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TSAKER

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 2015

FINANCIAL HIGHLIGHTS

Revenue of the Group for the six months ended 30 June 2015 amounted to approximately RMB473.1 million, representing an increase of approximately RMB21.8 million or 4.8% comparing with the same period in 2014.

Gross profit of the Group for the six months ended 30 June 2015 amounted to approximately RMB155.4 million, representing an increase of approximately RMB4.4 million or 2.9% comparing with the same period in 2014.

Net profit of the Group for the six months ended 30 June 2015 amounted to approximately RMB65.0 million, representing a decrease of approximately RMB14.8 million or 18.5% comparing with the same period in 2014.

Basic and diluted earnings per share of the Group for the six months ended 30 June 2015 amounted to RMB0.17, representing a decrease of RMB0.01 or 5.6% comparing with the same period in 2014.

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2015.

RESULTS

The board (the "**Board**") of directors (the "**Director(s)**") of Tsaker Chemical Group Limited ("**Tsaker Chemical**" or the "**Company**" or "**we**" or "**our**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2015, together with the comparative figures for the same period in 2014. These results were prepared based on the 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 (the "**Listing Rules**") Governing the Listing of Securities 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 2015

	Notes	For the six months ended 30 June 2015 *RMB'000* (Unaudited)	2014 *RMB'000* (Unaudited)
REVENUE		**473,078**	451,334
Cost of sales		**(317,640)**	(300,357)
Gross profit		**155,438**	150,977
Other income and gains		**7,141**	7,749
Selling and distribution expenses		**(15,208)**	(12,425)
Administrative expenses		**(47,749)**	(33,780)
Other expenses		**(840)**	(501)
Finance costs	*4*	**(4,813)**	(7,352)
Exchange gain, net		**1,533**	205
PROFIT BEFORE TAX	*5*	**95,502**	104,873
Income tax expense	*6*	**(30,533)**	(25,033)
PROFIT FOR THE PERIOD		**64,969**	79,840
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**669**	(238)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**65,638**	79,602
Profit attributable to:			
Owners of the parent		**64,969**	67,088
Non-controlling interests		**–**	12,752
		64,969	79,840
Total comprehensive income attributable to:			
Owners of the parent		**65,638**	66,850
Non-controlling interests		**–**	12,752
		65,638	79,602
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (expressed in RMB per share)	*7*	**0.17**	0.18

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2015

	Notes	**30 June 2015** **RMB'000** **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	**381,555**	323,743
Prepaid land lease payments		**66,605**	35,486
Deferred tax assets		**25,975**	24,092
Other non-current assets		**226**	25
Total non-current assets		**474,361**	383,346
CURRENT ASSETS			
Inventories	*9*	**52,316**	60,383
Trade receivables	*10*	**142,079**	115,097
Notes receivables		**51,307**	32,566
Prepayments and other receivables		**42,023**	17,111
Restricted cash		**514**	514
Cash and cash equivalents		**37,859**	95,471
Total current assets		**326,098**	321,142
CURRENT LIABILITIES			
Trade payables	*11*	**161,192**	149,144
Other payables and accruals		**94,342**	107,256
Interest-bearing bank borrowings	*12*	**132,000**	81,000
Income tax payable		**3,079**	22,406
Other financial liability		**30,615**	–
Total current liabilities		**421,228**	359,806
NET CURRENT LIABILITIES		**(95,130)**	(38,664)
TOTAL ASSETS LESS CURRENT LIABILITIES		**379,231**	344,682
NON-CURRENT LIABILITIES			
Deferred income		**6,747**	7,221
Other financial liability		**–**	30,615
Total non-current liabilities		**6,747**	37,836
Net assets		**372,484**	306,846

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2015

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
EQUITY		
Equity attributable to owners of the parent		
Share capital	**6**	6
Reserves	**372,478**	306,840
	372,484	306,846
Total equity	**372,484**	306,846

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at P.O. Box 472, Harbour Place, 2nd Floor, 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 pigment intermediates
- manufacture and sale of dye intermediates
- manufacture and sale of mononitrotoluene (comprising para-nitrotoluene ("**PNT**"), ortho-nitrotoluene ("**ONT**"), meta-nitrotoluene ("**MNT**")) as well as ortho-toluidine ("**OT**") and others.

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.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1. Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS 34** ") *Interim Financial Reporting*.

The interim condensed consolidated financial information does not include all the information and disclosures required in the financial information included in the Accountants' Report dated 23 June 2015 in Appendix I to the prospectus (the "**Prospectus**") of the Company dated 23 June 2015 (the "**Accountants' Report**") in connection with the listing of the shares of the Company on the Main Board of the Stock Exchange (the "**Listing**"), and should be read in conjunction with the Group's financial information for the year ended 31 December 2014, 31 December 2013 and 31 December 2012 included in the Accountants' Report in Appendix I to the Prospectus.

The interim financial information has been prepared on the assumption that the Group will continue as a going concern, which assumes that the Group will be able to meet its obligations and continue its operations for the coming 12 months notwithstanding that the Group had net current liabilities of approximately RMB95,130,000 as at 30 June 2015. In the opinion of the Directors, the Group will have sufficient liquidity funds to finance its working capital and capital expenditure requirements for its next 12 months because the Group had unutilised banking facilities of RMB200,000,000 as at 30 June 2015.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

2.2. New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Accountants' Report, except for the adoption of new standards and interpretations effective as of 1 January 2015 as summarised below:

Annual Improvements 2010-2012 Cycle	
HKFRS 8	Operating Segments
HKAS 16	Property, Plant and Equipment
HKAS 24	Related Party Disclosures
Annual Improvements 2011-2013 Cycle	
HKFRS 13	Fair Value Measurement

The adoption of the new standards and amendments does not have any significant effect on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The Group has not early adopted any other accounting standard, interpretation or amendment that has been issued but is not yet effective.

3. SEGMENT INFORMATION

Prior to 2015, the Group had only two operating segments: pigment intermediates and dye intermediates. In 2015, the Group started the mononitrotoluene, OT and others.

The following tables present revenue and profit information for the Group's operating segments for the six months ended 30 June 2015 and 2014, respectively.

Six months ended 30 June 2015 (unaudited)

	Pigment Intermediates	Dye Intermediates	Mononitrotoluene, OT and others	Total segments	Corporate, other unallocated expenses and eliminations	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue						
External customer	103,870	319,214	49,994	473,078	–	473,078
Inter-segment	22,343	79,771	8,888	111,002	(111,002)	–
Total revenue	126,213	398,985	58,882	584,080	(111,002)	473,078
Results						
Segment profit	27,388	98,155	(9,598)	115,945	(20,443)	95,502

3. SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2014 (unaudited)

	Pigment Intermediates	Dye Intermediates	Mononitrotoluene, OT and others	Total segments	Corporate, other unallocated expenses and eliminations	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue						
External customer	96,361	354,973	–	451,334	–	451,334
Inter-segment	–	–	–	–	–	–
Total revenue	96,361	354,973	–	451,334	–	451,334
Results						
Segment profit	7,330	101,634	–	108,964	(4,091)	104,873

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2015 and 31 December 2014, respectively:

	Pigment Intermediates	Dye Intermediates	Mononitrotoluene, OT and others	Total Segments	Corporate and eliminations	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets						
30 June 2015 (unaudited)	375,941	687,371	64,116	1,127,428	(326,969)	800,459
31 December 2014 (audited)	217,593	479,069	–	696,662	7,826	704,488
Liabilities						
30 June 2015 (unaudited)	329,260	320,016	73,853	723,129	(295,154)	427,975
31 December 2014 (audited)	243,481	261,006	–	504,487	(106,845)	397,642

3. SEGMENT INFORMATION (CONTINUED)

Corporate and eliminations

Partial listing expenses, research and development expenses are not allocated to individual segments as these are managed on an overall group basis. These are included in corporate, other unallocated expenses and eliminations in the segment disclosures.

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Reconciliation of profit		
Segment profit	**115,945**	108,964
Elimination of intersegment transactions	**(586)**	1,376
Corporate and other unallocated expenses	**(19,857)**	(5,467)
Profit before tax	**95,502**	104,873

4. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans and employee borrowings wholly repayable within five years	**3,822**	6,291
Other finance costs	**4,753**	2,029
Less: Interest Capitalised	**(3,762)**	(968)
	4,813	7,352

The weighted-average interest rate of capitalisation for the six months ended 30 June 2015 is 10.08% (for the six months ended 30 June 2014: 8.06%).

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation	**17,660**	14,861
Write-down of inventories to net realisable value	**1,391**	–
Amortisation of land lease payments	**1,715**	112
Auditors' remuneration	**1,328**	144
Impairment of property, plant and equipment	**–**	4,590
Recovery of impairment of accounts receivable	**(3,443)**	–
Loss/(gain) on disposal of property, plant and equipment	**116**	(6)

6. INCOME TAX EXPENSE

The Group calculates the 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 profit or loss are:

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax expense		
– The People's Republic of China (the "**PRC**")	**32,416**	27,444
Deferred income tax benefit	**(1,883)**	(2,411)
Total tax charge for the period	**30,533**	25,033

7. 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	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent	**64,969**	67,088
Number of shares:		
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation	**375,000**	375,000
Earnings per share		
Basic and diluted	**0.17**	0.18

The weighted average number of ordinary shares for the purpose of the basic earnings per share calculation for the six months ended 30 June 2015 and 2014 has been retrospectively adjusted to reflect the 100,000 shares in issue at 30 June 2015 and 374,900,000 shares of the Company issued upon the listing of the Company's shares on the Main Board of the Stock Exchange on 3 July 2015 (as further detailed in note 19(a)).

The Group did not have any dilutive potential ordinary shares during the six months ended 30 June 2015.

8. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 June 2015, the Group acquired property, plant and equipment with an aggregate cost of RMB77,963,000 (the six months ended 30 June 2014: RMB19,745,000).

The amount of borrowing costs capitalised during the six months ended 30 June 2015 was approximately RMB3,762,000 (the six months ended 30 June 2014: RMB968,000). The weighted average interest rate used to determine the amount of borrowing costs eligible for capitalisation was 10.08% (the six months ended 30 June 2014: 8.06%).

Assets with a net book value of RMB2,493,000 were disposed of by the Group during the six months ended 30 June 2015 (the six months ended 30 June 2014: RMB381,000), resulting in a net loss on disposal of RMB116,000 (the six months ended 30 June 2014: net gain RMB6,000).

As at 30 June 2015 no impairment loss was provided. While as at 30 June 2014, impairment losses of RMB4,590,000 were provided for certain idle property, plant and equipment of the Group which became unusable or technically obsolete. Impairment was provided for the full amount of the carrying values of these assets as they did not have any resell value.

9. INVENTORIES

As at 30 June 2015, the Group provided impairment provision of inventory amounting to RMB1,391,000 with lower of cost or market method (31 December 2014: nil).

10. TRADE RECEIVABLES

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Trade receivables	**142,079**	118,540
Impairment	**–**	(3,443)
	142,079	115,097

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 oversea 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:

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Within 1 month	**87,743**	55,687
1 month to 2 months	**45,718**	36,414
2 months to 3 months	**2,602**	17,549
3 months to 4 months	**5,975**	1,447
Over 4 months	**41**	4,000
	142,079	115,097

10. TRADE RECEIVABLES (CONTINUED)

The movements in provision for impairment of trade receivables are as follows:

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At 1 January	**3,443**	3,443
Recovery of impairment provision	**(3,443)**	–
	–	3,443

As at 31 December 2014, provision for impairment of trade receivables was a provision for individually impaired trade receivables with a carrying amount before provision of RMB3,443,000. The individually impaired receivables mainly relate to customers which was in unexpected difficult economic situations and it was expected that these receivables would not be recovered, then. However, this previously fully impaired trade receivable of RMB3,443,000 was recovered during the six months ended 30 June 2015.

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

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**113,959**	70,198
Less than 1 month past due	**24,891**	6,204
1 to 3 months past due	**3,156**	38,582
Over 3 months past due	**73**	113
	142,079	115,097

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.

11. 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 2015 *RMB'000* (Unaudited)	31 December 2014 *RMB'000* (Audited)
Within 1 month	**76,481**	83,489
1 month to 2 months	**22,010**	30,264
2 months to 3 months	**21,550**	15,379
Over 3 months	**41,151**	20,012
	161,192	149,144

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

12. INTEREST-BEARING BANK BORROWINGS

	30 June 2015 *RMB'000* (Unaudited)	31 December 2014 *RMB'000* (Audited)
Current		
Bank loans – unsecured	**12,000**	12,000
Bank loans – secured	**120,000**	69,000
	132,000	81,000
Analysed into:		
Bank loans repayable:		
Within one year	**132,000**	81,000

The ranges of the effective interest rates on the Group's bank loans are as follows:

	2015 %	2014 %
Fixed-rate loans	**5.62 - 8.40**	5.88 - 8.10

13. CASH AND CASH EQUIVALENTS

For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	30 June 2015	30 June 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cash at bank and in hand	**38,373**	64,682
Less: Restricted cash	**(514)**	(514)
Total cash and cash equivalents	**37,859**	64,168
Denominated in RMB	**31,374**	59,382
Denominated in other currencies	**6,485**	4,786
Total cash and cash equivalents	**37,859**	64,168

14. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The financial assets of the Group mainly include cash and cash equivalents, restricted cash, prepayments and other receivables which are accounted for as loans and receivables. Financial liabilities of the group mainly include trade payables, other payables and accruals, interest-bearing bank borrowings and other financial liability, which are accounted for using amortised cost. The carrying amounts of the Group's financial assets and financial liabilities closely approximate to their fair value.

15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is an overview of financial assets and liabilities, other than cash and cash equivalents and restricted cash, held by the Group as at 30 June 2015 and 31 December 2014:

Financial assets at amortised cost

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade and notes receivables	**193,386**	147,663
Financial assets included in prepayments and other receivables	**8,638**	4,349
	202,024	152,012

Financial liabilities at amortised cost

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**161,192**	149,144
Financial liabilities included in other payables and accruals	**63,240**	85,495
Interest-bearing bank borrowings	**132,000**	81,000
Other financial liability	**30,615**	30,615
	387,047	346,254

16. COMMITMENTS AND CONTINGENCIES

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2015.

Capital commitments

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contracted, but not provided for plant and machinery	**60,069**	52,821
Authorised, but not contracted for plant and machinery	**526,980**	550,339
	587,049	603,160

Lease commitments

The Group leases certain of its property, plant, and equipment under operating lease arrangements with a term of 3 years. As at 30 June 2015, the Group had total future minimum lease payments under non-cancellable operating lease falling due as follows:

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within one year	**17,778**	–
In the second to fifth years, inclusive	**30,281**	–
	48,059	–

17. RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions that have been entered into with related parties during the six months ended 30 June 2015 and 2014, as well as balances with related parties as at 30 June 2015 and 31 December 2014:

(a) Transactions with related parties:

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sale of products		
Dongguang Yijia Iron Co., Ltd.	**–**	6,926
Sunchem International Trading Pte. Ltd.	**–**	26,182
Hebei Huage Dye Chemical Co., Ltd.	**–**	41,611
	–	74,719
Purchase of products		
Dongguang Yijia Iron Co., Ltd.	**25,555**	36,524
Sunchem International Trading Pte. Ltd.	**486**	–
Shengli Oil Field Dongao Chemicals Co., Ltd.	**6,786**	–
	32,827	36,524
Related party funding from		
Huage Holdings Group Co., Ltd.	**10,319**	166,400
Huage Chemical (Cangzhou) Co., Ltd.	**–**	22,537
Cavalli Enterprises Inc.	**–**	1,837
Hebei Huage Dye Chemical Co., Ltd.	**7,018**	–
	17,337	190,774
Related party funding to		
Huage Holdings Group Co., Ltd.	**15,447**	82,614
Hebei Huage Dye Chemical Co., Ltd.	**23,018**	–
Huage Chemical (Cangzhou) Co., Ltd.	**27,330**	89,315
Cavalli Enterprises Inc.	**13**	–
	65,808	171,929
Payments on behalf of Dongguang Yijia Iron Co., Ltd.	**–**	178
Plant leasing fee paid to Shengli Oil Field Dongao Chemicals Co., Ltd.	**7,425**	–

17. RELATED PARTY DISCLOSURES (CONTINUED)

Notes:

(i) In the opinion of the Directors of the Company, the transactions between the Group and the related parties were conducted in the ordinary and usual course of business and on normal commercial terms.

(ii) Fundings from, and fundings to, related parties are mainly for meeting capital requirements of the Group. These fundings are unsecured, interest free and have no fixed repayment term and were included in other payables and accruals, and prepayments and other receivables, respectively, of the consolidated statements of financial position at 30 June 2015 and 31 December 2014.

(b) Outstanding balances with related parties:

	Relationship with the Group	**30 June 2015** ***RMB'000*** **(unaudited)**	31 December 2014 *RMB'000* (audited)
Trade receivables:			
Sunchem International Trading Pte. Ltd.	*(i)*	–	18,650
Dongguang Yijia Iron Co., Ltd.	*(ii)*	–	1,425
		–	20,075
Other receivables:			
Hebei Huage Dye Chemical Co., Ltd.	*(i)*	–	1,130
Trade payables:			
Dongguang Yijia Iron Co., Ltd.	*(ii)*	**17,128**	11,800
Sunchem International Trading Pte. Ltd.	*(i)*	–	486
		17,128	12,286
Other payables and accruals:			
Huage Chemical (Cangzhou) Co., Ltd.	*(i)*	–	27,330
Cavalli Enterprises Inc.	*(iii)*	–	13
Huage Holdings Group Co., Ltd.	*(i)*	–	6,258
Hebei Huage Dye Chemical Co., Ltd.	*(i)*	–	16,000
Shengli Oil Field Dongao Chemicals Co., Ltd.	*(i)*	**2,150**	–
		2,150	49,601

17. RELATED PARTY DISCLOSURES (CONTINUED)

The above balances are unsecured, non-interest-bearing and repayable on demand. Trade receivables from related parties are repayable on the respective credit terms.

(i) Controlled by Mr. Ge Yi

(ii) Controlled by Mr. Ge Yi's relative

(iii) Parent company

18. DIVIDEND

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cash dividend	–	30,968

The Board does not recommend an interim dividend for the six months ended 30 June 2015.

In January 2014, cash dividend was declared by Tsaker Dongguang to Huage Chemical (Cangzhou) Co., Ltd. at an amount of approximately RMB30,968,000.

19. EVENTS AFTER THE REPORTING PERIOD

(a) Pursuant to the written resolutions of the shareholders of the Company passed on 12 June 2015, conditional on the share premium account of the Company being credited as a result of the Company's initial public offering (the "**IPO**") as defined in the Prospectus, the sum of US$3,749,000, being part of the amount which would then be standing to the credit of the share premium account of the Company be capitalised and applied in paying up in full 374,900,000 shares to be allotted credited as fully paid at par to the registered members of the Company as at the close of business on 12 June 2015.

(b) The Company's shares were listed on the Main Board of the Stock Exchange on 3 July 2015. In connection with the IPO, 125,000,000 shares of US$0.01 each were issued at a price of HK$4.01 per share for a total cash consideration, before expenses, of HK$501,250,000. On 27 July 2015, pursuant to the partially exercise of the over-allotment option, the Company issued an additional 1,125,000 shares of US$0.01 each at a price of HK$4.01 for gross proceeds, before expenses, of HK$4,511,250.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

Since the overall recovery of the world's economy in the first half of 2015 was slower than expected, complied with increasing geopolitical conflicts and the relatively large decline in general commodity prices, the uncertainty in the world economy's rate of recovery increases.

Currently, China's economy is in a critical stage of structural adjustment and mode switching. Due to the National Macroeconomic Regulation and Control Measures, the optimisation in the industry structure is expected to continue. The economic development of China has entered into a "new normal" of improving the substance and efficiency of growth.

As the outlook of the domestic and international markets remain uncertain, the Group analysed the situation carefully with active adjustment and better understanding in the market dynamics. The production department of the Group made reasonable and scientific arrangements, and strengthened its coordination and communications with the sales department in order to arrange suitable production by focusing on the needs of sales. While adopting flexible and effective marketing policy to reinforce the Company's market share in the domestic market, its sales department continued to step up in developing international markets and overcoming unfavorable impacts of macro-economy, therefore achieving satisfactory results. For the six months ended 30 June 2015 (the "**Review Period**"), the total revenue of the Group was approximately RMB473.1 million, representing an increase of approximately RMB21.8 million or 4.8% as compared to approximately RMB451.3 million for the same period in 2014, mainly due to the sales revenue of approximately RMB50.0 million from new products such as ortho-nitrotoluene ("**ONT**") and ortho-toluidine ("**OT**"), partially offset by the decrease in revenue caused by drop in average prices of 4,4'-Diaminostilbene-2,2'-disulfonic acid ("**DSD Acid**") and other dye intermediates.

The Group has started to produce new products such as para-nitrotoluene ("**PNT**"), ONT, meta-nitrotoluene ("**MNT**") and OT since February 2015. The production of PNT is aimed at achieving the strategic objective of maintaining a stable raw material supply for its key product, namely, DSD Acid. The production of new products such as PNT, ONT/OT and N-methyl-2-pyrrolidone ("**NMP**") expanded its existing product range, dispersed its concentration risk and enriched its existing product portfolio.

During the Review Period, the net profit was approximately RMB65.0 million, representing a decrease of approximately RMB14.8 million or 18.5% as compared to approximately RMB79.8 million for the same period in 2014, mainly due to the listing expenses incurred for the IPO during the Review Period, which amounted to approximately RMB16.9 million and included in the administrative expenses, and there was no such expense occurred for the same period in 2014.

Business Review for the Review Period and the corresponding period

Segment information

Six-month period ended 30 June 2015 (unaudited)	Dimethyl1,4-Cylohexanedione-2,5-dicarboxylate (DMSS) and other pigment intermediates	DSD Acid and other dye intermediates	Mononitrotoluene, OT and others	Total
Revenue (RMB'000)	103,870	319,214	49,994	473,078
Cost of sales (RMB'000)	65,017	206,479	46,144	317,640
Sales volume (Tonnes)	3,071	18,636	5,685	27,392
GP ratio (%)	37.4%	35.3%	7.7%	32.9%
Average unit selling price (RMB/Tonnes)	33,823	17,129	8,794	17,271

Six-month period ended 30 June 2014 (unaudited)	DMSS and other pigment intermediates	DSD Acid and other dye intermediates	Mononitrotoluene, OT and others	Total
Revenue (RMB'000)	96,363	354,971	–	451,334
Cost of sales (RMB'000)	64,396	235,961	–	300,357
Sales volume (Tonnes)	2,855	18,801	–	21,656
GP ratio (%)	33.2%	33.5%	–	33.5%
Average unit selling price (RMB/Tonnes)	33,752	18,880	–	20,841

DSD Acid and other dye intermediates

According to the industry report of Frost & Sullivan (the "**Industry Report**"), the Group was the largest DSD Acid producer in the world, accounting for 57.4% of the world's market share in 2014. DSD Acid is mainly used in optical brightening agents (OBA) as a dye intermediate. OBAs are widely used in downstream industries including paper making, textile and detergents which are comparatively mature industries in the world with stably and steadily increasing demand.

During the Review Period, the sales volume of DSD Acid and other dye intermediates amounted to 18,636 tonnes, representing a decrease of 165 tonnes or 0.9% comparing with the same period in 2014. The revenue derived from DSD Acid and other dye intermediates amounted to approximately RMB319.2 million, representing a decrease of approximately RMB35.8 million or 10.1% comparing with the same period in 2014. The gross profit margin of DSD Acid and other dye intermediates was 35.3%, representing an increase by 1.8 percentage points as compared to the gross profit margin of 33.5% for the same period of 2014. The increase of gross profit margin was mainly due to our lower production cost resulting from a decrease of raw material price. The Group intended to maintain a good relationship with downstream companies and build an industry chain with long-term sustainable development. By maintaining the gross profit margin of DSD Acid and other dye intermediates at a reasonable level with a slight increase, the Group took the initiative in reducing prices to further expand the Group's competitiveness in the market.

DMSS and other pigment intermediates

According to the Industry Report, the Group was the world's largest producer of DMSS, accounted for 27.4% of the world's market share in 2014. In the same period, it is also the world's second largest Dimethyl acetylsuccinate ("**DMAS**") and Diisopropyl succinate (DIPS) producer, accounting for 21.7% and 33.2%, respectively, of the world's market share in 2014.

With gradual recovery of the global economy, production of ink, coating and plastic products are expected to rise along with the increases in the population's disposable income.

High performance pigments have much better heat resistance, light resistance and weather ability than normal pigments, and are thus widely welcomed by downstream industries and may benefit pigment intermediates such as DMSS, 2,5-Dianilinoterephthalic acid (DATA) and DMAS.

During the Review Period, the sales volume of DMSS and other pigment intermediates amounted to 3,071 tonnes, representing an increase of 216 tonnes or 7.6% comparing with the corresponding period in 2014. The revenue derived from DMSS and other pigment intermediates amounted to approximately RMB103.9 million, representing an increase of approximately RMB7.5 million or 7.8% comparing with the same period in 2014. The gross profit margin of DMSS and other pigment intermediates was 37.4%, representing an increase by 4.2 percentage points as compared to the gross profit margin of 33.2% for the same period of 2014. The increase of gross profit margin was mainly due to a decrease of production cost as a result of decrease in price of raw materials.

Mononitrotoluene, OT and others

According to the Industry Report, as ONT is mainly consumed in agricultural chemicals industry, in particular the herbicides, which is estimated to grow at approximately 5% globally, the rising demand for herbicides is expected to pull up the consumption of ONT.

ONT can also be applied in other industries, including dye and pigment industry and pharmaceutical industry. With a rising disposable income and an increasing attention to health, consumption of the medicine is expected to rise steadily, which will also generate a growing demand for ONT.

As the primary downstream product of ONT, growth drivers of OT are similar to those of ONT.

According to the Industry Report, the Group was the largest purchaser of PNT in the world in 2014. It leased the buildings and equipment from Dongao Chemicals since January 2015 and commenced the production of PNT, ONT, MNT and OT in February 2015, subsequently reduced the PNT purchase from external sources. Given the collateral relationship of PNT and ONT, some of the ONT producers may reduce their total production volume if they cannot easily find clients for their PNT. Therefore, as the leading players with sales channels for both PNT and ONT, it is expected to benefit from industry integration.

During the Review Period, the sales volume of ONT/OT and other new products reached 5,685 tonnes and generated income of RMB50.0 million, gross margin of approximately RMB3.9 million and gross profit margin of 7.7%. Especially, the sales volume of ONT/OT reached 4,421 tonnes and generated income of approximately RMB40.7 million and gross profit margin of 20.9%.

The gross profit margin of ONT/OT and other new products is lower than the existing products of the Group, mainly due to our low utilisation and unstable trial production technology during the initial production period as a new entrant in that field.

Export

During the Review Period, the export revenue of the Group amounted to approximately RMB218.2 million, representing a decrease of approximately RMB2.1 million or 1.0% as compared to the export revenue of approximately RMB220.3 million for the same period of 2014, mainly due to the decrease in average sales price of DSD Acid and other dye intermediates.

During the Review Period, the export revenue attributed 46.1% of the total revenue as compared to 48.8% for the same period of 2014, mainly due to the revenue of ONT/OT and other new products amounted to RMB50.0 million was derived from domestic sales.

Business outlook for the second half of the year

Based on the advantage of having an integrated production line, the Group aimed at producing our products through efficient production processes.

Significant fluctuation of the international crude oil prices caused a continued decline in basic chemical materials prices, which resulted in a significant decrease in the production cost of the Group's product during the Review Period as compared with the same period in 2014. The Group takes the advantage of low production cost to maximise its profit.

The Group will continue to improve the production technology of its new products in 2015 in order to further reduce the production cost. After the end of trial production, the production volume of those new products is expected to further increase.

Its new Dongying Production Plant is constructed as schedule and its phase 1 is expected to be completed in the fourth quarter of the year. After the construction of Dongying Production Plant is completed, the Group is expected to be well positioned to further expand the production capacity and improve the existing production technology.

The Group intends to have more investment in product development and production improvement such as upgrading the production facilities to achieve high efficiency and save energy, resource recycling and reduce waste and sewage for higher energy efficiency, cost savings and formulation of sustainable development measures to meet its growing business. Besides, for the products with growing potential, the Group will further invest in accordance with the use of proceeds as disclosed in the Prospectus.

The Group adheres to its established business development strategy, which is to extend its product portfolio for expanding its business scope and enhancing its competitiveness, in order to mitigate the risk of market fluctuation and strengthen its ability to hedge against the risks.

The Group's turnover and profit has achieved a stable growth in the past few years. The Group remains positive in the middle to long term development prospect as it has established a solid foundation for comprehensive development with stable market shares, good productivity and strong product research and development ability.

Financial Review

Revenue and gross profit

During the Review Period, the revenue and gross profit amounted to approximately RMB473.1 million and approximately RMB155.4 million, respectively, representing an increase of approximately RMB21.8 million and approximately RMB4.4 million or 4.8% and 2.9% from approximately RMB451.3 million and approximately RMB151.0 million, respectively, for the same period in 2014. During the Review Period, the gross profit margin of the Group was 32.9%, as compared to 33.5% for the same period in 2014. The overall performance of the revenue and gross profit remained stable, the decrease in the Group's gross profit margin was mainly due to a lower gross profit margin of new products such as ONT/OT and NMP.

Selling and distribution expenses

During the Review Period, selling and distribution expenses amounted to approximately RMB15.2 million, representing an increase of approximately RMB2.8 million as compared to approximately RMB12.4 million for the same period in 2014. The increase in selling and distribution expenses was mainly attributable to the increase in the sales volume of DMSS and other pigment intermediates year on year as well as the corresponding increase in the transportation fees, packaging fees and handling fees accordingly caused by the additional sales of the products such as ONT/OT. During the Review Period, selling expenses represented 3.2% of the Group's revenue (for the six months ended 30 June 2014: 2.7%).

Administrative expenses

During the Review Period, administrative expenses amounted to approximately RMB47.7 million, representing an increase of approximately RMB13.9 million as compared to approximately RMB33.8 million for the same period in 2014. The increase in administrative expenses was mainly due to the listing expenses in relation to the global offering of approximately RMB16.9 million being recognised during the Review Period. During the Review Period, administrative expenses represented 10.1% of the Group's turnover, administrative expenses after excluding such listing fees represented 6.5% of the Group's turnover (for the six months ended 30 June 2014: 7.5%).

Finance costs

During the Review Period, finance costs amounted to approximately RMB4.8 million, representing a decrease of approximately RMB2.6 million as compared to approximately RMB7.4 million for the same period in 2014, mainly attributable to the increase of capitalisation of interest expenses to the additional construction projects.

Income tax expense

The PRC subsidiaries of the Group are generally subject to the PRC Enterprise Income Tax (EIT) at a rate of 25%.

During the Review Period, income tax expenses amounted to approximately RMB30.5 million, representing an increase of approximately RMB5.5 million as compared to approximately RMB25.0 million for the same period in 2014, mainly attributable to the unrecognised deferred tax of current year operating loss of certain subsidiaries.

Cash flows

During the Review Period, the Group generated net cash flow from operating activities of approximately RMB20.5 million, representing a decrease of approximately RMB63.0 million as compared to approximately RMB83.5 million for the same period in 2014, primarily as a result of the Group's EIT was payable quarterly in advance and settled annually. During the Review Period, the EIT paid by the Group was mainly the additional payment of annual settlement for 2014. Therefore, an extra amount of approximately RMB15.6 million and an additional prepaid income tax of approximately RMB14.4 million were paid as compared to the same period in 2014, as a result of payment of listing fees in relation to the IPO amounting to approximately RMB11.9 million, and the decrease in trade receivables and bill receivables during the Review Period due to the launch of new products and the extension of credit period.

During the Review Period, the Group's net cash flows used in investing activities of approximately RMB80.3 million, representing an increase of approximately RMB68.2 million as compared to approximately RMB12.1 million for the same period in 2014, primarily as a result of payment of the construction of new production plant and purchase of machines and equipment by Tsaker Chemical (Dongying) Co., Ltd. ("**Tsaker Dongying**") amounting to RMB18.2 million, payment of land premium of approximately RMB32.8 million and the addition expenses of RMB14.3 million due to the upgrade and improvement of existing production line by Tsaker Chemical (Dongguang) Co., Ltd. and Tsaker Chemical (Cangzhou) Co., Ltd.

During the Review Period, the Group generated net cash flows from financing activities of approximately RMB2.5 million, representing an increase of approximately RMB30.9 million as compared to the net cash flow used in financing activities of approximately RMB28.4 million for the same period in 2014, primarily as a result of an increase of approximately RMB67.2 million of net bank and other borrowings during the Review Period as comparing with the same period in 2014, an increase of the related party settlement amounted to approximately RMB67.3 million as comparing with the same period in 2014, and the dividend payment of approximately RMB31.0 million for the same period in 2014.

Net current liabilities

As of 30 June 2015, net current liabilities amounted to approximately RMB95.1 million, primarily as a result of the construction of new plant, purchase of equipment and land by Tsaker Dongying, a subsidiary of the Group, during the Review Period. Also, the increase of other financial liability amounted to approximately RMB30.6 million, mainly due to the consideration received from the pre-Initial Public Offering Investor was accounted for as other financial liability and measured at amortised cost with an effective interest rate of 18%. Integrating its cash resources on hand and undrawn banking facilities obtained from the banks, the Group has sufficient financial resources to meet its commitments and working capital requirements. The Group will continue to monitor its cash outflow closely and cautiously in the coming years and dedicate to maintaining a sound financial position.

On the other hand, the shares of the Company (the "**Shares**") were listed on the Main Board of the Stock Exchange on 3 July 2015 (the "**Listing Date**"). Proceeds from financing activities provide a strong guarantee for general operations and investment activities.

During the Review Period, the Group did not use any financial instruments for any hedging purposes.

Gearing ratio

As at 30 June 2015, the Group's gearing ratio was 43.7% as compared to 36.4% as at 31 December 2014, which is calculated at interest-bearing loans, staff borrowings and other financial liabilities at the end of the period divided by the total equity.

Pledge of assets

As at 30 June 2015, certain of the Group's buildings and lands with a net carrying amount of approximately RMB89.5 million (31 December 2014: approximately RMB62.4 million) were pledged to secure bank loans granted to the Group.

Material Acquisitions and Disposals

Save for the acquisitions and/or disposals during the reorganisation of the Group for the listing of the Shares, the details of which are set out in the Prospectus, there were no material acquisitions and disposals of subsidiaries and associated companies of the Group during the Review Period.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2015.

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 is 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 actively monitoring the impact of change in currency exchange rates on the Group.

Employees and Remuneration Policies

The Group has established its human resources policies and procedures with a view to deploying the incentives and rewards of the remuneration system which include a wide range of training and personal development programs to the employees. The remuneration package offered to the staff was in line with the duties and the prevailing market terms. Staff benefits, including pension, medical coverage, provident funds, etc., have also been provided to employees of the Group.

As at 30 June 2015, the Group had 1,451 employees.

Application of Proceeds from the Listing

Trading of the Shares on the Stock Exchange commenced on the Listing Date, the gross proceeds from the Listing of the Group amounted to approximately HK$505.8 million. The proceeds are intended to be used as the purposes disclosed in the Prospectus.

As at the date of this announcement, the proceeds of approximately RMB23.1 million have been used as the additional working capital.

Events after the Review Period

Pursuant to the written resolutions passed by the Shareholders on 12 June 2015, conditional on the share premium account of the Company being credited as a result of the IPO on the Main Board of the Stock Exchange, the Directors were authorised to capitalise US$3,749,000 from the share premium account of the Company and that the said sum be applied in paying up in full 374,900,000 Shares at par for allotment and issue, credit as fully paid to the Shareholders whose names appearing on the register of members of the Company at the close of business on 12 June 2015 (or as such Shareholders may direct) in proportion (as nearly as possible without fractions so that no fraction of a share shall be alloted and issued) to their then respective shareholdings in the Company.

On 3 July 2015, 125,000,000 Shares were issued at an issue price of HK$4.01 each (the "**Offer Price**") by way of the IPO and the Shares were listed on the Main Board of the Stock Exchange on the same date. On 27 July 2015, 1,125,000 Shares were issued at the Offer Price pursuant to the partial exercise of Over-allotment Option (as defined in the Prospectus).

Interim Dividend

The Board does not recommend any interim dividend for the six months ended 30 June 2015.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Purchase, Sale or Redemption of Listed Securities of the Company

During the Review Period, the Shares were not listed on the Stock Exchange, the Group did not issue any other listed securities. Save for the issue of Shares as discussed above, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities from the Listing Date to the date of this announcement.

Corporate Governance Practices

The Shares were not listed on the Stock Exchange as at 30 June 2015, the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") in Appendix 14 to the Listing Rules was not applicable to the Company for the Review Period.

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 CG Code as its own code of corporate governance since the Listing Date.

The Company has complied with all the code provisions of the CG Code set out therein except for the code provision A.2.1 of the CG Code.

In accordance with the code provision A.2.1 of the CG 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 ("**Mr. Ge**") performs both the roles of the chairman and the chief executive officer of the Company. Since Mr. Ge has been with the Group for many years, he has a thorough understanding in 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, 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.

Pursuant to code provision A.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against the Directors. The Company has arranged an insurance in early June 2015 with 12-month coverage starting from 3 July 2015 in respect of legal actions against the Directors.

Compliance with Code on for Securities Transactions by Directors

The Shares were not listed on the Stock Exchange as at 30 June 2015, the "Model Code for Securities Transactions by Directors of Listed Issuer" in Appendix 10 to the Listing Rules (the "**Model Code**") was not applicable to the Company for the Review Period. The Company has adopted the Model Code as its code of conduct for directors' securities transactions since the Listing Date.

Since the Listing Date, the Model Code shall also apply to senior management, key employees and employees who may come into knowledge of the unpublished inside information of the Company.

Audit Committee and Review of Financial Statements

The Board has established an audit committee (the "**Audit Committee**") according to the Listing Rules, which comprises three independent non-executive Directors, namely Mr. Zhu Lin (chairman), Mr. Xiao Yongzheng and Mr. Yu Miao.

The unaudited interim financial statements have been reviewed by the Audit Committee. Ernst & Young CPA, the independent auditor of the Company, conducted an independent review on the interim financial information of the Company for the six months ended 30 June 2015 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 is set out in the interim report to be despatched to the Shareholders.

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 2015 containing all the information required by the Listing Rules will be despatched 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, 25 August 2015

As of the date of this announcement, the executive Directors are Mr. GE Yi, Mr. DUAN Weidong, Ms. DONG Zhongmei and Ms. JIN Ping; the non-executive Directors are Mr. XIAO Yongzheng and Mr. FONTAINE Alain Vincent; and the independent non-executive Directors are Mr. HO Kenneth Kai Chung, Mr. ZHU Lin and Mr. YU Miao.

* *For identification purpose only*