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 2016

FINANCIAL HIGHLIGHTS

Revenue of the Group for the six months ended 30 June 2016 amounted to approximately RMB500.3 million, representing an increase of approximately RMB27.2 million or 5.8% comparing with the same period in 2015.

Gross profit of the Group for the six months ended 30 June 2016 amounted to approximately RMB158.6 million, representing an increase of approximately RMB3.2 million or 2.0% comparing with the same period in 2015.

Net profit of the Group for the six months ended 30 June 2016 amounted to approximately RMB75.1 million, representing an increase of approximately RMB10.1 million or 15.5% comparing with the same period in 2015.

Basic and diluted earnings per share of the Group for the six months ended 30 June 2016 amounted to RMB0.15, representing a decrease of RMB0.02 or 11.8% comparing with the same period in 2015.

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2016.

RESULTS

The board (the "**Board**") of directors (the "**Director(s)**") of Tsaker Chemical Group Limited (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 2016, together with the comparative figures for the same period in 2015. 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 2016

	Notes	For the six months ended 30 June **2016** ***RMB'000*** **(Unaudited)**	 2015 *RMB'000* (Unaudited)
REVENUE		**500,299**	473,078
Cost of sales		**(341,685)**	(317,640)
Gross profit		**158,614**	155,438
Other income and gains		**8,920**	7,141
Selling and distribution expenses		**(18,943)**	(15,208)
Administrative expenses		**(40,826)**	(47,749)
Other expenses		**(1,872)**	(840)
Finance costs	*4*	**(4,990)**	(4,813)
Exchange (loss)/gain, net		**(6,119)**	1,533
PROFIT BEFORE TAX	*5*	**94,784**	95,502
Income tax expense	*6*	**(19,684)**	(30,533)
PROFIT FOR THE PERIOD		**75,100**	64,969
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**8,812**	669
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**83,912**	65,638
Profit attributable to:			
Owners of the parent		**75,100**	64,969
Total comprehensive income attributable to:			
Owners of the parent		**83,912**	65,638
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (expressed in RMB per share)	*7*	**0.15**	0.17

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	**30 June 2016** *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	**568,495**	504,540
Prepaid land lease payments		**62,816**	64,718
Investments in joint ventures		**600**	–
Deferred tax assets		**22,039**	24,425
Available-for-sale financial assets	*9*	**18,300**	–
Other non-current assets		**6**	14
Total non-current assets		**672,256**	593,697
CURRENT ASSETS			
Inventories	*10*	**105,299**	77,872
Trade receivables	*11*	**184,195**	163,184
Notes receivables		**74,441**	71,080
Prepayments and other receivables		**80,301**	44,209
Prepaid income tax		**6,934**	13,805
Restricted cash		**300,517**	300,516
Cash and cash equivalents		**166,873**	192,873
Total current assets		**918,560**	863,539
CURRENT LIABILITIES			
Trade payables	*12*	**172,524**	193,094
Other payables and accruals		**95,117**	96,378
Interest-bearing bank borrowings	*13*	**389,130**	317,320
Total current liabilities		**656,771**	606,792
NET CURRENT ASSETS		**261,789**	256,747
TOTAL ASSETS LESS CURRENT LIABILITIES		**934,045**	850,444
NON-CURRENT LIABILITIES			
Deferred income		**6,364**	6,806
Deferred tax liabilities		**1,681**	1,550
Total non-current liabilities		**8,045**	8,356
Net assets		**926,000**	842,088
EQUITY			
Equity attributable to owners of the parent			
Share capital		**30,649**	30,649
Reserves		**895,351**	811,439
Total equity		**926,000**	842,088

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

		For the six months ended 30 June	
		2016	2015
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**94,784**	95,502
Adjustments for:			
Finance costs	*4*	**4,990**	4,813
Interest income		**(4,885)**	(73)
Loss on disposal of items of property, plant and equipment	*8*	**152**	116
Depreciation		**17,597**	17,660
Amortisation of prepaid land lease payments		**2,018**	1,715
Amortisation of other non-current assets		**9**	24
Amortisation of deferred income		**(572)**	(484)
Recovery of previous fully impaired trade receivable	*11*	**–**	(3,443)
Impairment of inventory	*10*	**2,069**	1,391
		116,162	117,221
(Increase)/decrease in inventories		**(28,709)**	6,677
Increase in trade and notes receivables		**(29,387)**	(47,150)
Increase in prepayments and other receivables		**(18,070)**	(17,103)
Increase/(decrease) in trade payables		**1,535**	(8,869)
Increase in other payables and accruals		**6,831**	25,684
Increase in restricted cash		**(1)**	–
Cash generated from operations		**48,361**	76,460
Interest received		**63**	73
Interest paid		**(5,053)**	(4,319)
Income tax paid		**(10,295)**	(51,743)
Net cash flows from operating activities		**33,076**	20,471

	Notes	For the six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(112,850)**	(48,161)
Purchase of prepaid land lease payment		**–**	(32,835)
Purchase of other intangible assets		**(117)**	–
Proceeds on disposal of items of property, plant and equipment		**6**	685
Capital contribution to joint ventures		**(600)**	–
Purchase of available-for-sale financial assets		**(18,300)**	–
Proceeds from governments grants		**130**	10
Net cash flows used in investing activities		**(131,731)**	(80,301)
CASH FLOWS FROM FINANCING ACTIVITIES			
Funding from related parties	*18*	**–**	17,337
Funding to related parties	*18*	**–**	(65,808)
Proceeds from bank loans		**106,810**	110,000
Repayment of bank loans		**(35,000)**	(59,000)
Net cash flows generated from financing activities		**71,810**	2,529
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(26,845)**	(57,301)
Cash and cash equivalents at beginning of the period		**192,873**	95,471
Effect of foreign exchange rate changes, net		**845**	(311)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	*14*	**166,873**	37,859

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman, KY1-1106, Cayman Islands.

The Company is an investment holding company. The Company's subsidiaries are involved in the following principal activities:

- manufacture and sale of 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 2016 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") *34 Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

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 Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016 as summarised below:

Amendments to HKFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

Amendments to HKAS 16 and HKAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to HKAS 27: Equity Method in Separate Financial Statements

Annual Improvements 2012-2014 Cycle

HKAS 19 Employee Benefits

HKAS 34 Interim Financial Reporting

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 Investment Entities: Applying the Consolidation Exception

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

The following tables present revenue and profit information for the Group's operating segments for the six months ended 30 June 2016 and 2015, respectively.

Six months ended 30 June 2016 (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	**96,529**	**241,075**	**162,695**	**500,299**	**–**	**500,299**
Inter-segment	**83,259**	**161,390**	**39,738**	**284,387**	**(284,387)**	**–**
Total revenue	**179,788**	**402,465**	**202,433**	**784,686**	**(284,387)**	**500,299**
Results						
Segment profit	**28,929**	**65,008**	**22,763**	**116,700**	**(21,916)**	**94,784**

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

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2016 and 31 December 2015, respectively:

	Pigment intermediates *RMB'000*	Dye intermediates *RMB'000*	Mononitrotoluene, OT and others *RMB'000*	Total segments *RMB'000*	Corporate, other unallocated expenses and eliminations *RMB'000*	Consolidated *RMB'000*
Assets						
30 June 2016 (unaudited)	**517,677**	**1,109,669**	**127,636**	**1,754,982**	**(164,166)**	**1,590,816**
31 December 2015 (audited)	426,194	1,048,927	78,881	1,554,002	(96,766)	1,457,236
Liabilities						
30 June 2016 (unaudited)	**439,444**	**619,861**	**119,621**	**1,178,926**	**(514,110)**	**664,816**
31 December 2015 (audited)	364,977	590,715	91,517	1,047,209	(432,061)	615,148

Corporate and eliminations

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

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Reconciliation of profit		
Segment profit	**116,700**	115,945
Elimination of intersegment transactions	**47**	(586)
Corporate and other unallocated expenses	**(21,963)**	(19,857)
Profit before tax	**94,784**	95,502

Geographical information

Revenue from external customers

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China	**333,337**	254,864
India	**55,655**	67,485
Germany	**23,624**	30,083
United States of America ("**US**")	**22,784**	28,811
Taiwan	**14,895**	14,107
Indonesia	**14,139**	25,324
Italy	**12,836**	11,526
Spain	**6,877**	13,188
Japan	**6,007**	8,366
Brazil	**5,350**	9,867
Turkey	**2,119**	2,350
Korea	**1,176**	1,473
Other countries	**1,500**	5,634
	500,299	473,078

Revenue information above is based on the locations of the customers.

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

4. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans wholly repayable within five years	**8,746**	3,822
Other finance costs	**1,406**	4,753
Less: Interest expenses capitalised	**(5,162)**	(3,762)
	4,990	4,813

The weighted-average interest rate of capitalisation for the six months ended 30 June 2016 is 5.03% (for the six months ended 30 June 2015: 10.08%).

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation	**17,597**	17,660
Write-down of inventories to net realisable value	**2,069**	1,391
Amortisation of land lease payments	**2,018**	1,715
Auditors' remuneration	**1,473**	1,328
Recovery of impairment of trade receivable	**–**	(3,443)
Loss on disposal of property, plant and equipment	**152**	116

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	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax expense		
– The People's Republic of China (the "**PRC**")	**15,356**	32,416
– Hong Kong	**1,811**	–
Deferred income tax expense/(benefit)	**2,517**	(1,883)
Total income tax charge for the period	**19,684**	30,533

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	
	2016	2015
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent (RMB'000)	**75,100**	64,969
Number of shares:		
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation ('000)	**501,125**	375,000
Earnings per share		
Basic and diluted (RMB)	**0.15**	0.17

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 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.

The Group did not have any dilutive potential ordinary shares during the six months ended 30 June 2016 and 2015.

8. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 June 2016, the Group acquired property, plant and equipment with an aggregate cost of RMB82,497,000 (the six months ended 30 June 2015: RMB77,963,000).

The amount of borrowing costs capitalised during the six months ended 30 June 2016 was approximately RMB5,162,000 (the six months ended 30 June 2015: RMB3,762,000). The weighted average interest rate used to determine the amount of borrowing costs eligible for capitalisation was 5.03% (the six months ended 30 June 2015: 10.08%).

Assets with a net book value of RMB158,000 were disposed of by the Group during the six months ended 30 June 2016 (the six months ended 30 June 2015: RMB2,493,000), resulting in a net loss on disposal of RMB152,000 (the six months ended 30 June 2015: net loss RMB116,000).

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2016 *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
Non-publicly traded investments, at cost:		
Private equity fund in Tibet Winshare Equity Venture Capital Fund Partnership (Limited Partnership) ("**Winshare Equity**")	**18,300**	–
	18,300	–

The private equity fund represents an investment in Winshare Equity and is stated at cost less any impairment, as there is no market price available.

As at 30 June 2016, no impairment loss was provided.

10. INVENTORIES

As at 30 June 2016, the Group provided impairment provision of inventory amounting to RMB2,069,000 with lower of cost or market method (31 December 2015: RMB1,197,000).

11. TRADE RECEIVABLES

	30 June 2016 *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
Trade receivables	**184,195**	163,184

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:

	30 June 2016 *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
Within 1 month	**86,215**	76,710
1 month to 2 months	**52,289**	51,728
2 months to 3 months	**9,470**	22,027
3 months to 4 months	**14,928**	4,274
Over 4 months	**21,293**	8,445
	184,195	163,184

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

	30 June 2016 *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
At 1 January	**–**	3,443
Recovery of impairment provision	**–**	(3,443)
	–	–

The provision for impairment of trade receivable as at 1 January 2015 was a provision for individually impaired trade receivable with a carrying amount before provision of RMB3,443,000. The individually impaired receivable mainly relate to customer which was in unexpected difficult financial situations and it was expected that this receivable would not be recovered then. However, this previously fully impaired trade receivable of RMB3,443,000 was recovered during the year ended 31 December 2015.

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

	30 June 2016 *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
Neither past due nor impaired	**121,092**	136,058
Less than 1 month past due	**29,758**	12,545
1 to 3 months past due	**12,362**	8,351
Over 3 months past due	**20,983**	6,230
	184,195	163,184

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 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.

12. 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 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**100,899**	122,235
1 month to 2 months	**35,403**	33,705
2 months to 3 months	**11,498**	20,490
Over 3 months	**24,724**	16,664
	172,524	193,094

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

13. INTEREST-BEARING BANK BORROWINGS

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current		
Bank loans – secured	**389,130**	317,320
Analysed into:		
Bank loans repayable:		
Within one year	**389,130**	317,320

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

	2016	2015
	%	%
Fixed-rate loans	**4.35-7.60**	4.35-8.40

14. 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 2016	30 June 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cash at bank and in hand	**167,390**	38,373
Time deposits	**300,000**	–
Less: Restricted cash	**(517)**	(514)
Pledged time deposits for short term bank loans	**(300,000)**	–
Total cash and cash equivalents	**166,873**	37,859
Denominated in RMB	**106,632**	31,374
Denominated in other currencies	**60,241**	6,485
Total cash and cash equivalents	**166,873**	37,859

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The financial assets of the Group mainly include cash and cash equivalents, restricted cash, trade and notes receivables, prepayments and other receivables which are accounted for as loans and receivables and available-for-sale investments which are accounted for as available-for-sale financial assets. 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.

16. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is an overview of financial assets and financial liabilities held by the Group as at 30 June 2016 and 31 December 2015:

Financial assets

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade and notes receivables	**258,636**	234,264
Financial assets included in prepayments and other receivables	**45,729**	18,640
Restricted cash	**300,517**	300,516
Available-for-sale investments	**18,300**	–
Cash and cash equivalents	**166,873**	192,873
	790,055	746,293

Financial liabilities at amortised cost

	30 June 2016 *RMB'000* (Unaudited)	31 December 2015 *RMB'000* (Audited)
Trade payables	**172,524**	193,094
Financial liabilities included in other payables and accruals	**65,270**	64,472
Interest-bearing bank borrowings	**389,130**	317,320
	626,924	574,886

17. COMMITMENTS AND CONTINGENCIES

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2016.

Capital commitments

	30 June 2016 *RMB'000* (Unaudited)	31 December 2015 *RMB'000* (Audited)
Contracted, but not provided for plant and machinery	**130,043**	79,482
Capital contributions payable to equity investments	**31,700**	–
	161,743	79,482

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 2016 and 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating lease falling due as follows:

	30 June 2016 *RMB'000* (Unaudited)	31 December 2015 *RMB'000* (Audited)
Within one year	**2,751**	17,778
In the second to fifth years, inclusive	**789**	18,453
	3,540	36,231

18. 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 2016 and 2015, as well as balances with related parties as at 30 June 2016 and 31 December 2015:

(a) Transactions with related parties:

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Purchase of products		
Dongguang Yijia Iron Co., Ltd.	–	25,555
Sunchem International Trading Pte. Ltd.	–	486
Shengli Oil Field Dongao Chemicals Co., Ltd.	–	6,786
	–	32,827
Related party funding from		
Huage Holdings Group Co., Ltd. ("Huage Holdings")	–	10,319
Hebei Huage Dye Chemical Co., Ltd.	–	7,018
	–	17,337
Related party funding to		
Huage Holdings	–	15,447
Hebei Huage Dye Chemical Co., Ltd. ("Huage Dye")	–	23,018
Huage Chemical (Cangzhou) Co., Ltd.	–	27,330
Cavalli Enterprises Inc.	–	13
	–	65,808
Plant leasing fee paid to		
Shengli Oil Field Dongao Chemicals Co., Ltd.	**9,996**	7,425
Property leasing fee paid to Huage Holdings	**789**	–
Deposit and part payment of acquisition fee paid to Huage Holdings	**5,016**	–

Notes:

(i) In the opinion of the Directors, 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 were unsecured, interest-free and had 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.

(b) Outstanding balances with related parties:

	Relationship with the Group	**30 June 2016** ***RMB'000*** **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
Other receivables and prepayment:			
Huage Holdings	*(i)*	**5,016**	–
Trade payables:			
Dongguang Yijia Iron Co., Ltd.	*(ii)*	**–**	5,970
Other payables and accruals:			
Huage Holdings	*(i)*	**789**	789

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

19. DIVIDEND

The Board does not recommend an interim dividend for the six months ended 30 June 2016.

20. EVENTS AFTER THE REPORTING PERIOD

On 4 May 2016, Tsaker Chemical (Dongying) Co., Ltd. ("**Tsaker Dongying**"), an indirect wholly-owned subsidiary of the Company, and Huage Holdings entered into a sale and purchase agreement (the "**SPA**"). According to the SPA, Huage Holdings conditionally agreed to sell and Tsaker Dongying conditionally agreed to purchase the entire equity interests in the Shengli Oil Field Dongao Chemicals Co., Ltd. ("**Dongao Chemicals**"), a directly wholly-owned subsidiary of Huage Holdings, at an aggregate consideration of RMB17,361,000. RMB5,016,000 has been paid by Tsaker Dongying on 30 June 2016 as deposit and partial payment of the consideration pursuant to the SPA.

Dongao Chemicals is principally engaged in the leasing of its assets to the Group under assets leasing agreements for the production of mononitrotoluene (consisting of PNT, ONT and MNT) as well as OT and N-methyl-2-pyrrolidone ("**NMP**"). Dongao Chemicals was established on 15 March 2004. Huage Holdings acquired the entire equity interests in Dongao Chemicals from an independent third party on 11 September 2014. Before the commencement of assets leasing agreement in January 2015 with Tsaker Dongying, Dongao Chemicals was principally engaged in the production of mononitrotoluene as well as OT and NMP, which was ceased after entering into the assets leasing agreement with Tsaker Dongying.

Details of the acquisition have been set out in the Company's circular dated 25 May 2016.

On 18 July 2016, all the approval and change in industrial and administrative registration procedures of equity transfer of Dongao Chemicals were completed.

21. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2016 were authorised for issue in accordance with a resolution of the Board on 25 August 2016.

Management Discussion and Analysis

Performance Review

Segment information

Six-month period ended 30 June 2016 (unaudited)	Dimethyl1,4-Cylohexanedione-2, 5-dicarboxylate ("DMSS") and other pigment intermediates	4,4'-Diaminostilbene-2,2'-disulfonic acid ("DSD Acid") and other dye intermediates	Mononitrotoluene, OT and others	Total
Revenue (RMB'000)	96,529	241,075	162,695	500,299
Cost of sales (RMB'000)	56,373	164,549	120,763	341,685
Sales volume (tonnes)	3,170	16,509	17,561	37,240
Gross profit margin	41.6%	31.7%	25.8%	31.7%
Average unit selling price (RMB/tonne)	30,451	14,603	9,265	13,434

Six-month period ended 30 June 2015 (unaudited)	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
Gross profit margin	37.4%	35.3%	7.7%	32.9%
Average unit selling price (RMB/tonne)	33,823	17,129	8,794	17,271

Compared with the second half of 2015, during the six months ended 30 June 2016 (the "**Review Period**"), the sales volume of three segments of the Group significantly increased and the results showed an increasing trend. During the Review Period, the revenue and gross profit of the Group increased by 24.3% and 38.7% respectively as compared with the second half of last year. As the selling prices and the market share of the products of the Group remained stable during the Review Period, the Company has confidence in its future development.

The additional production facility for 40,000 tonnes of mononitrotoluene in Dongying, Shandong Province, PRC officially commenced operation in March 2016. An aggregate of 80,000 tonnes of mononitrotoluene reached its full capacity in the first half of 2016 as market demand was satisfactory. Driven by this additional production capacity, during the Review Period, the overall revenue of the Group increased by approximately 5.8% to approximately RMB500.3 million as compared with the same period of last year. During the Review Period, the Group's revenue derived from mononitrotoluene amounted to approximately RMB162.7 million, accounted for approximately 32.5% of the overall revenue, which was the second largest revenue contributor following the DSD Acid and other dye intermediates business.

Currently, the major customers of the Group are world-renowned international chemical producers and our product qualities are highly recognised. The five largest customers of the Group accounted for approximately 29.1% of the Group's overall revenue under the Review Period. In terms of geographical location, revenue from the PRC, India and Germany respectively accounted for 66.6%, 11.1% and 4.7%, while revenue from the US, Indonesia and other regions accounted for approximately 4.6%, 2.8% and 10.2% respectively.

During the Review Period, the overall gross profit of the Group slightly increased by approximately 2.0% to approximately RMB158.6 million as compared with the same period of last year. As the mononitrotoluene business became one of the significant revenue contributors of the Group, yet its average gross profit margin was slightly lower than that of the other products at approximately 25.8%. Meanwhile, impacted by the decreasing crude oil price, selling prices of the Group's main products was adversely affected, as compared with the same period of 2015. Due to the two main factors mentioned above, the overall gross profit margin of the Group slightly decreased by 1.2 percentage points to approximately 31.7%.

During the Review Period, profit attributable to equity holders of the Company increased by approximately 15.5% to approximately RMB75.1 million as compared with the same period of last year, while the margin of profit attributable to equity holders of the Company was enhanced by 1.3 percentage points to approximately 15.0% as compared with the same period of last year. The increase in net profit was mainly attributable to the one-off listing expenses of approximately RMB16.9 million being charged to the account of the Group for the same period of 2015, resulting in a lower base for comparison, and some of the net profit was partially offset by the Group's exchange loss of approximately RMB6.1 million recorded during the Review Period. And the weighted average number of ordinary shares increased by 33.6%, as compared with the same period of last year. Due to above reasons, the basic earnings per share of the Group decreased by RMB0.02 to RMB0.15 as compared with the same period of last year.

DSD Acid and other dye intermediates-accounted for approximately 48.2% of the overall revenue (the first half of 2015: 67.5%)

The Group is the world's largest manufacturer of DSD Acid. DSD Acid is mainly used in the production of optical brightening agents ("**OBA**"), and its end applications include brightening elements of bleach for textile, brightening of paper and detergents. During the Review Period, the customers were keen to destock, as a result, the sales volume of DSD Acid and other dye intermediates dropped from 18,636 tonnes in the first half of 2015 to 16,509 tonnes during the Review Period, representing a decrease of approximately 11.4%. Revenue generated from the segment decreased by approximately 24.5% to approximately RMB241.1 million as compared with the same period of last year, accounting for approximately 48.2% of the overall revenue.

For the average selling price, as the purchasing price of toluene, an upstream raw material, has not increased along with the rise in crude oil price during the Review Period, the average selling price of DSD Acid and other dye intermediates remained at a low range, with a decrease by approximately 14.7% to approximately RMB14,603 per tonne as compared with the same period of last year. Gross profit margin also dropped slightly due to its low average selling price. The gross profit margin of the segment dropped from approximately 35.3% in the first half of 2015 to approximately 31.7% during the Review Period, representing a decrease of approximately 3.6 percentage points.

DMSS and other pigment intermediates-accounted for approximately 19.3% of the overall revenue (the first half of 2015: 21.9%)

Being the world's largest DMSS manufacturer and distributor, the Group is also the world's second largest manufacturer of other major pigment intermediates such as Dimethyl acetylsuccinate ("**DMAS**") and Diisopropyl succinate ("**DIPS**"). DMSS and other pigment intermediates are mainly used in printing ink, food additives, and high-performance pigments such as automotive paints and coatings. As the market demand for pigments gradually increases and high-performance pigments outperform ordinary pigments in various aspects including heat and light resistance, it is expected that the market demand for such high-performance pigments will gradually increase, which will in turn promote the development of the segment.

During the Review Period, the Group continued to actively expand its market share of DMSS and 2,5-Dianilinoterephthalic acid -1,4-Benzenedicarboxyllc acid ("**DATA**"), and achieved remarkable results. The sales volume of DMSS and DATA reached 876 tonnes and 616 tonnes during the Review Period respectively, representing an increase of approximately 1.3% and approximately 23.4% as compared with the same period of last year. However, as the price of upstream raw materials remained low, the average selling price of the products declined as compared with the same period of last year. With the dual impact of the increase in sales volume and decrease in selling price, the segment revenue decreased by approximately 7.1% to approximately RMB96.5 million as compared with the same period of last year, accounting for approximately 19.3% of the Group's overall revenue (the first half of 2015: 21.9%). Moreover, the overall gross profit of the segment increased by approximately 3.4% to approximately RMB40.2 million, while the gross profit margin was enhanced by 4.2 percentage points to approximately 41.6% due to the decrease in the price of raw materials is greater than the decrease in selling price.

Mononitrotoluene, OT and others-accounted for approximately 32.5% of the overall revenue (the first half of 2015: 10.6%)

Mononitrotoluene is the upstream product of DSD Acid. It generates three chemical materials simultaneously through chemical process, namely PNT, ONT and MNT. PNT is the major raw material for DSD Acid production. After commencing its own production of mononitrotoluene, the Group is able to stabilise the upstream supply of raw materials. In addition, ONT and OT are important intermediates in the production of herbicides, and the production of mononitrotoluene will further expand the Group's product portfolio and create new income streams. The Group expects that the increasing demand for herbicides will accelerate development of the segment.

Since the production of the first 40,000 tonnes of mononitrotoluene products commenced in January 2015, it rapidly expand the market share. In view of this, the Group doubled the original production capacity to 80,000 tonnes in March 2016. As the new production capacity gradually increased to its designated target and reached a satisfactory efficiency, the gross profit margin of mononitrotoluene increased significantly by 18.1 percentage points to approximately 25.8% as compared with the same period of last year. During the Review Period, revenue generated from the segment showed encouraging results with an increase of approximately 225.4% to approximately RMB162.7 million as compared with the same period of last year. The selling price and sales volume both increased by approximately 5.4% and approximately 208.9% to approximately RMB9,265 per tonne and 17,561 tonnes respectively as compared with the same period of last year.

EXPORT

During the Review Period, the export revenue of the Group amounted to approximately RMB167.0 million, representing a decrease of approximately RMB51.2 million or 23.5% as compared to the export revenue of approximately RMB218.2 million for the same period of 2015, mainly due to the decrease in average selling prices of DSD Acid and other dye intermediates and DMSS and other pigment intermediates.

During the Review Period, the export revenue accounted for approximately 33.4% of the total revenue as compared to approximately 46.1% for the same period of 2015, mainly due to the revenue of ONT/OT and other new products amounting to approximately RMB162.7 million was derived from domestic sales.

BUSINESS OUTLOOK

Looking forward to the second half of 2016, although the operating environment is still expected to be challenging, with the leading position of the Group in the market and the uniqueness and potentials of its products, the Group will solidify its position in each of the downstream markets and seek for stable development underpinned by the increasing demand of daily consumables brought by the urbanisation in the PRC. To seize such market opportunities, the Group will actively implement the following four strategies.

First, the Group will optimise its existing production process. The Group has successfully developed a hydrogenation technology to produce DSD Acid and such new technology is more environment-friendly than the iron powder reduction technology. Since the upgrade and transformation will require suspension in the production of 35,000 tonnes DSD Acid in the production plant in Dongguang, Hebei Province (the "**Dongguang Production Plant**"), the Group has built a production plant in the developing zone of Dongying, Shandong Province (the "**Dongying Production Plant**") for replenishing the production capacity. However, as the construction of public facilities in the Dongying developing zone is still in progress, Dongying Production Plant could not commence operation as scheduled in the first half of 2016. The Group expects that the construction process of the facilities in Dongying developing zone will be completed by the end of 2016, so that the upgrade and transformation of the hydrogenation technology in Dongguang Production Plant could begin in 2017.

On the other hand, the Group will enhance the production capacity of its key products. The Group plans to increase the production capacity of DMAS, a pigment intermediate mainly used in food additives, to 4,500 tonnes from the existing 1,500 tonnes in the second half of 2016. Currently, some of the Group's customers have already increased their procurement of DMAS and it is expected that the demand will continue to rise in the future. Meanwhile, the Group will also actively expand its existing customer base. It is expected that the larger customer base will be able to cover the additional 3,000 tonnes production capacity and have a more significant contribution to the Group's revenue in the future.

At the same time, the Group will expand mononitrotoluene's sales network to overseas markets. Currently, mononitrotoluene is mainly sold in the PRC, while targeting overseas markets such as India, Russia, North America and South America in the future. Expansion in the overseas markets is expected to bring in more orders for the Group's products and the segment's overall revenue contribution to the Group. The Group has preliminarily delivered product samples to various overseas customers for trial. The feedback from customers has been satisfactory, which lays a solid foundation for the Group to outreach to other overseas markets.

In addition, the Group will focus on the development of the ONT and OT market. Since the production of mononitrotoluene started in January 2015, so far, the production of PNT has fulfilled approximately 85% of the demand of DSD Acid. As the Group is the largest purchaser of PNT in the market, this would create imbalance between demand and supply, resulting in a substantial increase in PNT inventories in the market and exert pressure on operation among producers. Some PNT producers even ceased production and closed down. Given that mononitrotoluene can generate PNT, ONT and MNT through chemical process at the same time, the suspension of the production of PNT will also reduce the market supply of ONT and OT. In face of such market opportunity, the Group will continue to develop the ONT and OT market and strive in becoming the leading supplier in the market, so as to gain bargaining power, generate stable revenue and sustain growth momentum for the Group in the future.

To further consolidate the market position of each segment, the Group is seeking for merger and acquisition proposals in the market with good potentials and synergies effects in order to pursue the Group's long-term goal of upstream and downstream expansion. Looking forward, the management is optimistic towards the future prospects of the Group and believes that greater returns can be created for the Company and its shareholders in the coming year.

FINANCIAL REVIEW

REVENUE AND GROSS PROFIT

During the Review Period, the revenue and gross profit amounted to approximately RMB500.3 million and approximately RMB158.6 million, respectively, representing an increase of approximately RMB27.2 million and approximately RMB3.2 million or 5.8% and 2.0% from approximately RMB473.1 million and approximately RMB155.4 million, respectively, for the same period in 2015. During the Review Period, the gross profit margin of the Group was approximately 31.7%, as compared to approximately 32.9% for the same period in 2015. The overall performance of the revenue and gross profit remained stable, the decrease in the Group's gross profit margin was mainly due to the fact that the extent of decrease in the average prices of DSD Acid and other dye intermediates was larger than that of the decrease in the costs and the revenue proportion of mononitrotoluene, OT and others (which the gross profit margin of them were lower) in the Group's overall revenue enlarged.

NET PROFIT AND NET PROFIT MARGIN

During the Review Period, the net profit of the Group was approximately RMB75.1 million, representing an increase of approximately RMB10.1 million or 15.5% as compared to approximately RMB65.0 million for the same period in 2015. During the Review Period, the net profit margin of the Group was approximately 15.0%, as compared to approximately 13.7% for the same period in 2015.

SELLING AND DISTRIBUTION EXPENSES

During the Review Period, selling and distribution expenses amounted to approximately RMB18.9 million, representing an increase of approximately RMB3.7 million as compared to approximately RMB15.2 million for the same period in 2015. The increase in selling and distribution expenses was mainly attributable to the significant increase in the sales volume of mononitrotoluene, OT and others, leading to higher transportation fees, packaging fees and handling fees.

During the Review Period, selling and distribution expenses represented approximately 3.8% of the Group's revenue (for the six months ended 30 June 2015: 3.2%).

ADMINISTRATIVE EXPENSES

During the Review Period, administrative expenses amounted to approximately RMB40.8 million, representing a decrease of approximately RMB6.9 million as compared to approximately RMB47.7 million for the same period in 2015. The decrease in administrative expenses was mainly due to the listing expenses recognised in the same period of 2015.

During the Review Period, administrative expenses represented approximately 8.2% of the Group's revenue (for the six months ended 30 June 2015: 10.1%).

FINANCE COSTS

During the Review Period, finance costs amounted to approximately RMB5.0 million, representing an increase of approximately RMB0.2 million as compared to approximately RMB4.8 million for the same period in 2015.

EXCHANGE LOSS

During the Review Period, exchange loss of the Group amounted to approximately RMB6.1 million, representing an increase of approximately RMB7.6 million as compared to the exchange gain of approximately RMB1.5 million for the same period of 2015, mainly due to the depreciation of RMB against US dollars ("**USD**"). As at 30 June 2016, exchange loss of approximately RMB6.7 million was incurred for offshore RMB time deposits of RMB300.0 million.

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 RMB19.7 million, representing a decrease of approximately RMB10.8 million as compared to approximately RMB30.5 million for the same period in 2015, mainly attributable to the fact that Tsaker Dongying recorded profit before tax during the Review Period which made up the losses it generated in the previous years, resulting in a decrease in the Group's taxable profit during the Review Period as compared with the same period of 2015 and profit before tax during the Review Period attributed from Tsaker Chemical (Cangzhou) Co., Ltd and Tsaker Chemical (Dongguang) Co., Ltd. decreased as compared with the same period of 2015.

CASH FLOWS

During the Review Period, the Group generated net cash flow from operating activities of approximately RMB33.1 million, representing an increase of approximately RMB12.6 million as compared to approximately RMB20.5 million for the same period in 2015, mainly due to the listing fees being recorded under administrative expenses, amounting to approximately RMB11.9 million in the same period of 2015.

During the Review Period, the Group's net cash flows used in investing activities were approximately RMB131.7 million, representing an increase of approximately RMB51.4 million as compared to approximately RMB80.3 million for the same period in 2015, primarily as a result of (i) payment of the construction of new production plant and purchase of machines and equipment and lands by Tsaker Dongying increased by approximately RMB26.4 million as compared with the same period of 2015; and (ii) Tsaker (Beijing) Investment Co., Ltd ("**Tsaker Investment**") invested in Tibet Winshare Equity Venture Capital Fund Partnership (Limited Partnership) with approximately RMB18.3 million.

During the Review Period, the Group generated net cash inflow from financing activities of approximately RMB71.8 million, representing an increase of approximately RMB69.3 million as compared to the net cash inflow generated from financing activities of approximately RMB2.5 million for the same period in 2015, primarily as a result of an increase of approximately RMB20.8 million of net bank and other borrowings during the Review Period comparing with the same period in 2015, and a decrease of approximately RMB48.5 million settlement paid to a related party in the same period of 2015.

LIQUIDITY AND CAPITAL STRUCTURE

During the Review Period, the daily working capital of the Group was primarily derived from internally generated cash flow from operations and bank borrowings. As at 30 June 2016, the Group had (i) cash and cash equivalents of approximately RMB166.9 million, in which approximately 106.6 million was denominated in RMB and 60.3 million in other currencies (USD and Hong Kong dollars ("**HKD**")) (31 December 2015: approximately RMB192.9 million, in which approximately 138.8 million was denominated in RMB and 54.1 million in other currencies (USD and HKD)), (ii) restricted cash of RMB300.5 million (31 December 2015: approximately RMB300.5 million), and (iii) interest-bearing bank borrowings of approximately RMB389.1 million with interest rate of 4.35%-7.60% per annum (31 December 2015: approximately RMB317.3 million with interest rate of 4.35%-8.40% per annum), denominated in RMB and repayable within one year.

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

GEARING RATIO

As at 30 June 2016, the Group's gearing ratio was approximately 42.0% as compared to approximately 37.7% as at 31 December 2015, which is calculated at interest-bearing loans at the end of the period divided by total equity.

CURRENT ASSETS

As at 30 June 2016, total current assets of the Group amounted to approximately RMB918.6 million (as at 31 December 2015: approximately RMB863.5 million), primarily consisting of inventories of approximately RMB105.3 million (as at 31 December 2015: approximately RMB77.9 million), trade receivables and notes receivables of approximately RMB258.6 million (as at 31 December 2015: approximately RMB234.3 million), prepayments and other receivables of approximately RMB80.3 million (as at 31 December 2015: approximately RMB44.2 million), prepaid income tax of approximately RMB6.9 million (as at 31 December 2015: approximately RMB13.8 million), cash and cash equivalents of approximately RMB166.9 million (as at 31 December 2015: approximately RMB192.9 million) and restricted cash of approximately RMB300.5 million (as at 31 December 2015: approximately RMB300.5 million).

INVENTORIES

Inventories of the Group mainly include raw materials, work-in-progress and finished products. The turnover days for inventories increased from 42 days for 2015 to 48 days during the Review Period, as the Group aimed to ensure maintaining normal sales, proper arrangements for procurement and production and to increase product inventory reserves in advance during the suspension or reduction of production period for maintenance in July 2016 according to its annual production plan.

TRADE RECEIVABLES AND NOTES RECEIVABLES

	30 June 2016 *RMB'000* **(unaudited)**	31 December 2015 *RMB'000* (audited)
Trade receivables	**184,195**	163,184
Notes receivables	**74,441**	71,080
	258,636	234,264

As at 30 June 2016, trade receivables and notes receivables of the Group increased by RMB24.3 million as compared to that as at 31 December 2015, mainly due to the additional production line leased from Huage Holdings with capacity of 40,000 tonnes of mononitrotoluene of Dongao Chemicals which has successfully commenced production during the Review Period and the production and sales volume of products such as ONT/OT had a significant increase during the peak season.

The turnover days for trade receivables increased from 58 days for 2015 to 63 days during the Review Period.

As at 21 August 2016, approximately RMB97.0 million or 52.6% of the trade receivables outstanding as at 30 June 2016 were settled.

PREPAYMENTS AND OTHER RECEIVABLES

As at 30 June 2016, prepayments and other receivables of the Group significantly increased by approximately RMB36.1 million from approximately RMB44.2 million as at 31 December 2015 to approximately RMB80.3 million in aggregate, mainly due to (i) an increase in the prepaid value added tax of approximately RMB20.7 million; (ii) an increase of approximately RMB6.7 million in prepaid construction costs of Tsaker Chemical (Dongguang) Company Limited and Tsaker Dongying; (iii) approximately RMB5.0 million was paid in advance by Tsaker Dongying to Huage Holdings for part of consideration for equity transfer according to the Dongao Chemicals Equity Transfer Agreement; and (iv) an increase of approximately RMB4.9 million in interest receivables incurred for offshore RMB time deposits of RMB300.0 million.

CURRENT LIABILITIES

As at 30 June 2016, total current liabilities of the Group amounted to approximately RMB656.8 million (as at 31 December 2015: approximately RMB606.8 million), primarily consisting of trade payables of approximately RMB172.5 million (as at 31 December 2015: approximately RMB193.1 million), other payables and accruals of approximately RMB95.1 million (as at 31 December 2015: approximately RMB96.4 million) and interest-bearing bank borrowings of approximately RMB389.1 million (as at 31 December 2015: approximately RMB317.3 million).

TRADE PAYABLES

The turnover days for trade payables decreased by 7 days from 103 days in 2015 to 96 days during the Review Period, mainly due to the decrease of approximately RMB21.6 million in construction costs included in trade payables of Tsaker Dongying as at 30 June 2016 as compared to 31 December 2015.

PLEDGE OF ASSETS

As at 30 June 2016, certain of the Group's buildings, lands, bank deposits and notes receivable with a net carrying amount of approximately RMB367.8 million (31 December 2015: approximately RMB337.0 million) were pledged to secure bank loans granted to the Group.

MATERIAL ACQUISITIONS AND DISPOSALS

On 4 May 2016, Tsaker Dongying and Huage Holdings entered into the SPA, pursuant to which Tsaker Dongying conditionally agreed to acquire and Huage Holdings conditionally agreed to sell the entire equity interests in Dongao Chemicals at a consideration of RMB17,361,000 (equivalent to approximately HKD20,668,000). On 18 July 2016, all the approval and change in industrial and administrative registration procedures of equity transfer of Dongao Chemicals were completed and the acquisition was completed on the same date.

Except for the above, there are no materials acquisitions and disposals of subsidiaries and associated companies of the Group during the Review Period.

INVESTMENTS HELD BY THE GROUP

On 17 May 2016, Tsaker Investment, jointly with Chengdu Winshare Private Equity Fund Management Co., Ltd.（成都文軒股權投資基金管理有限公司）and Wenxuan Hengxin Equity Fund Limited Partnership（文軒恒信（深圳）股權投資基金合夥企業）, established Ningbo Meishan Bonded Port Wenxuan Bowen Film Investment Limited Partnership（寧波梅山保税港區文軒博文影視投資合夥企業（有限合夥））. Tsaker Investment as a limited partner has committed capital contribution of RMB20.0 million. The scope of business of Ningbo Meishan Bonded Port Wenxuan Bowen Film Investment Limited Partnership（寧波梅山保税港區文軒博文影視投資合夥企業（有限合夥））includes film and television project investment, industrial investment, investment management, investment advisory and asset management. Chengdu Winshare Private Equity Fund Management Co., Ltd. possesses extensive investment experience in the field of equity investments, a professional investment team and deep understanding towards the domestic industry. The Group believes that the collaboration with Chengdu Winshare Private Equity Fund Management Co., Ltd. would play a positive and helpful role for the Company in the acquisitions and mergers field. As a limited partner, Tsaker Investment would fulfill the obligation of capital contribution after confirming the satisfaction of targets in areas related to its business, and prior to this, actual contribution is not needed.

On 25 December 2015, Tsaker Investment, jointly with Tibet Winshare Equity Investment Co., Ltd.（西藏文軒股權投資有限公司）and Winshare Investment Co., Ltd（文軒投資有限公司）, established Tibet Winshare Equity Venture Capital Fund Partnership (Limited Partnership)（西藏文軒創業投資基金合夥企業（有限合夥））. Tsaker Investment is the limited partner committed with RMB30.0 million. The scopeof business of Tibet Winshare Equity Venture Capital Fund Partnership (Limited Partnership)（西藏文軒創業投資基金合夥企業（有限合夥））includes investment management, equity investment, investment consultancy (excluding finance and brokerage), financial advisory and consultancy for corporate assets reorganization, mergers and acquisitions. Pursuant to the partnership agreement of Tibet Winshare Equity Venture Capital Fund Partnership (Limited Partnership)（西藏文軒創業投資基金合夥企業（有限合夥）, Tsaker Investment invested RMB18.3 million on 18 May 2016 as an invested financial investor in the shares of an enterprise, whose profitability is rather strong within the electronics industry.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2016.

FOREIGN EXCHANGE RISK

Foreign exchange risk refers to the risk of loss caused by fluctuation in exchange rate. The foreign exchange risk of the Group is mainly related to its operating activities. 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.

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

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 its 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., are also provided to employees of the Group.

As at 30 June 2016, the Group had 1,446 employees (as at 31 December 2015: 1,437).

APPLICATION OF PROCEEDS FROM THE LISTING

Trading of the shares of the Company on the Stock Exchange commenced on 3 July 2015, the net proceeds from the listing of the Group amounted to approximately RMB378.8 million. The proceeds were intended to be used for the purposes as disclosed in the prospectus of the Company dated 23 June 2015 (the "**Prospectus**").

As at 30 June 2016, the proceeds of approximately RMB37.1 million, RMB158.3 million, RMB16.7 million and RMB18.1 million have been used as additional working capital, to expand production capacity, develop new products and pay the rents of Phase I and Phase II of Dongao Chemicals, respectively, all of which was in accordance with the intended use of proceeds as disclosed in the Prospectus.

EVENTS SUBSEQUENT TO THE REVIEW PERIOD

On 18 July 2016, all the approval and change in industrial and administrative registration procedures of equity transfer of Dongao Chemicals were completed and the acquisition was completed on the same date.

Except for the above, there were no material events of the Group after 30 June 2016.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2016.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Purchase, Sale or Redemption of Listed Securities of the Company

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

Corporate Governance Practices

The Group endeavours to maintain high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") in Appendix 14 to the Listing Rules as its own code of corporate governance.

For the six months ended 30 June 2016, 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.

Compliance with the 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 for the six months ended 30 June 2016.

Audit Committee and Review of Financial Statements

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

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 2016 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 2016 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company 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

Chengdu, the PRC, 25 August 2016

As of the date of this announcement, the executive Directors are Mr. GE Yi, Ms. DUAN Weihua, Ms. JIN Ping and Mr. BAI Kun; 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*