hr/> 119,976 <hr/> |
| Cash and cash equivalents | | |
| | <hr/> 104,562 <hr/> | <hr/> 119,976 <hr/> |
| Denominated in RMB | 93,993 | 114,961 |
| Denominated in other currencies | 10,569 | 5,015 |
| | <hr/> 104,562 <hr/> | <hr/> 119,976 <hr/> |
| Cash and cash equivalents | | |
| | <hr/> 104,562 <hr/> | <hr/> 119,976 <hr/> |

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e., unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e., observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

At 30 June 2021 and 31 December 2020, the financial instruments of the Group carried at fair value were equity investments designated at FVOCI, financial assets at fair value through profit and loss and notes receivables. These instruments fall into Level 1, Level 2 and Level 3 of the fair value hierarchy described above.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2021

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial assets and liabilities measured at fair value (continued)

| | Fair value measurements as at 30 June 2021 categorised into | | | |
|---|---|--|---|---|
| | Fair value at 30 June 2021 | Quoted prices in active markets for identical assets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Financial assets: | | | | |
| Notes receivable | 69,128 | – | 69,128 | – |
| Financial assets at fair value through profit or loss | 29,036 | 29,036 | – | – |
| Quoted equity investments at fair value | 45,149 | 45,149 | – | – |
| Unquoted equity investments at fair value | 28,527 | – | – | 28,527 |
| | <u>171,840</u> | <u>74,185</u> | <u>69,128</u> | <u>28,527</u> |
| | | | | |
| | Fair value measurements as at 31 December 2020 categorised into | | | |
| | Fair value at 31 December 2020 | Quoted prices in active markets for identical assets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Audited) | (Audited) | (Audited) | (Audited) |
| Financial assets: | | | | |
| Notes receivable | 82,177 | – | 82,177 | – |
| Financial assets at fair value through profit or loss | 1,709 | 1,709 | – | – |
| Quoted equity investments at fair value | 25,829 | 25,829 | – | – |
| Unquoted equity investments at fair value | 24,389 | – | – | 24,389 |
| | <u>134,104</u> | <u>27,538</u> | <u>82,177</u> | <u>24,389</u> |

The fair values of listed and quoted equity investments are based on quoted market prices. The Group invests in unlisted investments, which represent investment in a fund. The Group has estimated the fair value of the investments based on net assets of the underlying projects of the fund. Given that the underlying project was still under early stage of development, the Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate value at the end of the reporting period.

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2021 and 31 December 2020.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2021

17. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2021 (31 December 2020: nil).

18. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

| | 30 June 2021 RMB'000 (Unaudited) | 31 December 2020 RMB'000 (Audited) |
|--|---|---|
| Contracted, but not provided for: | | |
| Plant and machinery | 103,429 | 120,009 |
| Capital contribution payable to an equity investment | <u>5,330</u> | <u>9,787</u> |

19. RELATED PARTY TRANSACTIONS

The following table provides the total amounts of transactions that have been entered into with related parties during the six months ended 30 June 2021 and 2020:

(a) Transactions with related parties:

| | For the six months ended 30 June | |
|--|---|--------------------------------|
| | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
| Purchases of products and services: | | |
| Cangzhou Aomu Agricultural Development Co., Ltd. | 294 | 22 |
| Dezhou Wugu Food Technology Co., Ltd. | 158 | 9 |
| Cangzhou Wugu Food Technology Co., Ltd. | 67 | 127 |
| Huage Holdings Group Co., Ltd. | – | 260 |
| | <u> </u> | <u> </u> |

Notes:

- (i) The purchases from the related parties were made according to the published prices and conditions.
- (ii) These related parties are all entities controlled by close family members of the de facto controller of the Group.

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

| | For the six months ended 30 June | |
|---|---|--------------------------------|
| | 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
| Compensation paid to key management personnel | <u>1,893</u> | <u>2,335</u> |

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2021

20. DIVIDENDS

- (i) Dividends declared and paid to equity shareholders of the Company during the interim period.

| | 30 June 2021 RMB'000 (Unaudited) | 30 June 2020 <i>RMB'000</i> (Unaudited) |
|--|---|---|
| Final dividend declared during the period in respect of the previous financial year (six months ended 30 June 2020: RMB0.092 per share) | – | 95,238 |
| Special dividend declared and paid during the period (six months ended 30 June 2020: RMB0.058 per share) | – | 60,227 |
| | <u>–</u> | <u>60,227</u> |
| | <u>–</u> | <u>155,465</u> |

- (ii) On 20 August 2021, the Board declared an interim dividend of RMB0.039 per ordinary share (six months ended 30 June 2020: RMB0.048 per ordinary share), amounting to a total of approximately RMB40,024,000 (six months ended 30 June 2020: RMB49,591,000).

21. EVENTS AFTER THE REPORTING PERIOD

As of 20 August 2021 (the “**Date of this Announcement**”), except for the interim dividend declared for the six months ended 30 June 2021 as set out in note 20, the Group had no significant event after the reporting period required to be disclosed.

22. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2021 was authorised for issue in accordance with a resolution of the Board on 20 August 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE REVIEW

Operating segment results

For the period ended 30 June 2021

| | Dye and agricultural chemical intermediates | Pigment intermediates | Battery materials | Others | Total |
|--|--|--------------------------|----------------------|---------|---------|
| Revenue (RMB' 000) | 573,930 | 155,637 | 23,405 | 444 | 753,416 |
| Cost of sales (RMB' 000) | 412,260 | 95,182 | 31,064 | 519 | 539,025 |
| Sales volume (tonnes) | 36,909 | 5,215 | 2,160 | N/A | 44,284 |
| Gross profit margin | 28.2% | 38.8% | (32.7%) | (16.9%) | 28.5% |
| Average unit selling price (RMB/tonne) | 15,550 | 29,844 | 10,836 | N/A | N/A |

For the period ended 30 June 2020

| | Dye and agricultural chemical intermediates | Pigment intermediates | Battery materials | Others | Total |
|--|--|--------------------------|----------------------|--------|---------|
| Revenue (RMB' 000) | 602,074 | 125,563 | 5,331 | 2,553 | 735,521 |
| Cost of sales (RMB' 000) | 338,357 | 69,716 | 19,148 | 1,323 | 428,544 |
| Sales volume (tonnes) | 31,998 | 4,106 | 538 | N/A | 36,642 |
| Gross profit margin | 43.8% | 44.5% | (259.2%) | 48.2% | 41.7% |
| Average unit selling price (RMB/tonne) | 18,816 | 30,580 | 9,909 | N/A | N/A |

During the Review Period, total revenue of the Group increased by approximately 2.4% to approximately RMB753.4 million (first half of 2020: approximately RMB735.5 million) as compared with that in the same period of 2020, and the overall gross profit of the Group decreased by approximately 30.2% period-on-period to approximately RMB214.4 million (first half of 2020: approximately RMB307.0 million). The decrease in gross profit was mainly due to the decrease in average unit sales price of DSD Acid, the Group's major dye intermediate products, during the Review Period as compared with that in the same period in 2020. Meanwhile, as a result of the gradual recovery of market demand, the sales volume of the Group's DSD Acid products recovered during the Review Period as compared with that in the same period in 2020, which partially offset the aforementioned negative effect of the average unit sales price on the Group's gross profit. Thus, the overall gross profit margin of the Group decreased by 13.2 percentage points period-on-period to approximately 28.5% (first half of 2020: approximately 41.7%).

During the Review Period, the profit attributable to equity holders of the Company decreased by approximately 40.2% period-on-period to approximately RMB83.1 million (first half of 2020: approximately RMB139.0 million). The profit margin attributable to equity holders of the Company decreased by 7.9 percentage points period-on-period to approximately 11.0% (first half of 2020: approximately 18.9%).

Dye and agricultural chemical intermediates – accounting for approximately 76.2% of total revenue (first half of 2020: 81.9%)

The Group is the world's largest manufacturer of DSD Acid. DSD Acid is mainly used in the production of optical brightening agents, and its end applications include brightening of paper and detergents, and brightening elements of bleach for textile.

The Group is one of the world's three largest mononitrotoluene manufacturers. PNT, ONT and MNT are collectively referred to as mononitrotoluene. PNT is the major raw material in the production of DSD Acid. After commencing its own production of mononitrotoluene, the Group is able to stabilise the upstream supply of raw materials. Meanwhile, ONT and OT are major raw materials in the production of herbicides.

During the Review Period, the effect of the gradual recovery of market demand for DSD Acid resulted in a significant increase in the sales volume of DSD Acid, as compared with that in the same period of 2020. The sales price of DSD Acid also gradually recovered since the beginning of 2021. However, in terms of average unit sales price, due to the high unit sales price in the beginning of 2020, and the later decrease in such average market price due to market conditions including but not limited to the impact from the COVID-19 pandemic, the average unit sales price in the same period of 2020 was still higher than that during the Review Period. These two factors resulted in an overall decrease of approximately 2.9% to approximately RMB369.4 million in revenue of dye intermediate products as compared with that in the same period of 2020.

During the Review Period, other manufacturers that had suspended production due to the COVID-19 pandemic has gradually resumed to normal operation as the COVID-19 pandemic was under control. The increase in the overall market supply caused a slight decline in the sales volume of the Group's agricultural chemical intermediates, leading to a decrease in revenue of the Group's agricultural chemical intermediates by approximately 7.8% to approximately RMB204.5 million as compared with that in the same period of 2020.

The total revenue of this segment for the Review Period decreased by approximately 4.7% to approximately RMB573.9 million (first half of 2020: approximately RMB602.1 million) as compared with that in the same period of 2020, accounting for approximately 76.2% of the Group's overall revenue.

As for gross profit, the overall gross profit of this segment decreased by approximately 38.7% to approximately RMB161.7 million (first half of 2020: approximately RMB263.7 million), and the gross profit margin decreased by 15.6 percentage points to approximately 28.2% (first half of 2020: approximately 43.8%), as compared with that in the same period of 2020. Among them, the gross profit of dye intermediates decreased by approximately 46.1% to approximately RMB111.0 million, and the gross profit margin decreased by 24.0 percentage points to approximately 30.1%. The gross profit of agricultural chemical intermediates decreased by approximately 12.3% to approximately RMB50.7 million, and the gross profit margin decreased by 1.3 percentage points to approximately 24.8%.

Pigment intermediates – accounting for approximately 20.7% of total revenue (first half of 2020: 17.1%)

As the world's largest DMSS manufacturer and distributor, the Group is also the world's main manufacturer of other major pigment intermediates such as DMAS and DIPS. Pigment intermediates are mainly used in high performance pigments such as printing inks, food additives, automobile paints and coatings.

During the Review Period, due to the recovery of market demand and the increase in sales volume, revenue generated from the sales of pigment intermediates segment increased by approximately 23.9% to approximately RMB155.6 million (first half of 2020: approximately RMB125.6 million) as compared with that in the same period of 2020, accounting for approximately 20.7% of the Group's overall revenue.

As for gross profit, the overall gross profit of the segment increased by approximately 8.4% to approximately RMB60.5 million (first half of 2020: approximately RMB55.8 million) as compared with that in the same period of 2020, and the gross profit margin of the segment decreased by 5.7 percentage points to approximately 38.8% (first half of 2020: approximately 44.5%).

Battery materials – accounting for approximately 3.1% of total revenue (first half of 2020: 0.7%)

During the Review Period, the Group has completed the upgrade and transformation of iron phosphate production line and has been gradually mass-producing as at the end of the Review Period. With the continuous increase in the production volume of iron phosphate production line, the sales volume of iron phosphate products increased significantly as compared with that in the same period of 2020 while the battery materials segment realised a revenue of approximately RMB23.4 million. Due to the increase in production volume, the unit costs gradually decreased, resulting in an increase in the average gross profit margin of the products during the Review Period as compared with that in the same period of 2020.

Others – accounting for approximately 0.1% of total revenue (first half of 2020: 0.3%)

Since the revenue generated from the environmental technology consultancy services currently accounts for a relatively low proportion of the Group's overall revenue, and taking into account the overall economic environment, the Group no longer focuses on environmental technology consultancy services at this stage. The revenue generated from the segment is included in "Others".

EXPORT

During the Review Period, the export revenue of the Group amounted to approximately RMB218.5 million, representing a decrease of approximately RMB65.3 million or 23.0% as compared with the export revenue of approximately RMB283.8 million for the same period in 2020. The decrease in export revenue of the Group was mainly due to the combined effect of the decrease in the average sales price and the increase in the sales volume of dye intermediates DSD Acid.

During the Review Period, the export revenue accounted for approximately 29.0% of the total revenue, while the export revenue accounted for approximately 38.6% for the same period in 2020. The decrease in the proportion of export revenue was mainly due to different progress of pandemic control in countries around the world, which led to various pace of economy recovery across countries. The recovery of domestic market was faster than that of overseas markets, resulting in a faster recovery of domestic sales volume than export volume, and thus the portion of export decreased.

BUSINESS OUTLOOK

During the Review Period, with the global promotion of vaccination, the COVID-19 pandemic was under control to some extent. The world economy began to recover gradually, boosting consumer demand and promoting the resumption of work and production in downstream. However, due to the economic stimulus plans implemented by countries and the impact of monetary quantitative easing policies, the price of major bulk commodities worldwide rose sharply, leading to fluctuations in the prices of many raw materials. Considering various adverse factors such as the spread of virus variants, rising inflation expectations in major economies and constant political and economic frictions among major countries, the Group will maintain its strategic policy of active and steady development. We will focus on enhancing safety production management, increasing investment in research and development, putting more effort into new products and new processes development, continuously reducing production cost and controlling various expenses, in order to maintain a sustainable, stable, healthy and innovative development trend of the Group.

Following the timely price adjustment of DSD Acid products made by the Group in 2020 in response to market changes, we noticed that the downstream market has gradually recovered, and the average selling price of DSD Acid products has also rebounded from that in the second half of 2020. As both the sales volume and selling price of DSD Acid continue to rebound and increase, we are confident in the recovery and sustainable development of the Group in the future. In the future, we will continue to adjust the sales price of our products in a timely manner according to market changes and cost fluctuations, thereby maintaining the overall market competitiveness of the Group.

In 2021, we are still highly committed to our research and development efforts and will continue to develop new products and new processes, with an aim to achieve the Group's goals of product expansion, process improvement and cost reduction, placing the Group in a favorable position in market competitiveness. As for iron phosphate products, we have completed the research and development of new processes and equipment modification to increase the capacity from 15,000 tonnes per year to 20,000 tonnes per year and have begun to gradually increase production volume. At the same time, the Group has adopted new production processes to shorten production time and improve production efficiency, so that unit production costs are further reduced, thereby increasing the market competitiveness of iron phosphate products. In addition, through transformation and upgrade of the ortho-toluidine (OT) production facility, we have successfully expanded it to produce a new product, para-toluidine (PT), with an aggregate production capacity of both products of 6,000 tonnes per year. The new production line will not only make full use of the production capacity of the original facility and satisfy the supply of raw materials required in producing pigment intermediates of the Group, but also increase the overall income and profit of the Group through external sales.

Looking forward, as the impact of COVID-19 pandemic lingers, we will stick to the general strategies of active and steady development, actively respond to market changes, and maintain the prudent financial strategy. In the traditional business segment, we will continue to strive to maintain and expand our advantages in industry-leading technology, cost and market competitiveness. In the battery materials segment, we have noticed that the market application of iron phosphate products is expanding rapidly, from the area of automotive power batteries to energy storage, while the selling price of upstream battery material products has yet to match the strong demand in downstream, and the market is still highly competitive with low profitability. We will keep up our efforts in strengthening our competitive advantage in the field of battery materials in order to lay a solid foundation for the long-term development of this segment.

FINANCIAL REVIEW

Revenue and gross profit

During the Review Period, the revenue and gross profit of the Group amounted to approximately RMB753.4 million and approximately RMB214.4 million respectively, representing an increase of approximately RMB17.9 million or 2.4% and a decrease of approximately RMB92.6 million or 30.2% from approximately RMB735.5 million and approximately RMB307.0 million respectively for the same period in 2020. During the Review Period, the gross profit margin of the Group was approximately 28.5%, as compared with approximately 41.7% for the same period in 2020.

Net Profit and Net Profit Margin

During the Review Period, the net profit of the Group was approximately RMB83.1 million, representing a decrease of approximately RMB55.6 million or 40.1% as compared with approximately RMB138.7 million for the same period in 2020. During the Review Period, the net profit margin of the Group was approximately 11.0%, as compared with approximately 18.9% for the same period in 2020.

Selling and distribution expenses

During the Review Period, selling and distribution expenses amounted to approximately RMB27.3 million, representing an increase of approximately RMB7.1 million as compared with that in the same period of 2020. During the Review Period, selling and distribution expenses represented approximately 3.6% of the Group's revenue (for the six months ended 30 June 2020: approximately 2.7%). The increase in selling and distribution expenses was mainly attributable to the increase in sales volume for dye intermediates and pigment intermediates due to market recovery, which resulted in the increase of shipping and packaging costs.

Administrative expenses

During the Review Period, administrative expenses amounted to approximately RMB67.2 million, representing a decrease of approximately RMB17.6 million as compared with approximately RMB84.8 million for the same period in 2020. The decrease in administrative expenses was mainly attributable to a substantial reduction of the suspension period caused by the COVID-19 pandemic during the Review Period as compared with that for the same period in 2020. The depreciation of production line and labor costs were reflected as administrative expenses instead of costs during the production suspension period.

During the Review Period, administrative expenses represented approximately 8.9% of the Group's revenue (for the six months ended 30 June 2020: approximately 11.5%).

Finance costs

During the Review Period, finance costs amounted to approximately RMB13.8 million, representing an increase of approximately RMB0.2 million as compared with approximately RMB13.6 million for the same period in 2020.

Exchange gains/(losses)

During the Review Period, the net exchange gains amounted to approximately RMB0.1 million as compared with the exchange losses of approximately RMB10.4 million for the same period in 2020, which was mainly due to the fluctuation of the exchange rate of Renminbi against US dollar during the Review Period.

Income tax expense

The PRC subsidiaries of the Company are generally subject to the PRC enterprise income tax at a rate of 25%. One of the subsidiaries of the Company in Hong Kong is subject to the two-tier tax regime, i.e., the first HK\$2 million of assessable profits earned will be taxed at half of the current Hong Kong profits tax rate (i.e., 8.25%), and the remaining assessable profits will continue to be taxed at 16.5%. Other Hong Kong subsidiaries of the Company are generally subject to the Hong Kong profits tax at a rate of 16.5%. The Singapore subsidiaries of the Company are generally subject to the Singapore Enterprise Income Tax at a rate of 17%.

During the Review Period, income tax expenses amounted to approximately RMB26.4 million, representing a decrease of approximately RMB13.5 million as compared with approximately RMB39.9 million for the same period in 2020. The decrease in income tax expense was mainly attributable to the decrease in profit before tax during the Review Period as compared with that in the same period of 2020.

Cash flows

During the Review Period, the Group's net cash inflows from operating activities were approximately RMB66.4 million, representing a decrease of approximately RMB88.2 million as compared with approximately RMB154.6 million for the same period in 2020, which was mainly due to the decrease in profit from principal operations during the Review Period.

During the Review Period, the Group's net cash outflows from investing activities were approximately RMB25.7 million, representing a decrease of approximately RMB23.9 million as compared with approximately RMB49.6 million for the same period in 2020. The decrease was mainly due to the right-of-use lease payments for renewing land use rights for the same period in 2020.

During the Review Period, the Group's net cash outflows from financing activities were approximately RMB37.5 million, representing a decrease of approximately RMB52.0 million as compared with approximately RMB89.5 million of the net cash outflows from financing activities for the same period in 2020, which was mainly due to no payment of dividends during the Review Period.

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policy and thus maintained a healthy liquidity position throughout the six months ended 30 June 2021. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

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 2021, the Group had cash and cash equivalents of approximately RMB104.6 million, which include approximately RMB94.0 million denominated in RMB and approximately RMB10.6 million in other currencies (USD, HKD and SGD) (31 December 2020: approximately RMB101.2 million, in which approximately RMB86.9 million denominated in RMB and approximately RMB14.3 million in other currencies (USD, HKD and SGD)). As at 30 June 2021, the Group had restricted cash of approximately RMB0.2 million denominated in RMB (31 December 2020: approximately RMB0.8 million denominated in RMB).

As at 30 June 2021, the Group had interest-bearing bank and other borrowings of approximately RMB333.0 million, all denominated in RMB with interest rate of 4.5% to 13.47% per annum (31 December 2020: approximately RMB349.7 million, all denominated in RMB with interest rate of 4.5% to 13.47% per annum), of which (a) approximately RMB307.3 million shall be repayable within one year (31 December 2020: approximately RMB310.2 million shall be repayable within one year), approximately RMB23.9 million shall be repayable in the second year (31 December 2020: approximately RMB34.1 million shall be repayable in the second year), and approximately RMB1.8 million shall be repayable in the third to the fifth year, inclusive (31 December 2020: approximately RMB5.4 million shall be repayable in the third to the fifth year, inclusive); and (b) all bore fixed interest rates (31 December 2020: all bore fixed interest rates).

As at 30 June 2021, the Group had unutilised banking facilities of RMB1.0 million.

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 2021, the Group's gearing ratio was approximately 18.8% as compared with approximately 20.8% as at 31 December 2020, 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 2021, total current assets of the Group amounted to approximately RMB741.7 million (31 December 2020: approximately RMB647.5 million), primarily consisting of inventories of approximately RMB218.1 million (31 December 2020: approximately RMB177.8 million), trade and notes receivables of approximately RMB238.9 million (31 December 2020: approximately RMB217.3 million), prepayments and other receivables of approximately RMB150.9 million (31 December 2020: approximately RMB148.7 million), cash and cash equivalents of approximately RMB104.6 million (31 December 2020: approximately RMB101.2 million), restricted cash of approximately RMB0.2 million (31 December 2020: approximately RMB0.8 million), and financial assets at fair value through profit and loss of approximately RMB29.0 million (31 December 2020: approximately RMB1.7 million).

INVENTORIES

Inventories of the Group mainly include raw materials, work-in-progress and finished products. The turnover days for inventories decreased from 98 days in 2020 to 66 days in 2021 during the Review Period, which was mainly due to the continuous growth of the Group's product output and sales volume, attributable to the recovery of market demand, resulting in an acceleration in inventory turnover, while the Group strictly controlled the overall inventory level during the Review Period.

TRADE AND NOTES RECEIVABLES

As at 30 June 2021, trade and notes receivables of the Group were approximately RMB238.9 million in aggregate, representing an increase of approximately RMB21.6 million as compared with that as at 31 December 2020, which was mainly due to the increase in sales on credit.

The turnover days for trade and notes receivables were 55 days during the Review Period while those for the year 2020 were 71 days. The turnover of the Company's trade and notes receivables is of high efficiency.

PREPAYMENTS AND OTHER RECEIVABLES

As at 30 June 2021, prepayments and other receivables of the Group were approximately RMB150.9 million in aggregate, representing an increase of approximately RMB2.2 million as compared with those of approximately RMB148.7 million in aggregate as at 31 December 2020.

CURRENT LIABILITIES

As at 30 June 2021, total current liabilities of the Group amounted to approximately RMB582.0 million (31 December 2020: approximately RMB597.6 million), primarily consisting of trade payables of approximately RMB187.2 million (31 December 2020: approximately RMB178.9 million), other payables and accruals and contract liabilities of approximately RMB76.7 million (31 December 2020: approximately RMB97.8 million), interest-bearing bank and other borrowings of approximately RMB307.3 million (31 December 2020: approximately RMB310.2 million), and income tax payables of approximately RMB10.8 million (31 December 2020: approximately RMB10.7 million).

TRADE PAYABLES

The turnover days for trade payables were 61 days during the Review Period while those for the year 2020 were 100 days. The decrease in the turnover days was mainly due to the increase in the purchase of some raw materials with shorter credit periods by the Group during the Review Period.

OTHER PAYABLES AND ACCRUALS AND CONTRACT LIABILITIES

As at 30 June 2021, other payables and accruals and contract liabilities of the Group were approximately RMB76.7 million in aggregate, representing a decrease of approximately RMB21.1 million as compared with those of approximately RMB97.8 million in aggregate as at 31 December 2020.

PLEDGE OF ASSETS

As at 30 June 2021, certain Group's property, plant and equipment, right-of-use assets, financial assets at fair value through profit and loss and equity investments designated at fair value through other comprehensive income with net carrying amounts of approximately RMB196.6 million (31 December 2020: approximately RMB201.1 million) were pledged to secure bank and other borrowings as well as banking facilities granted to the Group.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

There were no material acquisitions, disposals (including material acquisitions and disposals of subsidiaries, associates and joint ventures) or significant investment of the Group for the six months ended 30 June 2021.

CAPITAL COMMITMENTS

For details of the Group's capital commitments, please refer to note 18 to the financial statements.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

As at 30 June 2021 and the Date of this Announcement, save as disclosed under the section headed "Application of Proceeds from Listing" and note 18 to the financial statements, the Group had no other plans for other material investment or acquisition of capital assets.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2021 (31 December 2020: nil).

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 and financing activities. 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 foreign currency risk and, if necessary, consider hedging any potential material foreign currency 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 employees was in line with their duties and the prevailing market terms. Employee benefits, including bonus, pension, medical coverage and provident funds, etc., are also provided to employees of the Group.

As at 30 June 2021, the Group had 1,458 employees (as at 30 June 2020: 1,534) in aggregate.

For the six months ended 30 June 2021, the total staff costs of the Group (including wages, bonuses, social insurances and provident funds) amounted to approximately RMB63.0 million (for the six months ended 30 June 2020: approximately RMB60.6 million). The increase in staff costs was mainly due to the social security relief measures taken by the PRC government during the pandemic period in 2020.

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, and the net proceeds from the listing of the Group amounted to approximately RMB378.8 million. The net proceeds were used for the purposes as disclosed in the use of proceeds of the prospectus of the Company dated 23 June 2015 and the announcement of the Company dated 25 June 2021 (the “**Announcement**”).

As at 30 June 2021, the net proceeds of approximately RMB37.9 million had been used as supplemental working capital, approximately RMB189.4 million had been used to expand production capacity, approximately RMB37.9 million had been used to develop new products, approximately RMB18.9 million had been used to pay the rents of Phase I and Phase II of Shandong Tsaker Dongao Chemicals Co., Ltd. (“**Tsaker Dongao**”); and approximately RMB20.6 million had been used to acquire the entire equity interests in Tsaker Dongao and other chemicals manufacturers.

As at 30 June 2021, the balance of unutilised net proceeds amounted to approximately RMB74.1 million (as at 31 December 2020: approximately RMB74.1 million), which is intended to be used to supplement the funds required for the expansion and the operation of the Group’s battery materials business by 30 June 2022 as disclosed in the Announcement.

EVENTS SUBSEQUENT TO THE REVIEW PERIOD

Except for the interim dividend declared by the Board, the Group did not have any significant events from 30 June 2021 and up to the Date of this Announcement.

INTERIM DIVIDENDS

The Board resolved to declare and pay an interim dividend of RMB0.039 per ordinary share for the six months ended 30 June 2021 (for the six months ended 30 June 2020: RMB0.048 per ordinary share).

The interim dividend shall be paid on 21 September 2021 (Tuesday) to the shareholders of the Company whose names appear on the register of members of the Company on 8 September 2021 (Wednesday). The interim dividend shall be declared in RMB and paid in Hong Kong dollars. The relevant exchange rate is HK\$1: RMB0.832, being the average middle 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 20 August 2021. The interim dividend payable in Hong Kong dollars shall be HK\$0.047 per share, and the calculation method is as follows:

$$\frac{\text{RMB0.039 per share}}{\text{Exchange rate 0.832}} = \text{HK\$0.047 per share}$$

Based on the total number of shares of the Company of 1,026,255,000 as of the Date of this Announcement, the total amount of interim dividend amounted to approximately RMB40,024,000.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 6 September 2021 (Monday) to 8 September 2021 (Wednesday), both days inclusive. To qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 3 September 2021 (Friday).

CORPORATE GOVERNANCE AND OTHER INFORMATION

Purchase, Sale or Redemption of Listed Securities of the Company

For the six months ended 30 June 2021, as the Board believed that the value of the shares of the Company could not reflect their intrinsic value and the repurchase of shares would reflect the Board's confidence in the Company's development prospects, therefore the Company repurchased a total of 4,719,000 shares on the Stock Exchange at the total consideration (before expenses) of HK\$5,636,175. These 4,719,000 shares have been cancelled as at the Date of this Announcement.

Details of the repurchase made by the Company are as follows:

| Month | Total number of shares repurchased | Highest purchase price per share <i>HK\$</i> | Lowest purchase price per share <i>HK\$</i> | Total consideration (before expenses) <i>HK\$</i> |
|--------------|---|---|--|--|
| March 2021 | 981,000 | 1.16 | 1.12 | 1,121,690 |
| April 2021 | 1,453,500 | 1.20 | 1.13 | 1,710,835 |
| May 2021 | 1,714,500 | 1.31 | 1.16 | 2,067,290 |
| June 2021 | 570,000 | 1.33 | 1.25 | 736,360 |
| | <u>4,719,000</u> | | | <u>5,636,175</u> |

Save as disclosed above, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

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 in Appendix 14 to the Listing Rules as its own code of corporate governance.

For the six months ended 30 June 2021, 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 individual 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 is and has been able to work effectively and performs its responsibilities with 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 all 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 2021.

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 three independent non-executive Directors, namely Mr. ZHU Lin (chairman), Mr. YU Miao and Mr. HO Kenneth Kai Chung.

The unaudited interim financial statements of the Group for the six months ended 30 June 2021 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 Group for the six months ended 30 June 2021 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 will be set out in the interim report to be dispatched to the shareholders of the Company.

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 2021 containing all the information required by the Listing Rules will be dispatched 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

Beijing, the PRC, 20 August 2021

As at the Date of this Announcement, the Board comprises Mr. GE Yi (Chairman), Mr. BAI Kun and Ms. ZHANG Nan as executive Directors; Mr. FONTAINE Alain Vincent as a non-executive Director; and Mr. HO Kenneth Kai Chung, Mr. ZHU Lin and Mr. YU Miao as independent non-executive Directors.

* *For identification purpose only*