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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2017, revenue of the Group amounted to approximately RMB1,247.4 million, representing an increase of approximately RMB206.3 million or 19.8% comparing with that in the same period of 2016.
- For the year ended 31 December 2017, gross profit of the Group amounted to approximately RMB363.0 million, representing an increase of approximately RMB69.4 million or 23.6% comparing with that in the same period of 2016.
- For the year ended 31 December 2017, net profit of the Group amounted to approximately RMB136.1 million, representing an increase of approximately RMB15.2 million or 12.6% comparing with that in the same period of 2016.
- For the year ended 31 December 2017, basic and diluted earnings per share of the Group amounted to approximately RMB0.13, representing an increase of approximately RMB0.01 or 8.3% comparing with that in the same period of 2016.*
- The Board recommended the declaration of a final dividend of RMB0.039 per share, subject to the shareholders' approval at the AGM.

The board (the "**Board**") of directors (the "**Director(s)**") of Tsaker Chemical Group Limited ("**Tsaker Chemical**" or the "**Company**" or "**we**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017 (the "**Reporting Period**" or the "**Review Year**") together with the comparative figures for the year ended 31 December 2016 are as follows.

* The earnings per share of the Group for the year ended 31 December 2016 was adjusted for the bonus share issued in 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
REVENUE	4	**1,247,392**	1,041,142
Cost of sales		**(884,403)**	(747,537)
Gross profit		**362,989**	293,605
Other income and gains	4	**8,885**	19,848
Selling and distribution expenses		**(42,679)**	(38,947)
Administrative expenses		**(121,804)**	(90,635)
Other expenses		**(4,901)**	(3,701)
Finance costs	5	**(15,559)**	(10,317)
Exchange losses, net		**(5,872)**	(15,395)
PROFIT BEFORE TAX	6	**181,059**	154,458
Income tax expense	7	**(44,953)**	(33,537)
PROFIT FOR THE YEAR		**136,106**	120,921
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(11,656)**	25,943
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**124,450**	146,864
Profit attributable to:			
Owners of the parent		**136,131**	120,921
Non-controlling interests		**(25)**	–
		136,106	120,921
Total comprehensive income attributable to:			
Owners of the parent		**124,475**	146,864
Non-controlling interests		**(25)**	–
		124,450	146,864
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (expressed in RMB per share)	10	**0.13**	0.12*

* The earnings per share of the Group for the year ended 31 December 2016 was adjusted for the bonus share issued in 2017.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	**1,119,738**	882,002
Prepaid land lease payments	12	**80,636**	85,207
Other intangible assets		**1,211**	114
Investments in joint ventures		**900**	900
Available-for-sale investments	13	**31,251**	18,300
Deferred tax assets		**23,883**	26,963
Restricted cash	17	**7,449**	–
Other non-current assets		**13,303**	–
Total non-current assets		**1,278,371**	1,013,486
CURRENT ASSETS			
Inventories	14	**114,967**	81,765
Trade receivables	15	**276,438**	206,623
Notes receivable	16	**51,800**	74,406
Prepayments and other receivables		**157,023**	94,249
Restricted cash	17	**17,868**	72,461
Cash and cash equivalents	17	**359,787**	396,743
Total current assets		**977,883**	926,247
CURRENT LIABILITIES			
Trade payables	18	**369,798**	256,523
Other payables and accruals		**125,968**	199,168
Interest-bearing bank and other borrowings	19	**87,000**	181,622
Income tax payable		**15,000**	19,634
Current portion of long-term borrowings	19	**107,576**	60,000
Total current liabilities		**705,342**	716,947
NET CURRENT ASSETS		**272,541**	209,300
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,550,912**	1,222,786

	Notes	**31 December 2017** *RMB'000*	31 December 2016 *RMB'000*
NON-CURRENT LIABILITIES			
Deferred income		**21,555**	21,001
Deferred tax liabilities		**–**	800
Interest-bearing bank and other borrowings	*19*	**387,421**	240,000
Total non-current liabilities		**408,976**	261,801
Net assets		**1,141,936**	960,985
EQUITY			
Equity attributable to owners of the parent			
Share capital	*20*	**67,491**	30,649
Reserves		**1,073,800**	930,336
		1,141,291	960,985
Non-controlling interests		**645**	–
Total equity		**1,141,936**	960,985

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**181,059**	154,458
Adjustments for:			
Finance costs	*5*	**15,559**	10,317
Exchange gains, net		**(1,161)**	(9,067)
Interest income	*4*	**(1,277)**	(9,876)
Loss on disposal of items of property, plant and equipment	*6*	**625**	1,023
Depreciation	*11*	**58,110**	54,269
Amortisation of prepaid land lease payments	*12*	**4,573**	4,573
Amortisation of other intangible assets		**4**	3
Amortisation of other non-current assets		**–**	15
Amortisation of deferred income	*4*	**(1,973)**	(2,645)
Impairment of trade receivables	*15*	**614**	–
Write down of inventories to net realisable value	*14*	**835**	1,833
		256,968	204,903
Increase in inventories		**(34,036)**	(4,430)
Increase in trade and notes receivables		**(43,276)**	(45,451)
Increase in prepayments and other receivables		**(39,067)**	(17,451)
Increase in trade payables		**113,836**	18,705
(Decrease)/increase in other payables and accruals		**(1,470)**	14,784
Decrease/(increase) in restricted cash		**199**	(562)
Cash generated from operations		**253,154**	170,498
Interest received		**1,277**	12,180
Interest paid		**(15,559)**	(10,317)
Income tax paid		**(47,307)**	(1,051)
Net cash flows from operating activities		**191,565**	171,310

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(245,968)**	(229,577)
Purchase of other intangible assets		**(1,103)**	(117)
Proceeds on disposal of items of property, plant and equipment		**227**	1,323
Capital contributions to joint ventures		**–**	(900)
Purchase of available-for-sale investments	*13*	**(12,951)**	(18,300)
Acquisition of a subsidiary		**–**	(17,361)
Proceeds from governments grants		**2,527**	16,840
Net cash flows used in investing activities		**(257,268)**	(248,092)
CASH FLOWS FROM FINANCING ACTIVITIES			
Funding from related parties		**–**	27,006
Funding to related parties		**(87,933)**	(118,589)
Proceeds from bank loans and other borrowings		**520,170**	499,942
Decrease in restricted cash for bank loans and other borrowings		**46,945**	228,617
Capital contribution from non-controlling interests		**670**	–
Service fee payment for other borrowings		**(5,000)**	–
Repayment of bank loans and other borrowings		**(503,097)**	(335,640)
Dividend paid		**(38,115)**	(31,070)
Proceeds from issue of shares		**93,946**	–
Net cash flows from financing activities		**27,586**	270,266
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(38,117)**	193,484
Cash and cash equivalents at beginning of year		**396,743**	194,192
Effect of foreign exchange rate changes, net		**1,161**	9,067
CASH AND CASH EQUIVALENTS AT END OF YEAR	*17*	**359,787**	396,743

1. CORPORATE AND GROUP 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. During the year, the Company's subsidiaries were involved in the following principal activities:

- manufacture and sale of pigment intermediates
- manufacture and sale of dye intermediates
- manufacture and sale of agricultural chemical intermediates
- manufacture and sale of battery materials
- environmental technology consultancy service

In the opinion of the Directors, the ultimate holding company and parent of the Company is Cavalli Enterprises Inc., a company registered in the British Virgin Islands and controlled by Mr. Ge Yi ("Mr. Ge").

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Comparative information

The amount of the earnings per share attributable to ordinary equity holders of the parent of the Group of 2016 has been restated to conform with the current year's presentation and disclosures.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance contract*[3]
Amendments to HKAS 28	*Long-term Interests in Associate or Joint Venture*[3]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	*Amendments to HKFRS 1 and HKAS 28*[1]
Annual Improvements 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*[2]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 Effective for annual periods beginning on or after 1 January 2021

4 No mandatory effective date yet determined but available for adoption

Of those standards, HKFRS 9 and HKFRS 15 will be applicable for the Group's financial year ending 31 December 2018 and are expected to have some impact upon adoption. Whilst management has performed a detailed assessment of the estimated impacts of these standards, that assessment is based on the information currently available to the Group, including expectations of the application of transitional provision options and policy choices. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards and the transitional provisions and policy options finally adopted.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and has five (2016: three) below reportable operating segments as follows:

(a) the pigment intermediates segment produces pigment intermediate products for the use in production of pigments;

(b) the dye intermediates segment produces dye intermediate products for the use in production of dye related products;

(c) the agricultural chemical intermediates segment produces products for the use in production of agricultural chemicals;

(d) the battery materials segment engages in the manufacture and sale of battery materials; and

(e) the environmental technology consultancy segment engages in the 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 the profit or loss for the Company are excluded from such measurement.

The measurement of segment assets and liabilities are same as total assets and total liabilities for the consolidated statement of financial position, excluding assets and liabilities related to the Company.

Year ended 31 December 2017

	Pigment intermediates *RMB'000*	Dye intermediates *RMB'000*	Agricultural chemical intermediates *RMB'000*	Battery materials *RMB'000*	Environmental technology consultancy *RMB'000*	Consolidated *RMB'000*
Segment revenue:						
Revenues from external customers	236,177	660,002	349,889	798	526	1,247,392
Intersegment sales	61,451	385,700	162,930	29	198	610,308
	297,628	1,045,702	512,819	827	724	1,857,700
Reconciliation:						
Elimination of intersegment sales						(610,308)
Revenue from continuing operations						1,247,392
Segment results	48,256	152,034	27,664	(1,005)	(17,938)	209,011
Including						
Interest income	25	162	11	1	–	199
Finance costs	2,706	8,696	3,357	2	–	14,761
Reconciliation						
Segment results						209,011
Interest income						1,078
Finance costs						798
Elimination of other income due to unrealised gains						(414)
Corporate and other unallocated expenses						(29,414)
Profit before tax						181,059
Income tax expense						(44,953)
Net profit						136,106
Segment assets	312,705	1,184,094	497,533	195,386	61,688	2,251,406
Reconciliation						
Elimination of intersegment receivables						(948,947)
Corporate and other unallocated assets						953,445
Elimination of unrealised profit in inventories						350
Total assets						2,256,254
Segment liabilities	142,693	870,725	276,633	196,911	2,302	1,489,264
Reconciliation						
Elimination of intersegment payables						(948,947)
Corporate and other unallocated liabilities						574,001
Total liabilities						1,114,318
Other segment information						
Impairment losses recognised in profit or loss for inventories	–	–	835	–	–	835
Depreciation and amortisation	11,954	25,911	20,132	5	4,685	62,687
Capital expenditure	39,648	119,464	18,679	115,978	2,929	296,698

Year ended 31 December 2016

	Pigment intermediates *RMB'000*	Dye intermediates *RMB'000*	Agricultural chemical intermediates *RMB'000*	Consolidated *RMB'000*
Segment revenue:				
Revenues from external customers	197,444	482,235	361,463	1,041,142
Intersegment sales	171,406	313,854	66,301	551,561
	368,850	796,089	427,764	1,592,703
Reconciliation:				
Elimination of intersegment sales				(551,561)
Revenue from continuing operations				1,041,142
Segment results	56,263	110,021	35,203	201,487
Including				
Interest income	36	1,981	15	2,032
Finance costs	3,940	13,623	16	17,579
Reconciliation				
Segment results				201,487
Interest income				7,844
Finance costs				(7,262)
Elimination of other income due to unrealised gains				(807)
Corporate and other unallocated expenses				(46,804)
Profit before tax				154,458
Income tax expense				(33,537)
Net profit				120,921
Segment assets	522,078	1,029,140	522,850	2,074,068
Reconciliation				
Elimination of intersegment receivables				(705,374)
Corporate and other unallocated assets				571,287
Elimination of unrealised profit in inventories				(248)
Total assets				1,939,733
Segment liabilities	205,865	804,036	469,748	1,479,649
Reconciliation				
Elimination of intersegment payables				(705,374)
Corporate and other unallocated liabilities				204,473
Total liabilities				978,748
Other segment information				
Impairment losses recognised in profit or loss for inventories	–	–	1,833	1,833
Depreciation and amortisation	12,796	24,373	18,842	56,011
Capital expenditure	12,857	127,754	63,912	204,523

Geographical information

(a) ***Revenue from external customers***

	2017	2016
	RMB'000	*RMB'000*
Mainland China	**796,431**	706,646
India	**135,920**	107,570
Germany	**65,255**	51,415
United States	**62,370**	48,486
Indonesia	**45,807**	29,633
Italy	**39,227**	23,281
Taiwan	**33,570**	28,617
Spain	**30,012**	14,193
Brazil	**17,924**	9,661
Japan	**13,660**	12,989
Korea	**2,680**	3,007
Turkey	**1,346**	3,135
Other countries/regions	**3,190**	2,509
	1,247,392	1,041,142

The revenue information above is based on the locations of the customers.

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

(b) ***Information about major customers***

In 2017, revenue of RMB136,548,000 (2016: Nil) was derived from sales by the agricultural chemical intermediates segment to a single customer.

In 2016, the Group did not have any revenue from sales to a single customer which amounted for 10% or more of the Group's total revenue.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the year.

An analysis of revenue, other income and gains is as follows:

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**1,247,392**	1,041,142
	1,247,392	1,041,142
Other income and gains		
Bank interest income	**1,277**	9,876
Government grants*	**1,973**	2,645
Sale of materials and scrap	**5,486**	6,724
Others	**149**	603
	8,885	19,848
	1,256,277	1,060,990

* Government grants included subsidies granted by governmental units to support qualified research programs, which are recognised as income during the year when such expenses were incurred and the conditions for the grants were fulfilled. Government grants also included grants that are related to qualified long-lived assets and such grants were deferred and released to profit or loss as other income over the expected useful lives of the relevant assets. There are no unfulfilled conditions on contingencies attached to the grants.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2017	2016
	RMB'000	*RMB'000*
Interest on bank loans and other borrowings	**34,385**	21,500
Other finance costs	**2,512**	1,659
Less: Interest capitalised	**(21,338)**	(12,842)
	15,559	10,317

The weighted average interest rate of capitalisation for the year ended 31 December 2017 was 7.51% (for the year ended 31 December 2016: 5.10%).

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Notes	**2017** **RMB'000**	2016 *RMB'000*
Cost of inventories sold		**884,403**	747,537
Depreciation	*11*	**58,110**	54,269
Research and development costs		**8,323**	9,710
Amortisation of land lease payments	*12*	**4,573**	4,573
Auditor's remuneration		**4,045**	3,100
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages, salaries and welfare		**88,700**	79,629
Pension and other social insurances		**18,763**	17,900
Exchange losses, net		**5,872**	15,395
Loss on disposal of items of property, plant and equipment		**625**	1,023
Impairment of trade receivables	*15*	**614**	–
Write-down of inventories to net realisable value	*14*	**835**	1,833

7. INCOME TAX

Cayman Islands

Under the current income tax laws of the Cayman Islands, the Company is not subject to tax on any income or capital gain.

Hong Kong

Under the current income tax laws of Hong Kong, companies are subject to Hong Kong profits tax at 16.5% on assessable profits arising in or derived from Hong Kong.

Singapore

Under the current income tax laws of Singapore, companies are subject to Singapore profits tax at 17.0% on assessable profits arising in or derived from Singapore.

Mainland China

The Company subsidiaries in Mainland China are subject to income tax at 25% unless otherwise specified.

Pursuant to the PRC Corporate Income Tax Law and related laws and regulations, the Company subsidiaries in Mainland China withhold corporate income tax at the rate of 5% when it distributes dividends to Tsaker Hong Kong in respect of earnings generated commencing from 1 January 2008.

	2017	2016
	RMB'000	*RMB'000*
Current – Mainland China		
Charge for the year	**41,340**	31,377
Current – Elsewhere	**1,333**	3,125
Deferred	**2,280**	(965)
Total tax charge for the year	**44,953**	33,537

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for Mainland China, in which the majority of the Company's subsidiaries are domiciled, to the tax expense at the effective tax rate is as follows:

	2017	2016
	RMB'000	*RMB'000*
Profit before tax	**181,059**	154,458
Tax at the statutory income tax rate (25%)	**45,265**	38,615
The effect of different tax rates	**(897)**	1,056
Non-deductible expenses	**1,083**	1,317
Income not subject to tax	**(824)**	(1,944)
Additional deduction of research and development costs	**–**	(1,153)
Tax losses utilised from previous periods	**–**	(3,604)
Temporary differences (including tax losses) not recognised DTA	**1,126**	–
Withholding tax	**(800)**	(750)
Total income tax expense	**44,953**	33,537

8. ARRANGEMENTS WITH CHINA CHEM CO., LTD.

The Group entered into various arrangements with China Chem Co., Ltd. ("China Chem"), an unrelated party, for sale of products and purchase of raw materials. Based on these arrangements, China Chem is considered as the agent for and on behalf of the Group in the respective sale and purchase transactions.

In the sale arrangements, the Group has latitude in establishing prices and the primary responsibility for providing the goods to the customer, and bears inventory risk during shipment and credit risk for the amount receivable from end customers. Accordingly, the Group recognises revenue from sale of products based on the respective amounts billed to end customers. Under all the above-mentioned arrangements, China Chem provides certain administrative work and financing service (on improving the Group's working capital management) in return for service and interest charges, respectively. The financing service under arrangements of sale of products is related to expediting settlement of receivables while the financing service under arrangement of purchase of raw materials is related to delaying settlement of payables. The service charges paid on administrative work relating to sale of products form part of selling and distribution expenses of the Group while those relating to purchase of raw materials are considered as part of purchase cost of the related raw materials. Financing charges are recognised during the year ended 31 December 2017 and 2016 as other finance cost in profit or loss.

9. DIVIDEND

The directors recommend a final dividend at RMB0.039 (2016: RMB0.073 to the shareholders whose names appeared on the register of members of the Company on 30 June 2017, the number of shares was 522,125,000) per ordinary share in respect of the year ended 31 December 2017. The proposed dividend was not recognised as a liability as at the end of the reporting period, since it is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,028,383,000 (2016: 1,002,250,000 (restated)) in issue during the year, as adjusted to reflect the rights issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016.

The calculations of basic and diluted earnings per share are based on:

	2017	2016 (Restated)
Earnings		
Profit for the year attributable to ordinary equity holders of the parent (RMB'000)	**136,131**	120,921
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation ('000)	**1,028,383**	1,002,250

Pursuant to the annual general meeting held on 16 June 2017, a bonus issue of shares of the Company (the "2017 Bonus Issue") on the basis of 1 bonus share for each existing share held on 30 June 2017 was approved. 522,125,000 bonus shares were issued under the 2017 Bonus Issue on 13 July 2017 (Note 20).

The weighted average number of ordinary shares for the purpose of the basic earnings per share calculation for the year ended 31 December 2017 has been adjusted and that of 2016 has been restated to reflect the 2017 Bonus Issue in accordance with HKAS 33.

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Machinery and equipment *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2017						
At 31 December 2016 and 1 January 2017:						
Cost	**326,173**	**449,461**	**10,074**	**2,900**	**346,645**	**1,135,253**
Accumulated depreciation and impairment	**(56,118)**	**(189,111)**	**(6,242)**	**(1,780)**	**–**	**(253,251)**
Net carrying amount	**270,055**	**260,350**	**3,832**	**1,120**	**346,645**	**882,002**
At 1 January 2017, net of accumulated depreciation and impairment	**270,055**	**260,350**	**3,832**	**1,120**	**346,645**	**882,002**
Additions	**936**	**5,913**	**861**	**221**	**288,767**	**296,698**
Disposals	**(278)**	**(508)**	**(27)**	**(39)**	**–**	**(852)**
Depreciation provided during the year	**(15,215)**	**(37,744)**	**(4,499)**	**(652)**	**–**	**(58,110)**
Transfers	**6,208**	**44,240**	**2,206**	**–**	**(52,654)**	**–**
At 31 December 2017, net of accumulated depreciation and impairment	**261,706**	**272,251**	**2,373**	**650**	**582,758**	**1,119,738**
At 31 December 2017:						
Cost	**332,925**	**496,659**	**13,051**	**2,821**	**582,758**	**1,428,214**
Accumulated depreciation and impairment	**(71,219)**	**(224,408)**	**(10,678)**	**(2,171)**	**–**	**(308,476)**
Net carrying amount	**261,706**	**272,251**	**2,373**	**650**	**582,758**	**1,119,738**

	Buildings *RMB'000*	Machinery and equipment *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2016						
At 31 December 2015 and 1 January 2016:						
Cost	231,108	371,420	9,714	2,252	318,296	932,790
Accumulated depreciation and impairment	(41,789)	(152,051)	(4,651)	(1,287)	–	(199,778)
Net carrying amount	189,319	219,369	5,063	965	318,296	733,012
At 1 January 2016, net of accumulated depreciation and impairment	189,319	219,369	5,063	965	318,296	733,012
Additions	2,415	204	315	648	202,023	205,605
Disposals	(1,066)	(1,276)	(4)	–	–	(2,346)
Depreciation provided during the year	(14,494)	(37,660)	(1,622)	(493)	–	(54,269)
Transfers	93,881	79,713	80	–	(173,674)	–
At 31 December 2016, net of accumulated depreciation and impairment	270,055	260,350	3,832	1,120	346,645	882,002
At 31 December 2016:						
Cost	326,173	449,461	10,074	2,900	346,645	1,135,253
Accumulated depreciation and impairment	(56,118)	(189,111)	(6,242)	(1,780)	–	(253,251)
Net carrying amount	270,055	260,350	3,832	1,120	346,645	882,002

As at 31 December 2017 and 2016, certain of the Group's buildings with aggregate net book values of RMB172,541,000 and RMB62,689,000 were pledged to secure bank loans and other borrowings of RMB228,287,000 and RMB80,000,000, respectively (Note 19).

Included in the property, plant and equipment as at 31 December 2017 and 2016 were certain buildings with net book values of RMB2,648,000 and RMB2,825,000 respectively of which the property certificates have not been obtained.

The directors of the Company are of the view of the Group is entitled to lawfully and validly occupy and use the above mentioned buildings. The directors of the Company are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position for the year.

12. PREPAID LAND LEASE PAYMENTS

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Carrying amount at 1 January	**89,575**	94,148
Amortisation during the year	**(4,573)**	(4,573)
Carrying amount at 31 December	**85,002**	89,575
Current portion (included in prepayments, and other receivables)	**(4,366)**	(4,368)
Non-current portion	**80,636**	85,207

As at 31 December 2017 and 2016, the prepaid land lease payments amounting to RMB85,002,000 and RMB34,597,000, respectively, have pledged to secure bank loans granted to the Group (Note 19).

13. AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Non-publicly traded investments, at cost:		
Private equity fund in Tibet Winshare Equity Venture Capital Fund Partnership (Limited Partnership) ("Winshare Equity")	**21,450**	18,300
Equity investment, at fair value:		
Investment managed by an investment agency ("Agency Investment")	**9,801**	–
	31,251	18,300

As at 31 December 2017, an unlisted equity investment with a carrying amount of RMB21,450,000 (2016: RMB18,300,000) was stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of it in the near future.

As at 31 December 2017, an equity investment in securities with a carrying amount of RMB9,801,000 (2016: Nil) was designated as available-for-sale financial assets measured at fair value through other comprehensive income and has no fixed maturity date. During the year, no gain or loss was recognised regarding the Agency Investment since the fair value of the Agency Investment was quite close to its carrying amount.

14. INVENTORIES

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Raw materials	**27,938**	30,350
Work in progress	**24,370**	15,433
Finished goods	**63,494**	37,815
	115,802	83,598
Less: Impairment provision	**(835)**	(1,833)
	114,967	81,765

As at 31 December 2017, none of the Group's inventories was pledged as security for the Group's bank loans (2016: Nil).

15. TRADE RECEIVABLES

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Trade receivables	**277,052**	206,623
Impairment	**(614)**	–
	276,438	206,623

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. 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 provisions, is as follows:

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Within 1 month	**122,253**	98,412
1 month to 2 months	**92,083**	55,084
2 months to 3 months	**26,400**	25,091
3 months to 4 months	**10,760**	11,395
Over 4 months	**24,942**	16,641
	276,438	206,623

The movement in provision for impairment of trade receivables is as follows:

	2017 *RMB'000*	2016 *RMB'000*
At 1 January	**–**	–
Impairment losses recognised *(Note 6)*	**614**	–
At 31 December	**614**	–

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB614,000 (2016: Nil) with a carrying amount before provision of RMB614,000 (2016: Nil). Save as the individually impaired trade receivables relating to customers that were in unexpected financial difficulties, it is expected that these receivables would not be recovered.

The ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Neither past due nor impaired	**119,056**	152,430
Less than 1 month past due	**81,505**	31,822
1 to 3 months past due	**52,523**	13,744
Over 3 months past due	**23,354**	8,627
	276,438	206,623

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

16. NOTES RECEIVABLE

Notes receivable of the Group are all bank acceptance notes and are usually settled within six months from their respective dates of issue. None of the notes receivable as at the end of the years ended 31 December 2017 and 2016 was past due or impaired.

Transferred financial assets that are not derecognised in their entirety:

The Group endorsed certain notes receivable accepted by banks in Mainland China (the "Endorsed Notes") with aggregate carrying amounts of RMB33,276,000 and RMB52,305,000 as at 31 December 2017 and 2016, respectively, to certain of its suppliers in order to settle trade payables due to such suppliers (the "Endorsement"). In the opinion of the Directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Notes, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Notes and the associated other payables. Subsequent to the Endorsement, the Group did not retain any rights to the use of the Endorsed Notes, including the sale, transfer or pledge of the Endorsed Notes to any other third parties. None of the Endorsed Notes settled during the year have been recoursed as at the end of the year.

Transferred financial assets that are derecognised in their entirety:

The Group endorsed certain notes receivable accepted by banks in Mainland China (the "Derecognised Notes") to certain of its suppliers in order to settle the trade payables due to such suppliers with aggregate carrying amounts of RMB221,151,000 and RMB240,410,000 as at 31 December 2017 and 2016, respectively. The Derecognised Notes have a maturity from one to six months at the end of the respective reporting periods. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Notes have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors of the Company, the Group has transferred substantially all risks and rewards relating to the Derecognised Notes. Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts. In the opinion of the Directors of the Company, the fair values of the Group's Continuing Involvement in the Derecognised Notes are not significant.

For the years ended 31 December 2017 and 2016, the Group has not recognised any gain or loss on the dates of transfer of the Derecognised Notes. No gains or losses were recognised from the Continuing Involvement, both during the years ended 31 December 2017 and 2016 or cumulatively.

17. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	Notes	**31 December 2017** **RMB'000**	31 December 2016 *RMB'000*
Cash and bank balances		**385,104**	407,421
Time deposits		**–**	61,783
Less: Restricted cash-current	*(a)*	**(17,868)**	(51,078)
Restricted cash-non current	*(a)*	**(7,449)**	–
Pledged time deposits for short term bank loans	*(b)*	**–**	(21,383)
Cash and cash equivalents		**359,787**	396,743
Denominated in RMB	*(c)*	**89,825**	191,803
Denominated in other currencies		**269,962**	204,940
Cash and cash equivalents		**359,787**	396,743

Notes:

(a) As at 31 December 2017, the Group's bank balances of approximately RMB762,000 were deposited as a guarantee fund for the salary of rural workers pursuant to the related government regulations.

As at 31 December 2017, the Group's bank balances of approximately RMB24,438,000 were deposited as interest reserve for a bank loan amounted to USD50,000,000. Among them, amounted to RMB7,449,000 is reserved to settle bank interest for at least twelve months after the reporting period.

(b) As at 31 December 2017, no time deposit was deposited to secure bank loans of the Group's subsidiaries (2016: RMB21,383,000).

(c) RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and restricted bank deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the restricted bank deposits approximate to their fair values.

18. 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:

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Within 1 month	**172,195**	76,871
1 month to 2 months	**21,945**	56,146
2 months to 3 months	**24,377**	22,092
Over 3 months	**151,281**	101,414
	369,798	256,523

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

19. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2017			31 December 2016		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured	**–**	**–**	**–**	HIBOR*+2.7	2017	26,832
Bank loans – secured	**3.92-7.60**	**2018**	**137,000**	3.92-7.60	2017	214,790
Other borrowings – secured	**10.83-10.84**	**2018**	**57,576**	–	–	–
			194,576			241,622
Non-current						
Bank loans – secured	**4.5-6.98**	**2019-2020**	**326,710**	5.23-6.98	2018-2019	240,000
Other borrowings – secured	**10.83-10.84**	**2019-2020**	**60,711**	–	–	–
			387,421			240,000
Total			**581,997**			481,622
Analysed into:						
Bank loans and other borrowings repayable:						
Within one year			**194,576**			241,622
In the second year			**51,420**			80,000
In the third year to fifth years, inclusive			**336,001**			160,000
			581,997			481,622

* HIBOR (Hong Kong Inter-bank Offered Rate) is the annualized rate charged for inter-bank lending on Hong Kong dollar denominated instruments, for a specified period ranging from overnight to one year.

Note:

The Group had banking facilities amounting to RMB16,718,000 as at 31 December 2017 (31 December 2016: RMB17,890,000).

Certain of the Group's bank loans and other borrowings are secured by:

		Note	**31 December 2017** *RMB'000*	31 December 2016 *RMB'000*
1)	certain of the Group's land use rights (with net carrying amounts of RMB20,834,000 and RMB22,421,000 at 31 December 2017 and 31 December 2016);		**15,000**	15,000
2)	a letter of credit of the Company;	*(i)*	**–**	48,000
3)	jointly guaranteed by Tsaker Chemical (Cangzhou) Co., Limited ("Tsaker Cangzhou") and Tsaker Chemical (Dongguang) Co., Limited ("Tsaker Dongguang");		**12,000**	12,000
4)	certain of the Group's land use rights (with aggregate net carrying amounts of RMB5,097,000 and RMB8,425,000 at 31 December 2017 and 31 December 2016, respectively) and certain of the Group's buildings (with aggregate net carrying amounts of RMB9,388,000 and RMB10,284,000 at 31 December 2017 and 31 December 2016, respectively);		**20,000**	20,000
5)	certain of the Group's buildings (with an aggregate net carrying amount of RMB48,614,000 and RMB50,590,000 at 31 December 2017 and 31 December 2016, respectively);		**30,000**	30,000
6)	certain of the Group's land use rights (with an aggregate net carrying amount of RMB2,813,000 and RMB3,751,000 at 31 December 2017 and 31 December 2016, respectively), and certain of the Group's buildings (with an aggregate net carrying amount of RMB1,659,000 and RMB1,815,000 at 31 December 2017 and 31 December 2016, respectively);		**30,000**	30,000
7)	the Group's fixed term deposit (with a net carrying amount of USD3,082,000 at 31 December 2016);		**–**	19,790

	Note	31 December 2017 RMB'000	31 December 2016 RMB'000
8) mortgaged by Tsaker Chemical Group Limited's 100% equity interest in Tsaker Chemical (Hongkong) Co., Limited("Tsaker HongKong") and jointly guaranteed by Tsaker Cangzhou, Tsaker Dongguang, Tsaker Chemical (Dongying) Co., Limited ("Tsaker Dongying"), Shandong Tsaker Dongao Chemicals Co., Ltd.("Tsaker Dongao") and Tsaker Technology (Beijing) Co., Limited ("Tsaker Beijing");		**326,710**	–
9) certain of the Group's land use rights (with an aggregate net carrying amount of RMB56,258,000 at 31 December 2017), and certain of the Group's buildings (with an aggregate net carrying amount of RMB20,608,000 at 31 December 2017) jointly guaranteed by Tsaker Cangzhou, Tsaker Dongguang, Tsaker HongKong, Tsaker Beijing, Tsaker Dongao, and Tsaker Chemical Group;		**30,000**	280,000
10) certain of the Group's Machinery and equipment (with an aggregate net carrying amounts of RMB25,529,000 at 31 December 2017);		**43,366**	–
11) certain of the Group's Machinery and equipment (with an aggregate net carrying amounts of RMB21,823,000 at 31 December 2017);		**25,240**	–
12) certain of the Group's Machinery and equipment (with an aggregate net carrying amounts of RMB44,920,000 at 31 December 2017).		**49,681**	–
Total		**581,997**	454,790

(i) In 2016, the Company deposited RMB50,000,000 in the bank in order to obtain a letter of credit.

Except for a bank loan of RMB326,710,000 which is denominated in United States dollar, all borrowings are in RMB.

20. SHARE CAPITAL

The movements in share capital of the Company are as follows:

Shares	**Number of shares**	**Share capital** *US$*	**Issued share capital equivalent of** *RMB'000*
Authorised:			
At 31 December 2016, at US$0.01 each	1,000,000,000	10,000,000	
At 31 December 2017, at US$0.01 each	2,000,000,000	20,000,000	
Issued and fully paid:			
At 1 January 2016, 31 December 2016 and 1 January 2017, at US$0.01 each	501,125,000	5,011,250	30,649
Placing of new shares	21,000,000	210,000	1,441
Bonus issue of shares	522,125,000	5,221,250	35,401
At 31 December 2017, at US$0.01 each	1,044,250,000	10,442,500	67,491

Notes:

On 18 May 2017, the Company completed placing of new shares under general mandate, and an aggregate of 21,000,000 shares have been allotted and issued to not less than six places at a placing price of HK$5.15 per placing share.

522,125,000 bonus shares were issued under the 2017 Bonus Issue on 13 July 2017.

21. CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no significant contingent liabilities.

22. OPERATING LEASE ARRANGEMENTS

As leasee

As at 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Within one year	**10,754**	5,276
In the second to fifth years, inclusive	**7,995**	7,397
	18,749	12,673

23. COMMITMENTS

In addition to the operating lease commitments detailed in Note 22 above, the Group had the following capital commitments at the end of the reporting period:

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Contracted, but not provided for: Plant and machinery	**200,356**	182,200

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group produced fine chemicals such as dye, pigment and agricultural chemical intermediates, and ventured into the new energy material market during the Review Year, producing the high-performance ironic phosphate product (precursor of lithium-ion cathode materials), which is mainly used in the production of lithium battery for electric vehicles, as well as carbon nanotube conductor paste product, which is mainly used as an additive of lithium batteries. At the end of 2017, the Group entered into a framework cooperation agreement with one of the top universities in the PRC to jointly develop precursor products for binary and ternary anode materials, so as to further expand the Group's product mix in the new energy materials sector.

The existing main businesses of Group are characterized by high stability, taking a prominent position in the market. Due to the irreplaceability of the products, the Group has maintained good business relations with its main customers which span over eleven years. In 2017, the top five largest customers of the Group accounted for a total of approximately 31.3% of the revenue (2016: approximately 28.9%).

The Group has a well-established sales network, which covers areas including Asia, Europe, North and South Americas. For the Review Year, revenue derived from the Group's sales in China accounted for approximately 63.8%; India accounted for approximately 10.9%; Germany accounted for approximately 5.2%; the United States of America, Indonesia and other regions accounted for approximately 5.0%, 3.7% and 11.4% respectively, by regional distribution.

PERFORMANCE REVIEW

During the Review Year, revenue of the Group increased by 19.8% to approximately RMB1,247.4 million (2016: RMB1,041.1 million). The increase in revenue was mainly due to the increase in sales price and sales volume.

As for gross profit, since the increase in product prices was greater than that of raw materials and the sales volume increased, the gross profit of the Group increased by approximately 23.6% to RMB363.0 million (2016: approximately RMB293.6 million). The overall gross profit margin of the Group increased to approximately 29.1% from approximately 28.2% for the same period last year. On the other hand, the net profit of the Group for the whole year increased by approximately 12.6% to approximately RMB136.1 million (2016: approximately RMB120.9 million); net profit margin was approximately 10.9% (2016: approximately 11.6%); basic earnings per share was approximately RMB0.13 (2016: RMB0.12*).

Dye intermediates – accounting for approximately 52.9% of total revenue (2016: approximately 46.3%)

During the Review Year, the price of raw materials of dye intermediates increased along with the oil price. As the Group adopted a pricing model of cost markup, it was able to transfer the impact of rising raw material price to downstream customers, to ensure the stable revenue and profit of dye intermediates sector.

* The earnings per share of the Group for the year ended 31 December 2016 was adjusted for the bonus share issued in 2017.

In light of the above factors, revenue derived from the dye intermediates sector increased by approximately 36.9% to approximately RMB660.0 million as compared to the same period in 2016, accounting for approximately 52.9% of total revenue. Due to the rise in product prices, gross profit margin of the sector increased to approximately 30.1% (2016: 25.9%). During the Review Year, sales volume of the sector increased by 11.3% compared with the same period in 2016 to approximately 36,763 tons (2016: 33,018 tons).

Pigment intermediates – accounting for approximately 18.9% of total revenue (2016: approximately 19.0%)

During the Review Year, as the competition with main competitors intensified and the proportion of low-profit margin products increased, the average unit prices of the products dropped. The average price of pigment intermediates decreased by approximately 4.3% from RMB30,460 per ton in 2016 to approximately RMB29,150 per ton. The increased market share of the Group resulted in an increase in the sales volume to approximately 8,102 tons (2016: approximately 6,482 tons) during the Review Year. Revenue of the sector in 2017 was approximately RMB236.2 million, representing an increase of approximately 19.6% compared with the same period. Also, the reduction in selling price outweighed that in cost, leading to a decrease of the average gross profit margin by approximately 6.7 percentage points to 33.7 % (2016: approximately 40.4%).

Agricultural chemical intermediates – accounting for approximately 28.0% of total revenue (2016: approximately 34.7%)

To achieve the upstream and downstream product integration, the Group began to produce mononitrotoluene in 2015, and quickly secured an important position in the agricultural chemical intermediates market. The Group increased the production capacity of mononitrotoluene to 80,000 tons in March 2016. With smooth production and operation, the profitability of the product met the expectation of the Group. During the Review Year, due to production restriction by the government and other reasons, sales volume decreased by 5,437 tons to 32,414 tons (2016: 37,851 tons).

As the largest PNT purchaser in the world, the Group began to produce mononitrotoluene on its own. The external purchase of PNT by the Group decreased by approximately 85%, which led to an oversupply of PNT in the market. Thus, some enterprises were forced to reduce or cease their production or withdraw from the business, which speeded up the process of integration of the industry, and at the same time expanded the Group's market share, enhanced its status in the industry as well as increased its bargaining power. Benefitted from industry integration, the Group raised the average selling price of ONT, OT and other products during the Review Year by approximately 13.0% from approximately RMB9,550 per ton in 2016 to approximately RMB10,794 per ton in 2017.

During the Review Year, there was a slight drop in revenue generated from the productions due to the decline in sales volume and revenue generated from the sector dropped by approximately 3.2% to approximately RMB349.9 million. As the decrease in production volume led to the increase of the production cost, the gross profit margin of the sector decreased by approximately 1.9 percentage points to approximately 24.2%.

Lithium battery materials – accounting for approximately 0.1% of total revenue (2016: Nil)

During the Review Year, the Group fully capitalized on the opportunities presented by the fast-growing new energy market. To quickly seize market shares, the Group began to invest in the development and manufacture of new energy materials in early 2017. During the Review Year, the production line of 15,000 tons of iron phosphate has commenced pilot production. During the Review Year, the Group launched its iron phosphate lab scale products which were recognized by the market.

Environmental technology consultancy service – accounting for approximately 0.04% of total revenue (2016: Nil)

With mounting pressure from environmental protection in China and increasing demands from the environmental protection treatment market, we leverage our long-established advantages in environmental protection treatment and proactively cooperate with third parties to conduct environmental protection consulting business, focusing on consultation on environmental protection regarding the atmosphere, sewage, and solid waste treatment. During the Review Year, the environmental protection business generated revenue of approximately RMB0.53 million, with a gross profit margin of approximately 12.5%.

EXPORT

In 2017, the export revenue of the Group amounted to approximately RMB451.0 million, representing an increase of approximately RMB116.5 million or 34.8% as compared to the export revenue of approximately RMB334.5 million in 2016. The increase in export revenue of the Group was mainly due to the increase in average sales price and sales volume of dye intermediates.

In 2017, the export revenue attributed approximately 36.2% to the total revenue of the Group (2016: approximately 32.1%).

RESEARCH AND DEVELOPMENT

To proactively respond to the government's call for developing new energies, the Group employed key talents, completed the research and development of battery materials and the construction of characterization platform, completed the process development for ironic phosphate (precursor of LFP anode materials) and optimization and enhancement of three-waste treatment process, and cooperated with one of the top universities in the PRC to carry our research on high-grade-nickel ternary anode materials, thereby proactively engaging in new technologies for the development of the new energy industry, laying a solid foundation for venturing into the new energy industry.

On top of technology improvement on existing products, we continue to optimize the processes and improve the quality of the products, increase investment in the three-waste treatment process, and replace treatment with recycling with respect to VOC treatment, thereby reducing the overall operating costs; to address the rise in environmental protection standards, we upgraded and renovated existing facilities and successfully accomplished the task assigned by the government.

Upholding the belief that technology is the core competitiveness, the Group will continue to maintain its investment and efforts in research and development to retain the advantages enjoyed by its products and identify new growth drivers.

OUTLOOK

During the Review Year, the Group continued to seek different development opportunities by actively expanding both along the industry chain and horizontally. The Group constantly opened new business areas while consolidating and developing existing business of dyes, pigments and agricultural chemical intermediates. Looking ahead to 2018, with the recovery of the global economy, the gradual rise of global oil price and the continued scale-up of China's economy transformation, the Group will take full advantage of these market opportunities in 2018 and continue to improve the efficiency of our production technology and enhance environmental protection, striving for greater market share with superior competitiveness to our peers.

The Group started to invest in the development and manufacture of new energy materials since early 2017. Currently, the pilot production of ironic phosphate product and carbon nanotube paste, which is used as a conductor of anode and cathode materials of lithium batteries, have begun. Together with our existing NMP product, we have launched three products in the battery materials market. We have been cooperating with one of the top universities in the PRC to jointly develop ternary anode materials, which allows us to achieve a full presence in binary and ternary materials markets, laying a solid foundation for the subsequent development of the Group.

In early 2018, we have made breakthroughs in new business of environmental technology consultancy service. We believe that there will be an increasing demand in the environmental protection treatment market as environmental protection pressure increases in China. We believe that the environmental consulting segment will assist the Group in its future development.

In the future, we will continue to look for potential acquisitions and mergers and actively explore the overseas markets. In addition to consolidating existing businesses, we will also explore new areas that have synergies with existing businesses and create more value for shareholders.

FINANCIAL REVIEW

REVENUE AND GROSS PROFIT

In 2017, the revenue and gross profit amounted to approximately RMB1,247.4 million and approximately RMB363.0 million, respectively, representing an increase of approximately RMB206.3 million and approximately RMB69.4 million or 19.8% and 23.6% from approximately RMB1,041.1 million and approximately RMB293.6 million, respectively, in 2016. In 2017, the gross profit margin of the Group was approximately 29.1%, as compared to approximately 28.2% in 2016. The increase in gross profit margin was due to the Group's overall increase in sales prices of products in the second half of 2017, which transferred the adverse impact of higher raw material prices to customers for stable revenue and gross profit margin.

NET PROFIT AND NET PROFIT MARGIN

In 2017, the net profit of the Group was approximately RMB136.1 million, representing an increase of approximately RMB15.2 million or 12.6%, as compared to approximately RMB120.9 million for 2016. In 2017, the net profit margin of the Group was approximately 10.9%, as compared to approximately 11.6% in 2016.

SELLING AND DISTRIBUTION EXPENSES

In 2017, selling and distribution expenses amounted to approximately RMB42.7 million, representing an increase of approximately RMB3.8 million, as compared to approximately RMB38.9 million in 2016. The increase in selling and distribution expenses was mainly attributable to the increase in the sales volume.

In 2017, selling expenses represented approximately 3.4% of the Group's revenue (2016: approximately 3.7%).

ADMINISTRATIVE EXPENSES

In 2017, administrative expenses amounted to approximately RMB121.8 million, representing an increase of approximately RMB31.2 million, as compared to approximately RMB90.6 million in 2016. The increase in administrative expenses was mainly due to the production cost incurred during the suspension of agricultural chemical intermediates accounted for administrative expense, increase in staff cost and research and development expenses as well as the service fees payable to intermediaries recognised for the proposed acquisition of Ynnovate Sanzheng (Yingkou) Fine Chemicals Co., Ltd.

In 2017, administrative expenses represented approximately 9.8% of the Group's revenue (2016: approximately 8.7%).

FINANCE COSTS

In 2017, finance costs amounted to approximately RMB15.6 million, representing an increase of approximately RMB5.3 million, as compared to approximately RMB10.3 million in 2016, mainly attributable to the increase in the interests of bank loans.

EXCHANGE LOSS

In 2017, exchange loss amounted to approximately RMB5.9 million, representing a decrease of approximately RMB9.5 million, as compared to approximately RMB15.4 million in 2016, mainly due to the conversion of overseas deposits from Renminbi to US dollars and the appreciation of Renminbi against US dollar in 2017.

INCOME TAX EXPENSES

The PRC subsidiaries of the Company are generally subject to the enterprise income tax at a rate of 25%. In 2017, income tax amounted to approximately RMB45.0 million, representing an increase of approximately RMB11.5 million, as compared to approximately RMB33.5 million in 2016. The increase in income tax expense was mainly attributable to the increase in profit before tax during the Review Year as compared with 2016.

CASH FLOWS

In 2017, net cash flows from operating activities of the Group amounted to approximately RMB191.6 million, as compared with approximately RMB171.3 million in 2016, representing an increase of approximately RMB20.3 million, mainly due to the prepayment of the income tax for the year 2016 in 2015.

In 2017, net cash flows used in investing activities of the Group amounted to approximately RMB257.3 million, as compared with approximately RMB248.1 million in 2016, representing an increase of approximately RMB9.2 million, mainly due to the expenses on the new production plant built by Tsaker Chemical (Dongying) Company Limited. and battery materials as well as the purchase of machinery and equipment.

In 2017, net cash flows generated from financing activities of the Group amounted to approximately RMB27.6 million, as compared with approximately RMB270.3 million in 2016, representing a decrease of approximately RMB242.7 million, mainly due to (i) the amount of proceeds from issue of shares increased by approximately RMB93.9 million in 2017, as compared with 2016; (ii) the net amount from bank borrowings and other borrowings decreased by approximately RMB328.9 million in 2017,as compared with 2016; and (iii) payment of dividend, service fee and funds paid to related parties increased by approximately RMB7.7 million in 2017, as compared with 2016.

LIQUIDITY AND CAPITAL STRUCTURE

In 2017, the daily working capital of the Group was primarily derived from internally generated cash flow from operations and bank borrowings. As at 31 December 2017, the Group had (i) cash and cash equivalents of approximately RMB359.8 million, in which approximately RMB89.8 million was denominated in RMB and approximately RMB270.0 million in other currencies (USD, HKD and Singapore dollar) (as at 31 December 2016: approximately RMB396.7 million, in which approximately RMB191.8 million was denominated in RMB and approximately RMB204.9 million in other currencies (USD and HKD)); (ii) restricted cash approximately of RMB17.9 million (as at 31 December 2016: approximately RMB72.5 million); and (iii) interest-bearing bank borrowings of approximately RMB582.0 million with interest rate of 3.92%-10.84% per annum, in which approximately RMB194.6 million shall be repayable within one year (as at 31 December 2016: approximately RMB241.6 million, shall be repayable within one year with interest rate of 3.92%-7.6% per annum one year). As at 31 December 2017, no banking facilities were unutilised by the Group.

In 2017, the Group did not use any risk hedging instrument or have any borrowing or hedge in its foreign currency investment.

GEARING RATIO

As at 31 December 2017, the Group's gearing ratio was approximately 51.0% as compared to approximately 43.9% as at 31 December 2016, which is calculated at interest-bearing bank loans and other borrowings at the end of the period divided by the total equity.

CURRENT ASSETS

As at 31 December 2017, total current assets of the Group amounted to approximately RMB977.9 million (as at 31 December 2016: approximately RMB926.2 million), primarily consisting of inventories of approximately RMB115.0 million (as at 31 December 2016: approximately RMB81.8 million), trade receivables and notes receivable of approximately RMB328.2 million (as at 31 December 2016: approximately RMB281.0 million), prepayments and other receivables of approximately RMB157.0 million (as at 31 December 2016: approximately RMB94.2 million), cash and cash equivalents of approximately RMB359.8 million (as at 31 December 2016: approximately RMB396.7 million) and restricted cash of approximately RMB17.9 million (as at 31 December 2016: approximately RMB72.5 million).

INVENTORIES

Inventories of the Group mainly consisted of raw materials, work-in-progress and finished products. The turnover days for inventories increased from 39 days for 2016 to 41 days for 2017, the stability of turnover days is mainly due to the Group's enhanced ordinary management of inventory levels and proper arrangements for procurement, production, and sales.

TRADE RECEIVABLES AND NOTES RECEIVABLE

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**276,438**	206,623
Notes receivable	**51,800**	74,406
	328,238	281,029

As at 31 December 2017, trade receivables and notes receivable of the Group increased by approximately RMB47.2 million as compared to those of last year, mainly due to the increase in revenue compared with the same period last year.

The turnover days for trade receivables increased from 65 days for 2016 to 71 days for 2017.

PREPAYMENTS AND OTHER RECEIVABLES

As at 31 December 2017, prepayments and other receivables of the Group increased by approximately RMB62.8 million from approximately RMB94.2 million in aggregate as at 31 December 2016 to approximately RMB157.0 million in aggregate, which was mainly due to an increase in the prepaid equipment and construction costs.

CURRENT LIABILITIES

As at 31 December 2017, total current liabilities of the Group amounted to approximately RMB705.3 million (as at 31 December 2016: approximately RMB716.9 million), primarily consisting of trade payables of approximately RMB369.8 million (as at 31 December 2016: approximately RMB256.5 million), other payables and accruals of approximately RMB126.0 million (as at 31 December 2016: approximately RMB199.2 million) and interest-bearing bank borrowings of approximately RMB194.6 million (as at 31 December 2016: approximately RMB241.6 million).

TRADE PAYABLES

The turnover days for trade payables increased from 124 days in 2016 to 129 days in 2017. The turnover days remains stable mainly due to the long-term and good relationship with the main suppliers.

OTHER PAYABLES AND ACCRUALS

As at 31 December 2017, other payables and accruals of the Group decreased by approximately RMB73.2 million from approximately RMB199.2 million in aggregate as at 31 December 2016 to approximately RMB126.0 million in aggregate, mainly due to the payment of arrears to the related parties during the Review Year.

PLEDGE OF ASSETS

As at 31 December 2017, certain of the Group's property, plant and equipment, and prepaid land lease payments with a net carrying amount of approximately RMB257.5 million (as at 31 December 2016: approximately RMB118.7 million) were pledged to secure bank loans and other borrowings granted to the Group.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

There were no material acquisitions, disposals or significant investment of the Group for the period ended 31 December 2017.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any significant contingent liabilities.

FOREIGN EXCHANGE RISK

The foreign exchange risk refers to the risk of loss caused by fluctuation in exchange rate. The foreign exchange risk of the Group mainly related to its operating activities. Along with the continuous expansion of the export business scale, the operation of the Group may be affected by the future fluctuation in exchange rate. The Group is closely monitoring the impact of fluctuation in currency exchange rates on the foreign exchange risk of the Group.

The Group currently does not have any hedging policy for foreign currency in place. However, the Board will remain alert to any relevant risk and, if necessary, consider to hedge any material potential foreign exchange risk.

EMPLOYEES AND REMUNERATION POLICIES

The Group has established human resources policies and systems with a view to achieving effective management in all aspects and building a learning-oriented organization by providing motivational rewards through proper reward system and offering employees various training programs including internal/external training and public courses.

In support of the Group's talent development strategy, we built a talent information system and a succussion system in 2017, and completed the preliminary drawing of a talent map using the Competency Model.

The remuneration package offered to the employees was in line with their duties and the prevailing market terms. Staff benefits, including pension fund, medical coverage, provident funds, etc., were also provided to the employees of the Group.

As at 31 December 2017, the Group had 1,716 employees (2016: 1,613).

For the year ended 31 December 2017, the total staff costs of the Group (including salaries, bonuses, social insurances and provident funds) amounted to approximately RMB118.8 million (2016: approximately RMB101.6 million).

APPLICATION OF PROCEEDS FROM THE LISTING

Trading of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") commenced on 3 July 2015. The net proceeds from the Listing amounted to approximately RMB378.8 million. The proceeds are used as the purposes disclosed in the prospectus of the Company dated 23 June 2015.

For the year ended 31 December 2017, the proceeds of approximately RMB37.9 million, RMB189.4 million, RMB34.1 million, RMB18.9 million and 17.4 million have been used as the supplemental working capital, for the expansion of production capacity, for the development of the new products, for the rental payment of Phase I and Phase II of Shandong Tsaker Dongao Chemicals Co., Ltd. ("**Tsaker Dongao**"), and for the purchase of the entire equity interest of Tsaker Dongao, respectively.

APPLICATION OF PROCEEDS FROM PLACING

On 28 April 2017, the Group entered into a placing agreement with Guotai Junan Securities (Hong Kong) Limited and China Investment Securities International Brokerage Limited (the "**Joint Placing Agents**"), pursuant to which the Joint Placing Agents have conditionally agreed to procure the subscription of up to 21,000,000 New Shares to any professional, institutional or other investor(s) (the "**Placee(s)**") at the placing price of HK$5.15 per Placing Share (the "**Placing**"). The condition set out in the placing agreement has been fulfilled and the Placing was completed on 18 May 2017. An aggregate of 21,000,000 Placing Shares have been allotted and issued to not less than six Placees at the placing price of HK$5.15 per Placing Share. The net proceeds from the Placing were approximately HK$107 million, of which 50% was used for construction and operation of cathode materials for lithium ion batteries – ironic phosphate project, and 50% for providing additional working capital for the Group as at 31 December 2017. The proceeds were used for the purposes as disclosed in the announcement of the Company dated 18 May 2017.

FINAL DIVIDEND

The Board recommends a final dividend of RMB0.039 per ordinary share for the year ended 31 December 2017. Such final dividend is subject to the approval by the shareholders of the Company ("**Shareholders**") at the annual general meeting (the "**AGM**") to be held on 15 June 2018 and will be paid to the Shareholders on 13 July 2018 whose names appear on the register of members of the Company on 29 June 2018.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 12 June 2018 to 15 June 2018, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 11 June 2018.

The register of members of the Company will also be closed from 26 June 2018 to 29 June 2018, both days inclusive, in order to determine the entitlement of the Shareholders to receive the final dividend during which period no share transfers will be registered. To qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 25 June 2018.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set forth in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance.

During the Reporting Period, the Company has complied with all the code provisions of the CG Code set out therein, except for code provision A.2.1 of the CG Code. In accordance with code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company deviates from 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 Company for many years, he has a thorough understanding of our business, management, customers and products. With his extensive experience in business operation and management, the Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates effective implementation and execution of our 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 works effectively and performs its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as 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.

The Company will continue to review and monitor its corporate governance practices to ensure its compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

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 the Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Company, together with the Board, had reviewed the accounting standards and practices adopted by the Group and the annual results for the year ended 31 December 2017.

PUBLICATION OF THE ANNUAL RESULTS AND 2017 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.tsaker.com), and the Company's 2017 annual report containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
TSAKER CHEMICAL GROUP LIMITED
GE Yi
Chairman

Beijing, the PRC, 28 March 2018

As at the date of this announcement, the Board comprises Mr. Ge Yi, Ms. Duan Weihua, Mr. Bai Kun and Ms. Jin Ping as executive Directors, Mr. Xiao Yongzheng and Mr. Fontaine Alain Vincent as non-executive Directors, and Mr. Ho Kenneth Kai Chung, Mr. Zhu Lin and Mr. Yu Miao as independent non- executive Directors.

* *For identification purpose only*