



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

* For identification purpose only

GLOBAL OFFERING

Sole Sponsor



Sole Global Coordinator



Joint Bookrunners



BOC INTERNATIONAL



TSAKER

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



Tsaker Chemical Group Limited 彩客化學集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	125,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	12,500,000 Shares (subject to reallocation)
Number of International Offer Shares	:	112,500,000 Shares (subject to reallocation and the Over-allotment Option)
Maximum Offer Price	:	HK\$5.51 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	US\$0.01 per Share
Stock code	:	1986

Sole Sponsor and Sole Global Coordinator



Joint Bookrunners



BOC INTERNATIONAL

Joint Lead Managers



BOC INTERNATIONAL



國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Appendix V — Documents Delivered to the Registrar of Companies and Available for Inspection — 1. Documents Delivered to the Registrar of Companies", has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date or such later date as may be agreed by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) but in any event no later than Monday, June 29, 2015. The Offer Price will be not more than HK\$5.51 per Offer Share and is expected to be not less than HK\$4.01 per Offer Share, unless otherwise announced.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with our Company's consent, reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, a notice of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Such notice will also be available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at www.tsaker.com. Further details are set out in "Structure and Conditions of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or before Monday, June 29, 2015, the Global Offering will not become unconditional and will lapse immediately.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in "Risk Factors" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in "Underwriting — Underwriting Arrangements and Expenses — Grounds for termination" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except that Offer Shares may be offered, sold or delivered (i) to Qualified Institutional Buyers in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A, or another available exemption from registration under the U.S. Securities Act; and (ii) outside the United States in accordance with Regulation S.

* For identification purpose only

June 23, 2015

EXPECTED TIMETABLE⁽¹⁾

Latest time for completing electronic applications under HK eIPO White Form service through the designated website www.hkeipo.hk ⁽²⁾	11:30 a.m. on Friday, June 26, 2015
Application lists open ⁽³⁾	11:45 a.m. on Friday, June 26, 2015
Latest time for lodging WHITE and YELLOW Application Forms	12:00 noon on Friday, June 26, 2015
Latest time for completing payment of HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, June 26, 2015
Latest time for giving electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Friday, June 26, 2015
Application lists close ⁽³⁾	12:00 noon on Friday, June 26, 2015
Expected Price Determination Date ⁽⁵⁾	Friday, June 26, 2015

- (1) Announcement of the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on..... Thursday, July 2, 2015
- (2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document or business registration numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for the Hong Kong Offer Shares — 11. Publication of Results" in this prospectus Thursday, July 2, 2015
- (3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk⁽⁶⁾ and our Company's website at www.tsaker.com⁽⁷⁾ from Thursday, July 2, 2015

Results of allocations in the Hong Kong Public Offering will be available at www.tricor.com.hk/ipo/result with a "search by ID" function from Thursday, July 2, 2015

EXPECTED TIMETABLE⁽¹⁾

Dispatch of share certificates or deposit of the share certificates
into CCASS in respect of wholly or partially successful
applications pursuant to the Hong Kong Public
Offering on or before⁽⁸⁾⁽¹⁰⁾ Thursday, July 2, 2015

Dispatch of refund cheques and HK eIPO White Form
e-Auto Refund payment instructions in respect of wholly or
partially successful applications (if applicable) or wholly or
partially unsuccessful applications pursuant to the Hong
Kong Public Offering on or before⁽⁹⁾⁽¹⁰⁾ Thursday, July 2, 2015

Dealings in the Shares on the Hong Kong Stock Exchange
to commence on. 9:00 a.m. on Friday, July 3, 2015

Notes:

- (1) All times refer to Hong Kong local time, except as otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, June 26, 2015, the application lists will not open or close on that day. See “How to Apply for the Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
- (4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to Apply for the Hong Kong Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date is expected to be on or around Friday, June 26, 2015 and, in any event, not later than Monday, June 29, 2015. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us by Monday, June 29, 2015, the Global Offering will not proceed and will lapse.
- (6) The announcement will be available for viewing on the “Main Board — Results of Allotment” page on the Hong Kong Stock Exchange’s website at www.hkexnews.hk.
- (7) Neither our Company’s website nor any of the information contained on our Company’s website forms part of this prospectus.
- (8) Share certificates will only become valid at 8:00 a.m. on Friday, July 3, 2015 provided that the Global Offering has become unconditional in all respects and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, the Global Offering will not proceed. In such a case, our Company will make an announcement as soon as possible thereafter.
- (9) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed

EXPECTED TIMETABLE⁽¹⁾

on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.

- (10) Applicants who have applied on **WHITE** Application Forms or through the **HK eIPO White Form** service for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or share certificates in person from our Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, from 9:00 a.m. to 1:00 p.m. on Thursday, July 2, 2015 or such other date as notified by our Company in the newspapers as the date of dispatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who is eligible for personal collection may not authorize any other person to collect on their behalf. Applicants being corporations which is eligible for personal collection must attend through their authorized representatives bearing letters of authorization from their corporation stamped with the corporation's chop. Both individuals and authorized representatives of corporations must produce evidence of identity acceptable to our Hong Kong Branch Share Registrar at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares may collect their refund cheques, if any, in person but may not collect their share certificates as such share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants' stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for the Hong Kong Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS" in this prospectus for details.

Applicants who have applied through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to that bank account in the form of e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

Applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected share certificates and/or refund cheques will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

The above expected timetable is a summary only. You should refer to the sections headed "Structure and Conditions of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering and the procedures for application for the Hong Kong Offer Shares.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company, solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in other jurisdictions and the offering and sale of the Offer Shares in other jurisdictions may not be made except as permitted under the applicable securities laws of such jurisdiction pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorized by us, any of our directors, affiliates, advisors, agents or representatives or any person or party involved in the Global Offering. Information contained in our website, located at www.tsaker.com, does not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in “Risk Factors” section. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are the world’s largest producer of a number of fine chemicals that function as critical dye and pigment intermediates, according to Frost & Sullivan. Our production of DSD Acid, a dye intermediate, ranked first in the world and accounted for approximately 57.4% of the world’s market share by production volume in 2014. We also ranked first in the world for the production of DMSS, a pigment intermediate, and accounted for approximately 27.4% of the world’s market share by production volume in 2014. We also ranked second in the world for the production of another pigment intermediate, DMAS, which accounted for approximately 21.7% of the world’s market share by production volume in 2014. The global dye and pigment intermediates market comprises many chemicals, among which DSD Acid, DMSS and DMAS accounted for 4.9%, 0.5% and 0.4%, respectively, of the global production volume in 2014, according to Frost & Sullivan.

Dye intermediates are essential derivatives of petroleum products that after further processing would transform into finished dyes. DSD Acid and other dye intermediates we produce are the core dye intermediates, without comparable substitute, for the production of OBA, a chemical that is commonly used to brighten or whiten paper and textile. OBA is also the core ingredient, without comparable substitute, for the production of dyes for paper and textile, and fluorescent whitening agents for plastics and consumer goods. You are most likely to find OBA in your everyday use of paper, textile, detergents and cosmetics.

Pigment intermediates are essential derivatives of petroleum products manufactured through a series of chemical reactions using upstream materials like benzene, toluene and other aromatic hydrocarbons, and are important raw materials for the production of pigments, which are materials that change the color of reflected or transmitted light as a result of wavelength-selective absorption. DMSS, DATA and other pigment intermediates we produce are building blocks to produce high-grade paint pigments for building and automobile applications, photosensitive polymer, light color stabilizers, pesticides, bactericide, plastics, pharmaceuticals and food additives. DSD Acid, DMSS and DMAS are three integral and unique segments of the dye and pigment intermediates market. Each of them plays an important role in its respective downstream applications, namely, OBA, quinacridone pigments and edible yellow pigments, according to Frost & Sullivan.

Due to the sensitive nature of human vision along the color spectrum for the look and feel of the consumer products, the characteristics of dye and pigment intermediates can directly affect the color of the dye and pigment as applied, which in turn directly affect the commercial viability of the end products of our customers. As a result, product quality and consistency are generally more important than competitive pricing for many of our customers, according to Frost & Sullivan. We believe our market leading position allows us to set industry standard on the quality and specifications of such chemical products and have them be adopted as industry benchmark, which, in turn, also reinforces our large market share.

We believe we have achieved our leading market position through years of dedicated improvements and upgrades on various production processes and selected development of certain technologies, including a number of patents and know-how that allow us to increase yield, maintain quality and lower production costs. We pride ourselves for our ability to consistently produce quality products that allowed us to expand to our current scale of production and gained an unparallel position in the market for our principal products. We believe our research and development capability has enabled us to maintain our industry-leading position in key production technologies for the manufacture of DSD Acid and DMSS, which, in turn, reinforces our product quality.

We believe that there will be an increasing demand for downstream products of dye and pigment intermediates for application in other paper, textile, plastic and consumer products due to increase in

SUMMARY

disposable income, general improvement in living standards and economic conditions around the PRC, which will, in turn, lead to a continuing increase in demand for dye and pigment intermediates. We believe that, given our leading market position, large scale operation and production capacity, especially in DSD Acid and DMSS, we are well positioned to capture such demand growth.

Our major owned production facilities are located in Dongguang, Hebei Province and our leased Donggao Production Plant is located in Dongying, Shandong Province. We are also preparing to construct a new production plant in Dongying, Shandong Province. Our planned designed annual production capacities, as of the end of 2015, for DSD Acid, DMSS and mononitrotoluene (consisting of PNT, ONT and MNT) are estimated to be approximately 55,000 tonnes, 4,500 tonnes, and 80,000 tonnes⁽¹⁾, respectively, upon us leasing certain additional assets to complete the capacity expansion of our Donggao Production Plant. We also have a research and development center in Beijing that is expected to commence operation in the second half of 2015 and will be engaged in the research and development of new products and production processes for our products.

In January 2015, we leased our Donggao Production Plant, which produces mononitrotoluene (consisting of PNT, ONT and MNT), OT⁽²⁾ and NMP, from Donggao Chemicals and have commenced the production of PNT, ONT, MNT and OT since February 2015. We plan to expand the production capacity of our Donggao Production Plant from the current production capacity of 40,000 tonnes of mononitrotoluene to an annual production capacity of mononitrotoluene of 80,000 tonnes by the end of 2015. Upon leasing certain additional assets from Donggao Chemicals to complete our expansion, we are expected to become one of the three largest mononitrotoluene producers in the world, according to Frost & Sullivan. As PNT is the principal raw material for DSD Acid production, we, as a result, would enjoy a number of benefits through this vertical integration. At the same time, it would also allow us to enter into the markets of ONT/OT, MNT and NMP. ONT and OT are the principal raw materials, for certain herbicides. Given that our annual production capacity of ONT is expected to reach 48,000 tonnes by the end of 2015, after the capacity expansion, we believe we can leverage on our economies of scale and replicate our success in the DSD Acid market to the ONT/OT market. We also expect ONT and OT will become two of our major products in the future.

As a result of the price drop of PNT over the past few years (from RMB10,300 per tonne in 2011 to RMB5,400 per tonne in 2014), had we self-produced PNT, the unit cost of our self-produced PNT would have been approximately RMB5,300 per tonne, which is higher than the market price of PNT (ranging between RMB4,000 and RMB4,500 per tonne) in June 2015. In view of the rebound of PNT price from the beginning of 2015, we anticipate that there will be a moderate increase in PNT's market price in the future as a result of the likelihood of gradual recovery of crude oil price according to Frost & Sullivan. Moreover, we anticipate that we can increase our overall gross profit from the sales of ONT (to produce one tonne of PNT, approximately two tonnes of ONT is produced simultaneously; the selling price of ONT was between RMB7,400 and RMB7,700 per tonne while its production unit cost is the same as PNT of approximately RMB5,300 per tonne), which can offset this notional loss we may incur by self-producing PNT. Coupled with our belief that our leading position in DSD Acid industry may squeeze out smaller mononitrotoluene producers after our entry into the mononitrotoluene industry, we believe this will have a positive effect on the market prices of mononitrotoluene. We also believe that our production of mononitrotoluene (PNT, ONT and MNT) will achieve our objective to maximize our long-term profitability.

We leased our Donggao Production Plant from Donggao Chemicals in lieu of a direct acquisition because we believe this arrangement enables us to capture the advantage of vertical integration and also to enter into the markets of ONT/OT, MNT and NMP without an initial capital expenditure and investment, and hence, reduce the risk on capital expenditure commitment. For details on the reason of the lease arrangement and our operational independence, see "Relationship with our Controlling Shareholders — Independence from our Controlling Shareholders — Operational Independence". Set

Notes:

- (1) The annual production capacity of 80,000 tonnes of mononitrotoluene consists of approximately 28,000 tonnes of PNT, 48,000 tonnes of ONT and 4,000 tonnes of MNT respectively.
- (2) OT is the major downstream product of ONT, both are primarily applied as an intermediate for agricultural chemicals such as herbicides. In terms of the production process, the production of one tonne of OT would require approximately 1.32 tonnes of ONT.

SUMMARY

forth below are the selected unaudited financial data relating to our Dongao Production Plant obtained from Dongao Chemicals:

	<i>RMB</i> <i>(in millions)</i>
Fixed Assets as of March 31, 2015	172.3
Expected annual depreciation charge	11.0

We value our corporate social responsibilities and have been, and intend to remain, committed to environmental, health and safety protection in all of our business activities. As of the Latest Practicable Date, we have all permits, licenses and approvals relating to environmental and safety production in all material respects. In addition, during the Track Record Period, we have obtained and maintained *Quality Management System ISO9001:2008*, *Environmental Management System ISO14001:2004* and *Occupational Health Safety Management System GB/T28001-2011* for our management system.

In 2012, 2013 and 2014, our revenue was RMB830.2 million, RMB864.0 million and RMB897.5 million, representing a gross profit of RMB236.0 million, RMB257.0 million and RMB342.2 million and a gross profit margin of 28.4%, 29.8% and 38.1%, respectively. Our net profit was RMB128.7 million, RMB133.0 million and RMB171.5 million in 2012 and 2013 and 2014, representing a net profit margin of 15.5%, 15.4% and 19.1%, respectively.

COMPETITIVE STRENGTHS

- World's largest producer of DSD Acid and DMSS that allows for production at a lower cost than our competitors.
- Dedicated research and development efforts to maintain consistent product quality while reducing costs.
- Long-term relationship and cooperation with key customers.
- Enhanced focus on environmental, health and safety protection.
- A stable management team with significant industry experience and low turnover.

DEVELOPMENT STRATEGIES

- Vertically integrated to produce PNT and enter into ONT/OT market.
- Increase production capacity for existing products and organically develop new products.
- Invest in research and development to finetune production process and expand product range.
- Expand through selected acquisition with the goal to improve our technology, supplement our product offering and create greater economies of scale.

RISK FACTORS

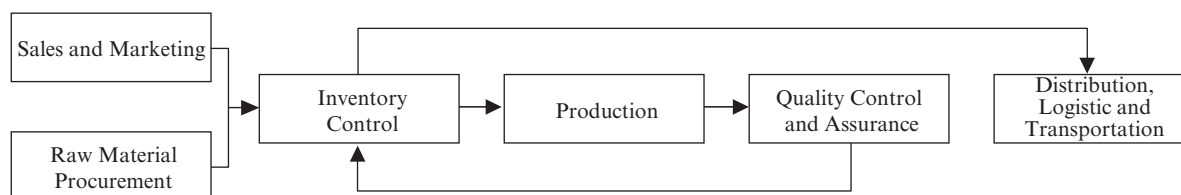
We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We believe a few of the more significant risks relating to our business are as follows:

- We might not be successful in the research and development of new products or in improving the quality of our existing products.
- Our sales and growth and the market demand for our products are dependent, among other things, on the condition of the global economy.
- Our business expansion might not be completed as planned, may exceed our original budget and might not achieve the intended economic results or commercial viability.
- The production cost and profit margin of DSD Acid and overall gross profit margin be negatively affected by our production in Dongao Production Plant, namely the production of PNT, ONT, MNT, OT and NMP.
- Our strategy to enter into the ONT/OT market through our Dongao Production Plant might not be successful.
- Our expansion into new markets presents increased risks.

SUMMARY

OUR BUSINESS MODEL

The following chart illustrates our business model:



SALES, MARKETING AND CUSTOMERS

Our products are mostly used by manufacturers of chemical products around the world. We have established a strong customer base and have become the key supplier of our major customers, including overseas customers such as a recognized leading company in integrated solutions for dyeing and printing, one of the world's largest chemical companies and a leading Japanese chemical company, as well as domestic customers such as the procurement branch of Transfar Group Company Limited (傳化集團有限公司), an affiliate of Transfar (one of our Pre-IPO Investors). Our major customers have been with us for approximately 8 years on average. In 2012, 2013 and 2014, approximately 51.2%, 49.1% and 52.7% of our revenues were derived from overseas countries.

We generally sell to our major customers directly, without utilizing sales agents. During the Track Record Period, we have engaged China Chem as our sales intermediary for a portion of our sales and procurement activities. Some of our customers also engage agents to assist in their procurement.

The weighted average selling price per tonne of our DSD Acid and other dye intermediates was RMB19,900, RMB19,300 and RMB21,300 in 2012, 2013 and 2014, respectively; while that of DMSS and other pigment intermediates was RMB37,100, RMB35,800 and RMB34,200 in 2012, 2013 and 2014, respectively.

RAW MATERIAL PROCUREMENT AND SUPPLIERS

It is our policy to purchase from large suppliers and, due to our scaled production, we have a strong bargaining power with many of our raw material suppliers. However, in order to ensure the health of our supply chain, we may also purchase from smaller suppliers from time to time. We may also source the same raw material, including PNT and maleic anhydride, the principal raw materials of DSD Acid and DMSS, respectively, from multiple suppliers. We believe it would help us overcome the limitation on the production capacity of the suppliers to maintain the health of alternative supply sources.

We acquire raw materials from large domestic suppliers in the PRC and from overseas suppliers, including the Lanxess group, a leading specialty chemical company. Except for PNT, most of the raw materials used in our production are widely available in the public markets. We typically purchase raw materials based on our expected needs, taking into account any anticipated fluctuation in raw material prices. In addition to purchasing raw materials from suppliers, our Dongao Production Plant is expected to achieve an aggregate designed annual production capacity of approximately 28,000 tonnes of PNT by the end of 2015, as well as 48,000 tonnes of ONT and 4,000 tonnes of MNT, and has commenced production in February 2015. We expect our production capacity of PNT to supply approximately 85% of our own internal demands by the end of 2015. Hence, we believe we can secure a reliable supply of PNT.

ARRANGEMENTS WITH CHINA CHEM

We have established certain cooperation arrangements with China Chem since 1997 as the arrangements improved our working capital and reduced our administrative work. During the Track Record Period, China Chem has acted as our intermediary for some of our sales, procurement and processing transactions pursuant to the following arrangements.

SUMMARY

During the Track Record Period, China Chem generally charged us relevant fee of around or less than 3% of relevant sales (for processing arrangement, the sales value of DSD Acid processed by us) and purchase amount.

The following table sets forth details of revenue and costs related to the various cooperation arrangements with China Chem during the Track Record Period:

	For the year ended December 31,		
	2012	2013	2014
	<i>(RMB in millions)</i>		
Arrangements with China Chem			
Revenue generated from the sales arrangement . .	129.3	174.7	181.8
Revenue generated from the processing arrangement	6.0	9.8	42.8
Purchase through the procurement arrangement . .	<u>—</u>	<u>119.8</u>	<u>139.9</u>

Even if the above cooperation arrangements discontinue, we are capable of handling the relevant administrative work directly, including the custom clearance procedures, and obtaining facilities from banks if needed. Taking into account the size of our operations, available banking facilities and cashflows, we consider our operation and financial performance would not be materially and adversely affected, if the cooperation arrangements with China Chem discontinue.

For details, see “Business — Arrangements with China Chem”.

KEY FINANCIAL AND OPERATIONAL DATA

You should read this subsection in conjunction with our consolidated financial information for the three years ended December 31, 2014, included in the Accountants’ Report set out in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with Hong Kong Financial Reporting Standards.

Revenues. Our revenue consists of sales of chemical products in our two principal product lines: (i) dye intermediates, which primarily consists of DSD Acid, and (ii) pigment intermediates, which primarily consists of DMSS, DMAS and DATA. The following table sets forth our revenue by product lines for the periods indicated.

	For the year ended December 31,		
	2012	2013	2014
	<i>(RMB in millions)</i>		
Revenue			
DSD Acid and other dye intermediates	601.6	671.4	712.5
DMSS and other pigment intermediates	228.6	192.6	185.0
Total	<u>830.2</u>	<u>864.0</u>	<u>897.5</u>

Gross Profit. The following table sets forth our gross profit and gross profit margin by product lines for the periods indicated.

	For the year ended December 31,					
	2012		2013		2014	
	<i>(RMB in millions, except percentages)</i>					
Gross profit and gross profit margin						
DSD Acid and other dye intermediates	151.0	25.1%	196.4	29.3%	281.2	39.5%
DMSS and other pigment intermediates	85.0	37.2%	60.6	31.5%	61.0	33.0%
Total	<u>236.0</u>	<u>28.4%</u>	<u>257.0</u>	<u>29.8%</u>	<u>342.2</u>	<u>38.1%</u>

SUMMARY

Our gross profit margin remained relatively stable at 28.4% in 2012 and 29.8% in 2013 but increased to 38.1% in 2014. The increase in 2014 was due to an increase in the average selling price of DSD Acid resulted from a decrease in the supply of DSD Acid after the PRC government shut down some of the DSD Acid manufacturers due to the increasingly stringent environmental protection requirements, according to Frost & Sullivan, as well as a decrease in the price of the major raw materials for DSD Acid, DMSS and other pigment intermediates. For details, see “Financial Information — Results of Operations — Year ended December 31, 2013 compared with year ended December 31, 2014 — Gross Profit”.

Net Profit. Our net profit increased from RMB128.7 million in 2012 to RMB133.0 million in 2013 and further to RMB171.5 million in 2014. Our net profit margin was 15.5% in 2012, remained stable at 15.4% in 2013 and increased to 19.1% in 2014.

Summary Consolidated Statements of Financial Position

	As of December 31,		
	2012	2013	2014
	<i>(RMB in millions)</i>		
Total non-current assets	255.1	267.0	383.3
Total current assets	586.2	483.6	321.1
Total non-current liabilities	(37.3)	(28.9)	(37.8)
Total current liabilities	(416.0)	(396.2)	(359.8)
Total equity	<u>388.0</u>	<u>325.5</u>	<u>306.8</u>

Summary Consolidated Cash Flow Statements

	As of December 31,		
	2012	2013	2014
	<i>(RMB in millions)</i>		
Net cash generated from operating activities	182.6	152.5	287.3
Net cash used in investing activities	(21.5)	(46.9)	(120.8)
Net cash (used in)/generated from financing activities	(159.0)	(131.1)	(92.2)
Net (decrease)/increase in cash and cash equivalents	2.1	(25.5)	74.3
Cash and cash equivalents at beginning of year	44.6	46.7	21.1
Effect of foreign exchange rate changes	—	(0.1)	0.1
Cash and cash equivalents at end of the year	<u>46.7</u>	<u>21.1</u>	<u>95.5</u>

Key Financial Ratios

The following table sets forth certain key financial ratios for the periods indicated.

	Year Ended December 31,		
	2012	2013	2014
Gross profit margin	28.4%	29.8%	38.1%
Net profit margin	15.5%	15.4%	19.1%
EBITDA margin	24.6%	26.0%	30.0%
Return on total assets	15.6%	16.7%	23.6%
Return on equity	35.6%	37.3%	54.2%
Current ratio	1.41	1.22	0.89
Quick ratio	1.22	1.00	0.73
Gearing ratio	65.3%	40.9%	26.4%
Net debt to equity ratio	53.2%	34.5%	Net cash
Interest coverage ratio	6.67	8.81	15.5
Inventory turnover days	49	51	49
Trade receivables turnover days	46	47	44
Trade payables turnover days	38	58	92

SUMMARY

For details, see “Financial Information — Key Financial Ratios”.

Production Capacity and Utilization Rate

Our results of operations depend on our production capacity and utilization rate.

The table below sets forth the designed production capacity, actual production volume and the utilization rate of the production lines of our major products.

	As of and for the year ended December 31,		
	2012	2013	2014
	<i>(tonnes, except for percentage)</i>		
DSD Acid			
Designed annual production capacity	35,000	35,000	35,000
Actual production volume	27,884	31,213	30,001
Utilization rate.	79.7%	89.2%	85.7%
DMSS			
Designed annual production capacity	4,500	4,500	4,500
Actual production volume	2,403	2,132	1,435
Utilization rate.	53.4%	47.4%	31.9%
DATA			
Designed annual production capacity	1,000	1,000	1,000
Actual production volume	848	983	715
Utilization rate.	84.8%	98.3%	71.5%

The utilization rate of DMSS decreased during the Track Record Period because we decreased our production from time to time to upgrade certain production processes. The decrease in the utilization rate of DATA in 2014 was primarily due to the decrease in production of DATA in June to upgrade certain production processes. For details, see “Business — Production Plants — Utilization Rate”.

HISTORICAL NON-COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, some of our historical non-compliance incidents were as follows:

- Some of our subsidiaries had not set up their respective housing provident fund (“HPF”) account or social security insurance fund (“SSIF”) account and failed to make HPF and SSIF contributions in accordance with PRC laws and regulations.
- Huage Dye, Tsaker Dongguang and Tsaker Cangzhou had failed to completely obtain construction land use planning permit, construction work planning permit and commencement of construction work permit prior to commencing the construction of their projects.
- Huage Dye, Tsaker Dongguang and Tsaker Cangzhou did not attend to “three simultaneities” procedures for the prevention and control of occupational disease hazards for certain construction projects.
- The Hazardous Chemicals Registration Certificates (危險化學品登記證) that Tsaker Dongguang and Tsaker Cangzhou obtained did not include some hazardous chemicals that Tsaker Dongguang and Tsaker Cangzhou produced.
- The Safety Production Permit (安全生產許可證) that Tsaker Cangzhou obtained did not include some hazardous chemicals that Tsaker Cangzhou produced.
- Huage Dye, Tsaker Cangzhou and Tsaker Dongguang had not designed, constructed and operated the facilities relating to work safety simultaneously for certain construction projects.

For details, see “Business — Legal Proceedings and Compliance — Historical Non-Compliance”.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our business model, revenue structure and cost structure remained unchanged since December 31, 2014. Our business maintains stable and the contribution by each business segment is generally in line with the historical record. There has been no material adverse change in our production capacity and utilization rate of our production plants for the existing products.

SUMMARY

We have leased our Dongao Production Plant from Dongao Chemicals since January 2015 and have commenced the production of PNT, ONT, MNT and OT since February 2015. As of the Latest Practicable Date, we have entered into sales framework agreements with a number of ONT/OT customers for approximately 13,600 tonnes of ONT and OT in aggregate in 2015.

We believe that increasing our annual production capacity of mononitrotoluene to 80,000 tonnes by the end of 2015 from 40,000 tonnes may have certain impact on the competitive landscape of the mononitrotoluene industry but would not result in a significant increase in the global production volume of these products. According to Frost & Sullivan, total global production capacity of mononitrotoluene as of the end of 2014 was 470,000 tonnes, which already included Dongao Chemicals' then annual capacity of 40,000 tonnes. Therefore, the increase of the additional 40,000 tonnes capacity in the industry accounts for approximately 8.5% of the existing global mononitrotoluene production capacity.

In view of the rising demand for herbicides and the growing ONT/OT market, high demand growth of NMP and our plan to maintain a reliable supply of PNT, we believe that by entering into the ONT/OT, MNT and NMP markets and leveraging on our leading position in the DSD Acid market and the position of being the largest PNT purchaser in the world, we will be able to replicate our success in the DSD Acid market to the ONT/OT market and maximize our long-term profitability. As PNT, ONT and MNT are co-produced in the same chemical reaction in the ratio of approximately 35:60:5, mononitrotoluene producers have to secure enough market demand for all of these products at the same time. As we are the largest PNT purchaser in the world, we believe that our plan to start producing PNT for our production of DSD Acid will remove a significant part of PNT purchase orders from the market, and some existing mononitrotoluene producers, especially the smaller ones, will thus have to reduce their overall mononitrotoluene production or increase their selling prices for ONT and OT as they might not be able to sell the co-produced PNT and have to recoup the loss somewhere or otherwise their financial position may be adversely affected. As a result, we believe the mononitrotoluene industry may experience a phase of consolidation. We believe our entry into the mononitrotoluene market will increase the global supply of mononitrotoluene. Coupled with our leading position in the DSD Acid market, our entry into the ONT/OT market and self-production of PNT would have certain effect on the competitive landscape of mononitrotoluene industry such as squeezing out smaller mononitrotoluene producers, and a reduction of the overall mononitrotoluene production, which may lead to a positive impact on the market prices of mononitrotoluene in the long term. However, since the mononitrotoluene industry and the market price of mononitrotoluene may be affected by various other factors, among others, the level of competition among market players, strategies implemented by other mononitrotoluene producers and the development of downstream markets, our strategy to enter into ONT/OT market might not be successful. Please also refer to "Risk Factors — Risks Relating to Our Business — Our strategy to enter into the ONT/OT market through the Dongao Production Plant might not be successful".

From February to April 2015, the utilization rates of the production of PNT, ONT, MNT, OT and NMP in our Dongao Production Plant was not high as the operations of our Dongao Production Plant was in a start-up stage. As a result of the price drop of PNT over the past few years, the unit cost of our self-produced PNT was higher than the market price of PNT in June 2015. As a result of low utilization rate of our Dongao Production Plant and a higher cost of self-produced PNT compared with recent market price of PNT from the commencement of operation in February up to the end of April 2015, we recorded a slight gross loss for the operations of our Dongao Production Plant. In addition, we expect that the gross profit margin of new products produced in our Dongao Production Plant will be lower than that of DSD Acid, in particular in its first year of operation. Therefore, our overall gross profit margin in the future might not be maintained at the same level as our gross profit margin for the year ended December 31, 2014.

Based on our unaudited consolidated financial statement for the four months ended April 30, 2015, which has been reviewed by the reporting accountants in accordance with the Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", our gross profit margin for the four months ended April 30, 2015 was approximately 33.0%, which was comparable to our gross profit margin for the four months ended April 30, 2014. Such gross profit margin was, however, lower than that of 38.1% for the year ended December 31, 2014. This was mainly attributable to the fact that our DSD Acid was sold on average at a higher margin during the second half of 2014 as a result of the surge of the price of DSD Acid in 2014. For the four months ended April 30, 2015, the average selling price of our DSD Acid and other dye intermediates decreased to RMB17,200 per tonne, representing a decline of 19.2% compared to RMB21,300 per tonne in 2014, mainly attributable to abovementioned price surge of DSD Acid in 2014 and the decrease in cost of DSD Acid as a result of price decline of PNT. For risks associated with our Dongao Production Plant's operation, see "Risk Factors — Risks Relating to Our Business — The production cost and profit margin of DSD Acid and our overall gross profit margin might be negatively affected by our operation in Dongao Production Plant, namely the production of PNT, ONT, MNT, OT and NMP".

SUMMARY

Save as disclosed above, our Directors confirm that there has been no material change in our business, results of operations and financial conditions since December 31, 2014, being the date to which our latest audited consolidated financial statements were prepared and up to the date of this prospectus, and there had been no event that would materially affect the information shown in our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus.

Negative Publicity and Allegations Directed against Hua Chemical Company

There were certain negative media coverage on our operations and the potential impact on the environment and health conditions of the residents near our Dongguang Production Plants, in particular, a publication (the "**Publication**") contained certain allegations against a DSD Acid manufacturer located in Dongguang County, Hebei Province identified as "Hua Chemical Company". We believe the allegations in the Publication were most likely made against us, on the basis that there are no other companies producing DSD Acid in Dongguang County (although there are other chemical producers in Dongguang County), notwithstanding that none of the members of our Group bears the name of "Hua Chemical Company", nor any of our Directors or any of their respective close associates or any member of our Group has any interest in a company named "Hua Chemical Company". For details on the allegations contained in such report and our response to those allegations, see "Business — Environment, Health and Safety — Negative Publicity and Allegations Directed against Hua Chemical Company".

Our Directors are of the view and the Sole Sponsor concurs that the allegations in the Publication are false, unfounded and groundless.

As of the Latest Practicable Date, we have not received any notifications or warnings and had not been subject to any fines or penalties in relation to any breach of any applicable environmental laws or regulations, and we have received all permits, licenses and approvals relating to environmental protection and safety production in all material respects. Furthermore, our PRC Legal Advisor is of the view that, based on the interviews they conducted with the relevant competent local environmental authorities as described in "Business — Environment, Health and Safety — Environmental Protection" and to their knowledge after inquiries with us, we have complied with the environmental laws and regulations of the PRC during the Track Record Period and up to the Latest Practicable Date in all material respects.

Nevertheless, our reputation and business may be adversely affected by negative media coverage containing similar allegations. For details, see "Risk Factors — Risks relating to our business — Our reputation could be adversely affected by negative publicity, whether or not expressly directed against us".

LISTING EXPENSES

The total amount of listing expenses, commissions and the maximum incentive fee (if any), together with SFC transaction levy and Hong Kong Stock Exchange trading fee that will be borne by us in connection with the Global Offering is estimated to be approximately RMB47.8 million (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised), of which approximately RMB7.6 million were charged to our profit or loss during the Track Record Period. For the remaining listing expenses, approximately RMB17.4 million is expected to be charged to our profit or loss and approximately RMB22.8 million is expected to be capitalized after Listing.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering that we will receive, assuming an Offer Price of HK\$4.76 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$535.1 million (approximately RMB427.4 million), after deduction of underwriting fees and commissions and estimated expenses payable in connection with the Global Offering and assuming the Over-allotment Option is not exercised. We intend to use the net proceeds of the Global Offering for the following purposes:

- approximately 50%, or HK\$267.6 million (RMB213.7 million), will be used to expand our production capacity;
- approximately 10%, or HK\$53.5 million (RMB42.7 million), will be used to develop our new products such as ONT, OT, 2B Acid and 4B Acid;
- approximately 25%, or HK\$133.8 million (RMB106.9 million), will be used to acquire downstream manufacturers of ONT/OT and/or other chemical product manufacturers;
- approximately 5%, or HK\$26.7 million (RMB21.4 million), will be used to pay the rent for the leasing of the Dongao Production Plant (including the Additional Assets we may lease); and
- approximately 10%, or HK\$53.5 million (RMB42.7 million), will be used to replenish our working capital.

The above allocation of proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range. For details, see "Future Plans and Use of Proceeds".

SUMMARY

DIVIDEND POLICY

We distributed dividends in the amounts of RMB76.0 million, nil and RMB199.7 million in 2012, 2013 and 2014, respectively, which were paid or settled as of the Latest Practicable Date.

We do not have a fixed dividend policy and cannot guarantee dividends will be paid in the future subject to, among other things, applicable laws and regulations. Declaration of dividends after Listing will be the discretion of our Board of Directors and the approval of our Shareholders. For details, see “Financial Information — Dividend Policy”. Subject to the foregoing factors, we currently expect to distribute no less than 25% of our net distributable profit for the following two financial years ending December 31, 2015 and 2016. We cannot guarantee, however, that we will be able to declare or distribute dividends in any amount each year or in any year. The declaration and payment of dividends may be limited by legal restrictions or financing arrangements that we may enter into in the future.

OFFERING STATISTICS

All statistics in this table are based on the assumptions that the Over-allotment Option is not exercised.

	Based on an Offer Price of HK\$4.01 per Share	Based on an Offer Price of HK\$5.51 per Share
Market capitalization ⁽¹⁾	HK\$2,005.0 million	HK\$2,755.0 million
Unaudited pro forma adjusted net tangible assets per Share ⁽²⁾	HK\$1.53	HK\$1.88

Notes:

- (1) The calculation of market capitalization is based on 500,000,000 Shares expected to be in issue following the Global Offering.
- (2) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in “Appendix II — Unaudited Pro Forma Financial Information” of this prospectus and on the basis of 500,000,000 Shares in issue at the respective Offer Prices of HK\$4.01 per Share and HK\$5.51 per Share.

OUR CONTROLLING SHAREHOLDERS AND PRE-IPO INVESTMENTS

Our Controlling Shareholders

Immediately upon completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised), Cavalli, will own 66.8% of the total issued share capital of our Company. Cavalli is wholly-owned by Mr. Ge Yi, one of our executive Directors, our Chairman and Chief Executive Officer. Cavalli is an investment holding company, through which our Shares are held.

Pre-IPO Investments

In order to strengthen the relationship between our Group and Transfar, on December 20, 2014, our Company and Transfar entered into a subscription agreement pursuant to which Transfar conditionally agreed to subscribe for 2,800 Shares (representing 2.8% of the shareholding in our Company at the time of completion of such pre-IPO investment and 2.1% immediately upon completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised)) for a cash consideration of US\$5,000,000.

On March 6, 2015, Cavalli, Mr. Ge Yi and Wider Pacific entered into a subscription agreement for the subscription of the Exchangeable Bond with a principal amount of US\$15,000,000. On March 10, 2015, Cavalli issued the Exchangeable Bond to Wider Pacific pursuant to such subscription Agreement. Upon completion of the Global Offering, the Exchangeable Bond will be automatically exchanged into Shares representing 6.1% of the shareholding in our Company (assuming the Over-allotment Option is not exercised).

For details of the pre-IPO investment, see “Our History and Development — Pre-IPO Investment”.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

“Additional Assets”	the equipment and facilities of Dongao Chemicals for its production capacity expansion to be installed or constructed at the Dongao Production Plant, which we have an option to lease
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
“Articles of Association” or “Articles”	the articles of association of our Company (as amended from time to time), approved by the written resolutions of the Shareholders on June 12, 2015 and effective from the Listing Date, a summary of which is set out in Appendix III to this prospectus
“Assets Leasing Agreement”	the assets leasing agreement dated January 15, 2015 and a supplemental agreement dated April 8, 2015 entered into between Tsaker Dongying and Dongao Chemicals, pursuant to which Dongao Chemicals agreed to lease to Tsaker Dongying the Dongao Production Plant
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board of Directors” or “Board”	the board of directors of our Company
“business day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“Capitalization Issue”	the issue of Shares to be made upon the capitalization of certain sums standing to the credit of the share premium account of our Company as referred to in the section headed “Appendix IV — Statutory and General Information — A. Further Information about our Company and our Subsidiaries — 3. Resolutions in Writing of the Shareholders of our Company”
“Cavalli”	Cavalli Enterprises Inc., a company incorporated in the BVI with limited liability on March 11, 2011, wholly-owned by Mr. Ge Yi, our executive Director, Chairman, Chief Executive Officer and one of our Controlling Shareholders
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“China Chem”	China Chem Co., Ltd., an indirectly wholly-owned subsidiary of China National Offshore Oil Corporation, the controlling shareholder of the Hong Kong-listed CNOOC Limited (stock code: 883) and an independent third party
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Law”	the Companies Law (2013 Revision) of the Cayman Islands, as amended, consolidated or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”, “our”, “our Company”, “we” or “us”	Tsaker Chemical Group Limited (彩客化學集團有限公司*), a company incorporated in the Cayman Islands with limited liability on October 29, 2014, and whose shareholding structure is set out in the section headed “Our History and Development” in this prospectus
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, and in the context of this prospectus means the controlling shareholders of our Company, namely Mr. Ge Yi and Cavalli
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Co-lead Managers”	Bright Smart Securities International (H.K.) Limited, Kingsway Financial Services Group Limited and RHB OSK Securities Hong Kong Limited

* *For identification purpose only*

DEFINITIONS

“Deed of Non-competition”	a deed of non-competition dated June 12, 2015 entered into between our Company and our Controlling Shareholders, details of which are set out in the section headed “Relationship with our Controlling Shareholders — Deed of Non-competition” in this prospectus
“Director(s)”	the director(s) of our Company
“Dongao Chemicals”	Shengli Oil Field Dongao Chemicals Co., Ltd. (勝利油田東奧化工有限責任公司), a company established under the laws of the PRC on March 15, 2004, and a directly wholly-owned subsidiary of Huage Holdings
“Dongao Production Plant”	the production plant (including all the existing assets including factory premises, land, equipment and facilities in relation to the production of, among others, PNT, ONT, MNT, OT and NMP with an aggregate annual designed production capacity of 40,000 tonnes of mononitrotoluene) which is leased from Dongao Chemicals under the Assets Leasing Agreement and operated by Tsaker Dongying and located in Dongying, Shandong Province, the PRC
“Dongguang Production Plants”	collectively, the North Dongguang Production Plant and the South Dongguang Production Plant
“Dongying Production Plant”	the production plant which is expected to be operated by Tsaker Dongying and currently under preparation for construction in Dongying, Shandong Province, the PRC, and will primarily engage in producing DSD Acid and other dye and pigment intermediates
“EIT”	enterprise income tax of the PRC
“EPA”	Environmental Protection Agency, US environmental regulator
“Exchangeable Bond”	the exchangeable bond in the principal amount of US\$15,000,000 issued by Cavalli pursuant to the terms and conditions of a subscription agreement dated March 6, 2015 entered into among Cavalli, Mr. Ge Yi and Wider Pacific
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., industry consultant engaged to prepare the industry report
“GDP”	gross domestic product
“Global Offering”	the Hong Kong Public Offering and the International Offering
“GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider

DEFINITIONS

“Group”	our Company and our subsidiaries from time to time
“HK eIPO White Form”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of HK eIPO White Form at www.hkeipo.hk
“HK eIPO White Form Service Provider”	The Bank of East Asia, Limited
“Haitong Securities”, “Sole Global Coordinator” or “Stabilizing Manager”	Haitong International Securities Company Limited, a corporation registered under the SFO permitted to carry on Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities) regulated activities under the SFO, the Sole Global Coordinator, the Stabilizing Manager, one of the Joint Bookrunners and one of the Joint Lead Managers of the Global Offering
“HK\$” or “Hong Kong dollars” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 12,500,000 Shares initially offered for subscription pursuant to the Hong Kong Public Offering, subject to reallocation as described in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“Hong Kong Public Offering”	the offering by our Company of the Hong Kong Offer Shares for subscription by the public in Hong Kong, as further described in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting — Underwriters — Hong Kong Underwriters” in this prospectus

DEFINITIONS

“Hong Kong Underwriting Agreement”	the underwriting agreement dated June 22, 2015 relating to the Hong Kong Public Offering and entered into by our executive Directors (namely Mr. Ge Yi, Mr. Duan Weidong, Ms. Dong Zhongmei and Ms. Jin Ping), our Controlling Shareholders (namely, Mr. Ge Yi, and Cavalli), the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Hong Kong Underwriters (namely, Haitong Securities, BOCI Asia Limited, China Everbright Securities (HK) Limited, Guotai Junan Securities (Hong Kong) Limited, Bright Smart Securities International (H.K.) Limited, Kingsway Financial Services Group Limited and RHB OSK Securities Hong Kong Limited) and our Company, as further described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Underwriting Agreement” in this prospectus
“Houston Trade”	Houston Trade and Services Inc., a company incorporated under the laws of Texas, US on March 10, 2005, and an equity holder of Tsaker Cangzhou at its establishment. It was held by Ms. Lin Jie as of the date of the establishment of Tsaker Cangzhou and was deregistered on October 5, 2011
“Huage Cangzhou”	Huage Chemical (Cangzhou) Co., Ltd. (華歌化學(滄州)有限公司), a company established under the laws of the PRC on March 27, 2013 and wholly-owned by Huage Holdings Co., Ltd. (華歌控股有限公司), which was held as to 20%, 40% and 40% respectively by Ms. Ge Hong, Mr. Ge Jianhua, Ms. Xing Rongxi and all of whom held the equity interest on behalf of Mr. Ge Yi as of the Latest Practicable Date
“Huage Dye”	Hebei Huage Dye Chemical Co., Ltd. (河北華戈染料化學股份有限公司) (formerly known as Hebei Huayu Chemical Co., Ltd. (河北華煜化工股份有限公司)), a company established under the laws of the PRC on December 25, 1997 and was deregistered on March 24, 2015. Immediately prior to the deregistration, the equity interest of Huage Dye was wholly-owned by Huage Holdings
“Huage Fine Chemicals”	Hebei Huage Fine Chemicals Co. Ltd. (河北華戈精細化學有限公司) (formerly known as Cangzhou Huaguang Chemical Co., Ltd (滄州華光化工有限公司)), a sino-foreign joint venture company established under the laws of the PRC on June 8, 2000 and was deregistered on February 28, 2013. Immediately prior to the deregistration, the equity interest of Huage Fine Chemicals was held as to 50.44% and 49.56% respectively by Huage Holdings and Shine Chem Limited
“Huage Holdings”	Huage Holdings Group Co., Ltd. (華戈控股集團有限公司) (formerly known as Dongguang County Huaguang Chemicals Co., Ltd. (東光縣華光化工有限責任公司), Hebei Huage Chemical Co., Ltd. (河北華戈化學有限公司), Hebei Huage Chemical Group Co., Ltd. (河北華戈化學集團有限公司)), a company established under the laws of the PRC on December 6, 1999 and was held as to 71.44% and 28.56% respectively by Mr. Ge Yi and Mr. Ge Jianhua as of the Latest Practicable Date

DEFINITIONS

“Huayu Chemical Plant”	CNCCC Huayu Chemical Plant (中國化工建設總公司華煜化工廠) (which was also known as Dongguang County Huada Chemical Plant (東光縣華達化工廠) at the time of its establishment, subsequently changed its name to Dongguang County Huayu Chemical Plant (東光縣華宇化工廠) and further underwent corporate reorganization to become CNCCC Huayu Chemical Plant (中國化工建設總公司華煜化工廠)), established under the laws of the PRC on May 5, 1995. Huayu Chemical Plant subsequently merged with Tsaker Cangzhou by absorption and was deregistered on December 30, 2014
“independent third party(ies)”	a person, persons, company or companies which is or are independent of, and not connected with (within the meaning under the Listing Rules), any directors, chief executive or substantial shareholders of our Company, any of its subsidiaries or any of their respective associate(s)
“International Offer Shares”	the 112,500,000 Shares initially offered for subscription pursuant to the International Offering, subject to the Over-allotment Option and reallocation as described in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“International Offering”	the conditional placing of the International Offer Shares by the International Underwriters, as further described in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“International Underwriters”	the underwriters of the International Offering that are expected to enter into the International Underwriting Agreement
“International Underwriting Agreement”	the underwriting agreement expected to be entered into on or around June 26, 2015 by our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the International Underwriters and our Company in respect of the International Offering, as further described in the section headed “Underwriting — Underwriting Arrangements and Expenses — International Underwriting Agreement” in this prospectus
“Joint Bookrunners”	Haitong Securities and BOCI Asia Limited
“Joint Lead Managers”	Haitong Securities, BOCI Asia Limited, China Everbright Securities (HK) Limited and Guotai Junan Securities (Hong Kong) Limited
“Latest Practicable Date”	June 15, 2015, being the latest practicable date for the inclusion of certain information in this prospectus prior to its publication

DEFINITIONS

“Listing”	listing of the Shares on the Hong Kong Stock Exchange
“Listing Committee”	the Listing Committee of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on or about July 3, 2015, on which our Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the Main Board of the Hong Kong Stock Exchange
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company (as amended from time to time), approved by the written resolutions of the Shareholders on June 12, 2015 and effective from the Listing Date, a summary of which is set out in Appendix III to this prospectus
“MOFCOM”	The Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Ge Jianhua”	Ge Jianhua (戈建華), the founder of our Group and the father of Mr. Ge Yi
“Mr. Ge Jianyong”	Ge Jianyong (戈建勇), brother of Mr. Ge Jianhua and uncle of Mr. Ge Yi
“Mr. Ge Yi”	Ge Yi (戈弋), one of our Controlling Shareholders, an executive Director, our Chairman and Chief Executive Officer
“Ms. Ge Hong”	Ge Hong (戈虹), sister of Mr. Ge Yi and daughter of Mr. Ge Jianhua
“Ms. Lin Jie”	Lin Jie (林潔), sister-in-law of Mr. Ge Jianhua
“Ms. Xing Rongxi”	Xing Rongxi (邢榮喜), the mother of Mr. Ge Yi and wife of Mr. Ge Jianhua
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NPC”	the National People’s Congress (全國人民代表大會)
“North Dongguang Production Plant”	the production plant which is operated by Tsaker Cangzhou and located in Dongguang, Hebei Province, the PRC and is primarily engaged in producing DMSS and other pigment intermediates

DEFINITIONS

“Offer Price”	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%), at which Hong Kong Offer Shares are to be subscribed, to be determined in the manner further described in the section headed “Underwriting” in this prospectus
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares, collectively, and where relevant, together with any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable at the sole discretion of the Sole Global Coordinator (for itself and on behalf of the International Underwriters) pursuant to which our Company may be required to allot and issue to 18,750,000 Shares at the Offer Price (representing 15% of the Shares initially being offered under the Global Offering) to cover over-allocation in the International Offering, the details of which are described in the section headed “Underwriting” in this prospectus
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC” or “China”	the People’s Republic of China, except where the context requires otherwise excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“PRC Legal Advisor”	Haiwen & Partners, our Company’s legal advisor as to PRC law
“Pre-IPO Investors”	Transfar and Wider Pacific
“Price Determination Agreement”	the agreement to be entered into by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or around June 26, 2015 (Hong Kong time) on which the Price Determination Agreement is entered into but in any event no later than June 29, 2015
“Qualified Institutional Buyers” or “QIBs”	has the meaning given in Rule 144A under the US Securities Act
“Regulation S”	Regulation S under the US Securities Act

DEFINITIONS

“Reorganization”	refers to the reorganization arrangement undergone by our Group in preparation for the Global Offering as described in the section headed “Our History and Development — Reorganization” in this prospectus
“RMB”	Renminbi, the official currency of the PRC
“Rule 144A”	Rule 144A under the US Securities Act
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAWS”	State Administration of Work Safety of the PRC (中華人民共和國國家安全生產監督管理總局)
“SCNPC”	the Standing Committee of the NPC of the PRC (全國人民代表大會常務委員會)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of our Company with a nominal value of US\$0.01 each, to be subscribed for and traded in Hong Kong dollars and listed on the Hong Kong Stock Exchange
“Shine Chem”	Shine Chem Limited (尚化有限公司), a company incorporated under the laws of Hong Kong on February 2, 1993 and dissolved on July 18, 2014
“Sole Sponsor”	Haitong International Capital Limited, a corporation registered under the SFO permitted to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
“South Dongguang Production Plant”	the production plant which is operated by Tsaker Dongguang and located in Dongguang, Hebei Province, the PRC, and is primarily engaged in producing DSD Acid and other dye intermediates
“SPV”	special purpose vehicle
“Stock Borrowing Agreement”	a stock borrowing agreement expected to be entered into between Cavalli and the Stabilizing Manager (or its affiliate) on or about the Price Determination Date

DEFINITIONS

“subsidiary(ies)”	has the meaning ascribed thereto under the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Sunchem”	Sunchem International Trading Pte. Ltd., a company incorporated under the laws of Singapore on March 13, 2013 which is wholly-owned by Mr. Ge Yi, our executive Director, Chairman, Chief Executive Officer and one of our Controlling Shareholders
“Takeovers Codes”	the Codes on Takeovers and Mergers and Share Buy-backs in Hong Kong as approved by the SFC and as amended, supplemented or otherwise modified from time to time
“TOSAIC”	the Trademark Office of the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局商標局)
“Track Record Period”	comprises the three financial years ended December 31, 2014
“Transfar”	Transfar International Holding Co., Limited (傳化國際控股有限公司), a company incorporated in Hong Kong with limited liability on January 17, 2011, one of our Pre-IPO Investors
“Tsaker Beijing”	Tsaker Technology (Beijing) Co., Ltd. (彩客科技(北京)有限公司) (formerly known as Beijing Huage Chemical Technology Co., Ltd. (北京華歌化學科技有限公司) and Tsaker Chemical Technology (Beijing) Co., Ltd. (彩客化學科技(北京)有限公司)), a company established under the laws of the PRC on October 17, 2013, and an indirectly wholly-owned subsidiary of our Company
“Tsaker Cangzhou”	Tsaker Chemical (Cangzhou) Co., Ltd. (彩客化學(滄州)有限公司) (formerly known as Cangzhou Huage Medicine Chemical Co., Ltd. (滄州華戈醫藥化學有限公司)), a company established under the laws of the PRC on September 23, 2005, and an indirectly wholly-owned subsidiary of our Company
“Tsaker Dongguang”	Tsaker Chemical (Dongguang) Co., Ltd. (彩客化學(東光)有限公司) (formerly known as Huage Chemical (Dongguang) Co., Ltd. (華歌化學(東光)有限公司)), a company established under the laws of the PRC on May 7, 2013, and an indirectly wholly-owned subsidiary of our Company
“Tsaker Dongying”	Tsaker Chemical (Dongying) Co., Ltd. (彩客化學(東營)有限公司) (formerly known as Dongying Huage Chemical Co., Ltd. (東營華歌化學有限公司)), a company established under the laws of the PRC on May 20, 2014, and an indirectly wholly-owned subsidiary of our Company

DEFINITIONS

“Tsaker Hong Kong”	Tsaker Chemical (Hong Kong) Company Limited (彩客化學(香港)有限公司) (formerly known as Mark Worldex Limited (萬世豐有限公司)), a company incorporated in Hong Kong with limited liability on September 2, 2010, and an indirectly wholly-owned subsidiary of our Company
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.S.” or “United States” or “US”	the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933 (as amended from time to time)
“US\$” or “US Dollar” or “USD”	United States dollars, the lawful currency of the United States
“Wider Pacific”	Wider Pacific Limited, a company incorporated in the BVI on May 20, 2014, one of our Pre-IPO Investors
“Yijia Iron Powder”	Dongguang Yijia Iron Powder Co., Ltd (東光縣億嘉鐵粉有限公司), a company established under the laws of the PRC on May 6, 2009, and is one of our five largest suppliers during the Track Record Period and was directly wholly-owned by Mr. Ge Jianyong as of the Latest Practicable Date

Unless the context requires otherwise, amounts denominated in RMB and USD have been converted into HK\$, for the purpose of illustration only, using the following exchange rates. No representation is made that any amount in RMB, HK\$ or USD could have been or could be converted at the above rates or at any other rates or at all.

HK\$1:RMB0.7987

USD1:HK\$7.8

USD1:RMB6.1957

The English names of the PRC nationals, entities, departments, facilities, certificates, titles and the like mentioned in this prospectus are translations from their Chinese names. If there is any inconsistency, the Chinese names shall prevail.

Unless otherwise specified, all references to any shareholdings in our Company assume no exercise of the Over-allotment Option.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments or approximation. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain technical terms used in this prospectus in connection with our Group and our business. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

“1,4-Butanediol”	an organic compound which is used industrially as a solvent and in the manufacture of some types of plastics and elastic fibers
“1,4-butylene glycol”	a chemical compound which is used as a solvent and in plastic and pharmaceutical manufacture
“2B Acid”	2-Amino-4-chloro-5-methylbenzenesulfonic acid, which is used for the production of pigment red 48
“4B Acid”	4-Aminotoluene-3-sulfonic acid, which is used for the production of pigment red 57
“acetaldehyde”	a colorless, flammable liquid used in the manufacture of acetic acid, perfumes and flavors
“acidification”	a process in which the system is converted from alkalinity or neuter to acidity by adding acid
“acylation”	a process in which an acyl group is added into a compound
“amination”	the process by which an amine group is introduced into an organic molecule
“aniline”	a toxic organic compound, which is used for rubber processing chemicals, herbicides and dye and intermediates
“by-product”	output from a joint production process that is minor in quantity and/or net realizable value (NVR) when compared to the main products
“CAGR”	compound annual growth rate
“CAS number”	a unique numerical identifier issued by the American Chemical Society for chemical elements, compounds, polymers, biological sequences, mixtures and alloys
“catalyst”	substance that speeds up a chemical reaction
“catalytic hydrogenation”	a chemical reduction process conducted under the condition of catalyst and hydrogen
“CDMA”	4-Chloro-2,5-dimethoxyaniline, which is used for the production of pigment yellow 83

GLOSSARY OF TECHNICAL TERMS

“chlorination”	a process or result of the chemical combination of a substance with chlorine
“crystallization”	a process of forming crystals from liquid or gas
“DATA”	2,5-Dianilinoterephthalic acid, which is used as an intermediate of quinacridone pigments
“dehydration”	a process where water is removed by way of heating or drying
“dimethyl sulfate”	a chemical compound which is used in the manufacture of dyes, pharmaceuticals and perfumes
“DIPS”	Diisopropyl succinate, which is used for the production of DPP pigments and plastic
“distillation”	a method for separating liquid mixtures based on the division of the components of the mixture into liquid and vapor phases
“DMAS”	Dimethyl acetylsuccinate, is used for the production of food yellow pigments, agricultural chemicals, other food additives
“DMM”	Dimethyl maleate, which is used as a pigment intermediate
“DMS”	Dimethyl succinate, which is used as an intermediate of pigments, light stabilizers and bactericides
“DMSS”	Dimethyl 1,4-Cylohexanedione-2,5-dicarboxylate, is used for the production of quinacridone pigments and photosensitive polymer
“DNST”	4,4'-dinitrostilbene-2,2'-disulphonic acid, which is used as intermediates of DSD Acid
“DPP”	1,4-diketopyrrolo-[3,4-c]-pyrroles, which is normally used as an intermediate for orange, yellow and blue pigment
“DSD Acid”	4,4'-Diaminostilbene-2,2'-disulfonic acid, which is used as an intermediate of dyes, fluorescent whitening agents and pesticides
“EBITDA”	profit/(loss) for the period/year plus finance costs, income tax expense, listing expenses, depreciation and amortization of intangible assets and less interest income. EBITDA is not a measure of performance under Hong Kong Financial Reporting Standards
“etherification”	the process of converting a substance (as an alcohol or phenol) into an ether

GLOSSARY OF TECHNICAL TERMS

“esterification”	a process in which two reactants (typically alcohol and acid) form an ester as a reaction product
“flash drying”	a process in which particles that are suspended and conveyed in a hot air stream are dried
“GHS”	Globally Harmonized System of Classification and Labelling of Chemicals
“herbicide”	a chemical agent used to kill or inhibit the growth of unwanted plants
“hydrogenation”	a process of chemical reaction between molecular hydrogen and another compound or element
“hydroquinone”	a white, crystalline compound which is mainly used in photography and to inhibit autoxidation reactions
“intermediates”	chemicals that are used as raw materials to produce other chemical products
“ISO14001:2004”	International Organization for Standardization standard for environmental management systems as enacted in 2004 and amended in 2009 and 2011
“ISO18001:2008”	International Organization for Standardization standard for occupational health and safety management
“ISO9001”	quality management systems model published by International Organization for Standardization for quality assurance in design, development, production, installation and servicing
“IT”	information technology
“kW”	unit of energy, kilowatt, 1kW = 1,000 watts
“maleic anhydride”	an organic compound which is used in the preparation of resins, pharmaceuticals and agricultural chemicals
“MEA”	2-methyl-6-ethylamine, which is an herbicide ingredient
“methylamine”	a colorless flammable water-soluble gas, which is used in the manufacture of herbicides, dyes and drugs
“MNT”	3-nitrotoluene or meta-nitrotoluene, which is used as agricultural chemical intermediates, pharmaceutical intermediates, and dye and pigment intermediates
“mononitrotoluene”	PNT, ONT and MNT

GLOSSARY OF TECHNICAL TERMS

“nitrification”	a process of introducing nitro to the molecule of organic compounds
“NMP”	N-methyl-2-pyrrolidone, which is used in the clean energy industry, including lithium battery manufacturing, high polymer material industry and pharmaceutical industry, etc.
“NTS”	4-Nitrotoluene-2-sulfonic acid, which is used as an intermediate of organic pigment
“OBA”	optical brightening agents that are widely adopted in the production of paper, detergent and textile
“Oleum”	a corrosive liquid
“ONT”	2-nitrotoluene or ortho-nitrotoluene, which is used as the raw materials for intermediates for agricultural chemicals, in particular herbicides, pharmaceutical intermediates, dye and pigment intermediates, etc.
“OT”	ortho-toluidine, a downstream product of ONT, primarily applied as intermediate for agricultural chemicals, especially herbicides
“oxidation”	a chemical reaction process in which there is a loss of electrons or an increase in oxidation state by a molecule, an atom or an ion
“pigment red 19”	a pigment which is mainly used for coloring of paint and ink
“pigment red 48”	a pigment which is mainly used for coloring of plastics, paint, ink and rubber
“pigment red 57”	a pigment which is mainly used for coloring of plastics, paint, ink and rubber
“pigment red 122”	a pigment which is used for PVC, car paint and paint
“pigment violet 19”	a pigment which is used for PVC, car paint and paint
“pigment yellow 83”	a pigment which is used for all kinds of ink, automobile coating (OEM) and emulsion paint
“pigment yellow 110”	one of the known pigments with the best light-fastness performance among yellow organic dyes, which is mainly used for metal decorative paint, automobile coating and emulsion paint, indicating excellent performance in plastic coloring

GLOSSARY OF TECHNICAL TERMS

“PNT”	4-nitrotoluene or para-nitrotoluene, which is used as the raw materials for dye intermediates and pigment intermediates, including DSD Acid
“potassium hydroxide”	an inorganic compound which is used as a bleach and in the manufacture of soap, dyes and alkaline batteries
“polymer”	a chemical substance consisting of large molecules made from many smaller and simpler molecules
“p-toluidine”	a colorless solid which can be used in dyes and organic chemical manufacturing
“precipitation”	a process in which a separable solid is formed from a solution
“quinacridone pigments”	a family of synthetic pigments, including pigments red 122 and violet 19
“PVC”	polyvinyl chloride, a kind of plastic
“reduction”	a chemical reaction process in which there is a gain of electrons or a decrease in oxidation state by a molecule, an atom or an ion
“refinement”	a process for the improvement of quality by removing impurities
“sodium hydroxide”	a chemical compound which is mostly used as a strong chemical base in the manufacture of pulp and water, textiles, soaps and detergents
“sodium 3-nitrobenzenesulfonate”	a resist agent and color protective agent which is used as vat dye and sulfur dye and also used for organic synthesis, dyeing industry and other purposes
“solid-phase transition”	a process for a group transferring from one target to another target under the high-temperature baking condition
“sulfonation”	a process of attaching the sulfonic acid group directly to carbon in an organic compound
“sq.m.”	square meters
“TCCBM”	Methyl Benzoic acid,2,3,4,5-tetrachloro-6-cyano, which is used for the production of pigment yellow 110
“tonnes”	metric tonnes

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to our Group that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “continue”, “estimate”, “expect”, “forecast”, “going forward”, “intend”, “ought to”, “plan”, “potential”, “predict”, “project”, “seek”, “can”, “could”, “may”, “might”, “shall”, “should”, “will”, “would” and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- various business opportunities that we may pursue;
- general economic, political and business conditions in the markets in which we operate;
- general political and economic conditions, including those related to the PRC;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans; and general outlook in the industry and markets in which we operate;
- macroeconomic measures taken by the PRC government to manage economic growth;
- our capital expenditure plans;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our dividend policy;
- our financial condition and performance;
- the amount and nature of, and potential for, future development of our business;

FORWARD-LOOKING STATEMENTS

- capital market developments;
- our ability to source raw materials;
- fluctuation in the prices of raw materials and our ability to pass-through any increases in price to customers;
- our ability to protect our intellectual property rights;
- our ability to hire and retain talented employees;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

In this prospectus, statements of or references to our intentions or those of our Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

RISK FACTORS

You should carefully consider all of the information in this prospectus including the risks and uncertainties described in the following risk factors when considering making an investment in the Shares being offered in the Global Offering. You should pay particular attention to the fact that we are incorporated in the Cayman Islands and our business and operations are conducted substantially in the PRC and are governed by a legal and regulatory environment which in certain aspects differs from that prevailing in other countries. Our business may be adversely affected by any of the risks and uncertainties described below. The trading price of our Shares may decline due to any of the risks and uncertainties and you may lose all or part of your investment. For details regarding the PRC and other relevant matters, please see the sections headed “Regulatory Overview” and “Appendix III — Summary of the Constitution of Our Company and Companies Law of the Cayman Islands” in this prospectus.

This prospectus also contains forward-looking information that involves risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of many factors, including the risks described below and elsewhere in this prospectus.

RISKS RELATING TO OUR BUSINESS

We might not be successful in the research and development of new products or in improving the quality of our existing products.

We rely on our research and development team to develop new products and new production technologies to improve our existing products or production processes. In 2012, 2013 and 2014, our expenses in relation to our research and development activities amounted to RMB18.2 million, RMB12.8 million and RMB19.4 million, respectively. However, development of new or improved products or production processes can be time consuming and costly. We cannot assure you that any of our research projects will be completed within the anticipated time frame, or lead to any breakthroughs, or that the results of such research and development projects will lead to viable commercial production. If we are not successful in researching and developing new products and production processes or if we are not able to translate our research and development efforts into commercial production, we might not be able to recover research and development costs incurred. We may have to continue our operations with possibly outdated products and production processes that may restrict our ability to compete in the market and, in turn, our business and results of operations may be adversely affected.

Our sales and growth and the market demand for our products are dependent, among other things, on the condition of the global economy.

During the Track Record Period, we derived revenue primarily from sales of a number of chemicals that function as dye and pigment intermediates in the PRC. We also export products to overseas markets, including the US, Germany, India and Indonesia. The demand for our dye and pigment intermediate products depends, among other things, on the condition of the global economy. For instance, the demand for our major product, DSD Acid, is significantly affected by the demand

RISK FACTORS

of consumer goods. DSD Acid is the main dye intermediate for the production of OBA, which is commonly used to brighten or whiten paper and textile. Application of OBA includes dyes for paper and textile, and fluorescent whitening agents for plastics and consumer goods. OBA is likely to be found in everyday use of paper, clothing, detergents and cosmetics.

In the PRC and our overseas markets, general economic condition, interest rate levels, inflation and unemployment rates, demographic trends, GDP growth and consumer confidence, among other things, influence the growth of industries where our products are widely used or applied. As a result, a downturn in the relevant industries in the PRC or in the markets where our products are used, a downturn in general economic condition or competition for our products in the markets in which we currently sell, or intend to, sell them may affect our sales, resulting in pressure on the prices, volume and margins achieved or achievable in the future. A decline in demand or a shift to lower value end products with a lower demand for our products resulting from deteriorating economic condition may adversely affect our business, financial condition, results of operations and prospects.

Our business expansion might not be completed as planned, may exceed our original budget and might not achieve the intended economic results or commercial viability.

Our future success to a large extent depends on our ability to expand our production capacity. We intend to strengthen our leading position in the DSD Acid market through building a new production plant in Dongying, Shandong Province, the PRC, which is currently under preparation for construction. We plan to increase the production capacity for our existing products, expand our product portfolio and improve the production technologies through our research and development team and potential collaboration and/or cooperation with universities in the PRC. For details, see “Business — Development Strategies — Increase production capacity for existing products and organically develop new products” and “Business — Production Plants — Our Expansion Plans”. Specifically, our expansion plan relating to the construction of our Dongying Production Plant might involve the following risks:

- *Risk of failure to obtain relevant permits for construction.* We cannot assure you that we will obtain the relevant approvals, permits and licenses in relation to the construction of our Dongying Production Plant in a timely manner, or at all. In the event that we fail to obtain the necessary approvals, permits and licenses, our expansion plan may be delayed.
- *Risk of operating at a utilization rate lower than our expectation.* Our actual production volume may vary depending on the demand for our products, which in turn may be affected by the market trend, customers’ preferences or other factors which are beyond our control. The demand for our products to be produced by our Dongying Production Plant might not be up to our expectation, and hence, the production lines might be operated at a utilization rate lower than our expectation, which may adversely affect our profitability and margin.

RISK FACTORS

- *Risk of adversely affecting our liquidity.* We expect to fund the construction of our Dongying Production Plant by a combination of net proceeds from the Global Offering, borrowing and our own funds. Hence, our liquidity may be adversely affected if we are not able to maintain our cash flow.

We cannot assure you that we will be able to complete our expansion plans within budget, on schedule or at all. Our expansion plan may be adversely affected by factors such as lack of utilities and personnel, unexpected technical problems, natural disasters, inability to obtain required governmental permits and approvals, problems with construction of our existing or future production facilities, logistic difficulties and any unforeseen legal or regulatory impediments introduced by the PRC government. If there is any delay in the progress of our expansion plan, we might not be able to deliver our products in the quantity and quality demanded by our customers and hence, our reputation and future business opportunities may be adversely affected. Further, these plans might not achieve the intended economic results or commercial viability, which in turn may weaken our competitive position in the market and adversely affect our business, financial condition and results of operations.

The production cost and profit margin of DSD Acid and our overall gross profit margin might be negatively affected by our operation in Dongao Production Plant, namely the production of PNT, ONT, MNT, OT and NMP.

We have leased our Dongao Production Plant from Dongao Chemicals to produce, among other chemicals, PNT, which is a principal raw material of DSD Acid. For details, please see “Business — Development Strategies — Vertically integrated to produce PNT and enter into ONT/OT market”, “Business — Production Plants — Our Expansion Plans — Lease of Dongao Production Plant” and “Continuing Connected Transactions — Non-exempt Continuing Connected Transactions — Continuing connected transactions which are subject to the reporting, annual review and announcement requirements but exempt from the circular and the independent Shareholders’ approval requirements — (2) Assets Leasing Agreement”. We believe that once a stable supply of PNT from our Dongao Production Plant can be maintained, we can secure the supply of such principal raw materials. Historical trends have demonstrated that the price of PNT is subject to fluctuation due to factors that are unpredictable and beyond our control, including, for instance, the price of crude oil and the supply of PNT. Recently, the market price of PNT, which dropped from RMB10,300 per tonne in 2011 to RMB5,400 per tonne in 2014 and ranging between RMB4,000 and RMB4,500 per tonne in June 2015, is lower than the cost of self-production of PNT, which is approximately RMB5,300 per tonne in June 2015. If the cost of producing PNT ourselves remains to be higher than the cost of purchasing from the market, our production cost of DSD Acid may be comparatively higher and the profit margin of DSD Acid may be reduced. From February to April 2015, the utilization rate of our Dongao Production Plant was not as high as it was in a start-up stage. As a result of the low utilization rate and a higher cost of self-produced PNT compared to the recent market price of PNT from the commencement of operation in February up to the end of April 2015, we recorded a slight gross loss for our operation of our Dongao Production Plant. In addition, we expect that the gross profit margin of new products of our Dongao Production Plant will be lower than that of DSD Acid, in particular

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in its first year of operations. Therefore, our overall gross profit margin in the future might not be maintained at the same level as our gross profit margin for the year ended December 31, 2014. The decrease in our gross profit margin may in turn weaken our competitive position in the market and adversely affect our business, financial condition and results of operations.

Our strategy to enter into the ONT/OT market through our Dongao Production Plant might not be successful.

We plan to enter into the ONT/OT market. We have leased our Dongao Production Plant from Dongao Chemicals since January 2015 and commenced the production of PNT, ONT, MNT and OT in February 2015. As PNT and ONT must be produced jointly, mononitrotoluene producers who have lost potential sales volume of PNT to us have to take PNT purchase orders from other buyers or be forced to reduce their overall production, including their production of ONT and OT. This heightened competitive environment may squeeze out smaller producers. As a result, the industry may experience a phase of rapid consolidation, and we hope to come out as a winner, targeting to acquire a large market share in the ONT/OT market. We cannot assure you that our strategy will be implemented fully or successfully as planned. We might not be able to acquire a large market share in ONT/OT market. Other mononitrotoluene producers may implement strategies that we cannot anticipate to counter our expansion. The former sales staff from Dongao Chemicals that we employ may not provide the results we need to sell all of our ONT/OT production without discount, or at all. Downstream markets for ONT, such as the herbicide market, might not continue to grow as we expected, or at all. Downstream purchasers of ONT/OT might not wish to change suppliers without resistance or may request further discount or additional services. Furthermore, our entry into the ONT/OT market increases the production of ONT and OT, which may have a negative impact on their respective market prices. If we cannot carry out our strategy as planned, our business, financial condition and results of operations may be adversely affected.

Our expansion into new markets presents increased risks

In addition to ONT and OT, we intend to enter into other new markets such as NMP, which we have little prior operating experience. The competitive conditions and customer preferences of these markets may be different from our existing markets. As a result, our future operation in these markets may be less successful than those in the DSD Acid and DMSS markets. Customers in these new markets might not be familiar with our brands and we may need to build up brand awareness with greater effort than we originally planned. We may find it more difficult in new market to hire, train and retain qualified employees.

Further, the agricultural chemical intermediate market may have well-established competitors with greater financial, marketing, customer service resources, and greater brand recognition than we do. We cannot assure you that we will be able to operate successfully in this target market, or that our products will be as well-accepted as we expect in this new market. Such competition pressures may adversely affect our business, financial condition and results of operations.

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We rely on our raw material suppliers for our business, which exposes us to risks associated with fluctuations in prices of raw materials, and reductions in the availability of raw material supplies may disrupt our operations.

We use significant quantities of a variety of specialty and commodity chemicals in our manufacturing processes, such as PNT, the principal raw material used to produce DSD Acid, and maleic anhydride, the principal raw material used to produce DMSS and other pigment intermediates. These raw materials have historically been generally available from a number of independent suppliers, although we cannot assure you that this would continue to be the case in the future. We generally acquire raw materials from large domestic suppliers in the PRC and from overseas suppliers. In 2012, 2013 and 2014, our five largest suppliers accounted for 48.0%, 49.2% and 45.2% of our total purchases, respectively. We may be adversely affected by fluctuations in the price of these or other raw materials that have been subject to historical periods of rapid and significant movements in price.

The prices of raw materials that we depend on may be affected by a number of factors, including market supply and demand, changes in PRC import duties, PRC and global economic condition and changes to the PRC or international environmental and regulatory requirements. The prices of our raw materials are to a certain extent related to price of crude oil. Fluctuation in oil prices may affect the prices of toluene, an upstream raw material of PNT, which, in turn, may also affect the prices of PNT. Any significant increases in the cost of our raw materials may increase our cost of sales and negatively affect our profit margin and, more generally, our business, financial condition, results of operations and prospects. A reduction in, or lack of availability of, raw materials or interruptions in the supply chain may also impact our profitability to the extent that we are required to pay higher prices for, or are unable to secure adequate supplies of, the necessary raw materials.

We have not entered into hedging arrangements with respect to the price of the raw materials used to produce our products. In response to price changes of raw materials, we seek to adjust the prices at which we sell our products to pass any increase in our costs to our customers to maintain our margins. If any supplier that we rely on for raw materials ceases or limits production, raises prices of its products or sells its products to alternate buyers, this may restrict our production and we may incur significant additional costs in order to find alternate, reliable raw material suppliers. We may also experience significant production delays while locating new supply sources. We cannot assure you that we will always be able to pass on these increased costs. If we were unable to pass on all or a portion of the increased cost of any of our raw materials to our customers, it may have an adverse effect on our business, financial condition, results of operations and prospects.

Our business operations are subject to significant operational and transportation risks relating to hazardous chemicals and in connection with potential accidents arising from our operations and other unforeseen risks.

We process, handle and store hazardous chemicals from time to time. Improper handling of these chemical materials or wastes can result in serious pollution. Any accidents resulting from improper handling of these chemicals may cause serious environmental, health and safety issues for our employees or others, cause significant damage to our production facilities and result in production interruptions or result in harm to the environment or natural resources. Our operations are also subject to unforeseen risks. We cannot assure you that we are insured for any of these risks or that if insured,

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we will be successful in making claim under our insurance policies or that the claimed proceeds will be sufficient to compensate the actual damages suffered, or at all. Any of these events may also lead to litigation, government fines or penalties, which in turn may adversely affect our reputation, financial condition and results of operations.

Our business involves the operation of machinery and handling of chemicals, which, if operated or handled improperly, may result in health and safety issues for our employees, physical injury or even death. If work-related accidents resulting in employee injuries or deaths occur, we may be liable for medical and other payments to the employees and their families, in addition to possible fines or penalties. Furthermore, we may be forced to shut down certain equipment or suspend our operations due to government investigation or government requirements to implement additional safety measures. Such business interruptions may have an adverse effect on our business, financial condition and results of operations. We cannot assure you that all risks have been covered adequately by our existing insurance policies. If we incur substantial liabilities and they are not covered by our insurance policies, our business, financial condition and results of operations may be adversely affected.

Our insurance coverage might not be adequate to cover all the risks we may face and if we were no longer covered by our existing insurance, it may be difficult to obtain replacement insurance on acceptable terms or at all.

We have insured some of our vehicles and products in delivery, plants and equipment for property insurance. We believe these insurance policies are generally in accordance with customary industry practices, including deductibles and limits of coverage, but we cannot be fully insured against all potential hazards incidental to our business, including losses resulting from war or terrorist acts, or all potential losses, including damage to our reputation. If we were to incur a significant liability for which we were not fully insured, it may have an adverse effect on our results of operations. As a result of market conditions, premiums and deductibles for certain insurance policies may increase substantially and, in some instances, certain insurances may become unavailable at a reasonable cost or available only for certain risks. If we were for any reason no longer covered by our existing insurance, we cannot assure you that we would be able to obtain replacement insurance on acceptable terms or at all, which may have an adverse effect on our results of operations.

Any interruption, shortage of utilities or fluctuation in utility prices may adversely affect our business operations.

Our production process requires a stable and large supply of utilities, primarily electricity and water. Electricity plays a particularly important function in the production of our products. As such, our entire production process may be forced to stop if there is an insufficient supply of utilities or a suspension of such supplies. We also anticipate that our reliance on such supplies would further increase as we seek to expand our production capacity. Any shortage of supply may therefore adversely affect our production flow and prevent us from satisfying obligations under sales contracts to our customers during the affected period.

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Furthermore, while we own and operate a power generating unit in Dongguang, Hebei Province, the PRC, it is expected to supply us with only around 50% of our electricity need for the Dongguang Production Plants in 2015 at its full-peak capacity. We also use regional power grid at government-mandated rates. If our power generating unit or the regional power grid experiences breakdowns or disruptions and suspends power generation, or if the regional power grid terminates their supply agreements with us, we may have to rely on more expensive alternative sources of electricity. During the Track Record Period, we have experienced occasions of power shortages caused by power supply limits imposed by the local government. Any shortages of electricity supply may disrupt our production and adversely affect our business, financial condition and results of operations.

We require various permits and licenses for the operation of our business and for the production and selling of chemicals and use, generation and disposal of hazardous chemicals in the PRC. The loss of or failure to renew any or all of these licenses and permits may adversely affect our business and operations.

In accordance with PRC laws and regulations, we are required to maintain various licenses and permits to operate and to manufacture our products. Such regulations include, without limitation, the Regulations on Safety Production Permit and Measures for Implementation of Safety Production Permit of Hazardous Chemical Production Enterprises that apply to the production, sales, storage, transportation and usage of hazardous chemicals. See “Regulatory Overview” in this prospectus for details of the various licenses and permits that we must obtain for our operations. In particular, our business and operations involve the use, generation and disposal of hazardous chemicals, including substances that are highly regulated and may cause harm to the environment or human health, including hydrogen, nitric acid and sulfuric acid. As a result, we are subject to PRC environmental protection laws and regulations governing the emission, discharge, release and disposal of these substances and other pollutants. These laws and regulations require enterprises that produce environmental wastes to obtain government authorizations for operations and to adopt effective measures to control and properly manage and dispose of materials containing chemicals, including our raw materials, products, waste gases, waste water, and solid wastes. PRC environmental protection laws and regulations also require producers discharging chemicals and other pollutants to pay fines for discharges above permitted levels.

We are required to comply with such laws and standards in relation to our production processes, and the relevant regulatory authorities would also carry out regular inspections to ascertain our compliance with applicable laws and regulations. Except as disclosed in this prospectus and PRC legal opinion, we are advised by our PRC Legal Advisor that we have obtained and maintained all the necessary permits and licenses required in connection with our operations in all material respects as of the Latest Practicable Date. Failure to comply with applicable PRC environmental laws or regulations may result in local environmental protection authorities imposing fines or suspending operations, which may lead to the loss of environmental and production licenses and, in more extreme cases, criminal proceedings against a manufacturer and its management. The PRC government and PRC regional regulatory authorities also have the discretion to suspend or close any facility failing to comply with such environmental protection laws and regulations. We cannot assure you that we will be in compliance with all such laws and regulations at all times. In the event that the PRC government imposes more stringent environmental protection laws and regulations, our production and distribution costs may increase, or we may be forced to curtail or suspend production or to incur material capital expenditures or other costs to remain in compliance and we may be unable to pass on these additional costs to our customers.

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We are also required to renew our licenses and permits periodically. Failure to pass these inspections, loss of or failure to renew our licenses and permits may result in temporary or permanent suspension of some or all of our production activities, which may disrupt our operations and may result in our failure to meet our contractual obligations. This may adversely affect our business, financial condition and results of operations.

In addition, our production processes may result in releases of hazardous chemicals or other forms of pollution (including through gas emissions, wastewater discharges and waste disposal activities) that may cause harm to the environment or to human health. Since we and our predecessors have been in operations for almost 20 years, some of our properties have been subject to industrial or chemical use for a prolonged period and we cannot assure you that these properties have not been impacted by such activities. In the event that hazardous chemicals and other forms of pollution are present at our properties or result from such activities, we may be subject to claims for personal injury or property damages. We may also be required by governmental authorities to investigate or remedy such conditions or pay compensation for any harm that may adversely affect our business operation and financial condition.

We may be adversely affected by any decrease in our sales to our key customers or our customers' default on their obligations under our contracts with them.

Sales to our five largest customers together accounted for approximately 34.2%, 37.3% and 40.9% of our revenue in 2012, 2013 and 2014. It is essential for us to maintain close and mutually beneficial relationships with them. During the Track Record Period, we generally entered into non-legally binding framework agreements with our pigment intermediates customers. From 2015 onwards, we enter into non-legally binding framework agreements with our customers in general, whether they purchase dye or pigment intermediates from us. As such, we cannot assure you that our major customers will continue their purchases, if at all, from us at the current levels.

Moreover, our revenue is also subject to our customers' business, product quality, sales strategy, industry conditions and the overall economic market environment. We cannot rule out the risk that our customers may terminate our contracts prior to the agreed term, become insolvent or otherwise default on payments under such contracts, or fail to take delivery of our products in accordance with the purchase contracts. Consequently, we may fail to recover all expenditure for sale of our products, the construction and operation of our production facilities, and other utilities. In essence, any significant reduction of sales to or loss of any of our customers may adversely affect our profitability and results of operations.

Generally, there is limited financial information available about our counterparties. As a result, counterparty risk is largely assessed on the basis of their reputation in the market place and we cannot assure you that any of our customers can fulfill their obligations under the contracts we enter into with them. During the Track Record Period, we had not experienced any material difficulties in collecting payments from our customers, but we cannot assure you that we will not encounter such difficulties in the future. Any default by our customers on their obligations under our contracts with them may have an adverse effect on our business, financial position and results of operations.

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We rely on certain key personnel and the recruiting and retaining of other qualified personnel to maintain our continued success.

The success of our business depends on, to a considerable extent, the services, expertise and continuity of our senior management personnel and other qualified personnel, most of whom have an in-depth understanding of our industry and operations and may be difficult to replace. Members of our senior management are key to our success because of their expertise and experience in our industry, market development, contribution to technological development and expertise in managing our operations. In addition, the relationship and reputation that our management has established and maintained with our customers contribute to our ability to maintain good relationships with customers. As a result, a loss of any of our key personnel may adversely affect our business and results of operations.

The failure of our patents, trademarks and confidentiality agreements to protect our intellectual property may adversely affect our business.

Proprietary protection of our production processes and other technology is important to our business. Our actions to protect our proprietary rights may be insufficient to prevent others from developing similar products to ours. Furthermore, any future patent application filed by us might not result in an issued patent or, if patents are issued to us, such patents might not provide meaningful protection against competitors or against competitive technologies. You should be aware that the expiration of a patent or the failure of our patents to protect our formulations, production processes, technology, trade secrets or proprietary know-how may result in intense competition with consequent erosion of profit margins. In addition, our competitors and any other third parties may obtain patents that restrict or preclude our ability to lawfully manufacture and market our products in a competitive manner, which may adversely affect our business and results of operations.

We also rely on unpatented proprietary know-how and continuing technological innovation and other trade secrets to develop and maintain our competitive position. While it is our policy to enter into non-disclosure and non-competition agreements with our research and development staff to protect our intellectual property, we cannot assure you that our confidentiality agreements will not be breached; such non-disclosure and non-competition agreements will provide meaningful protection for our trade secrets or proprietary know-how; or adequate remedies will be available in the event of an unauthorized use or disclosure of these secrets and know-how. In addition, we cannot assure you that others will not obtain knowledge of these trade secrets through independent development or other legal means.

We may be subject to claims of infringement of third-party intellectual property rights.

We seek to develop and implement new technologies and production processes quickly, and in doing so we might not be aware of other third-party rights and accordingly, may be unable to assess the scope and validity of those third-party rights. In addition, product development is inherently uncertain in a rapidly evolving technology environment in which there may be numerous patent

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applications pending, many of which are confidential when filed with regard to similar technologies. There may also be a certain degree of uncertainty regarding who rightfully owns rights in a process or technology. Accordingly, we may be subject to lawsuits for infringement on intellectual property rights.

Intellectual property litigation may adversely affect the development or sale of the challenged product or technology or require us to pay substantial damages or royalties to license proprietary rights from third parties if we are found liable for the alleged infringement. Licenses might not be available to us on acceptable terms, if at all. Given the rapid technological development that characterizes the industry, we cannot assure you that our current measures are adequate and that we will not be subject to claims of infringement by third parties, both within or outside of the PRC. Any intellectual property litigation may cause us reputational damage and incur significant expense and divert our personnel's attention and efforts, any of which may have an adverse effect on our business, financial condition, results of operations or prospects.

We may be liable for damages based on product liability claims.

Our products involve an inherent risk of injury that may result from tampering by unauthorized third parties, improper use, or product contamination or degeneration, including the presence of foreign contaminants, chemicals, substances or other agents or residues during the various stages of procurement, production, transportation and storage. We cannot assure you that our products will not cause any health related illness or injury in the future or that we will not be subject to claims or lawsuits relating to such matters. Further, we do not maintain any product liability or third party liability insurance. In the event that a product liability or third party liability claim is brought against us, we cannot assure you that we will be successful in defending such claims and, as a result, may be required to pay substantial damages.

We cannot assure you that relevant government authorities will not promulgate new laws or regulations containing recall mechanisms for such industrial products. Under such circumstances, we may be required by the PRC government authorities to recall our products if they fail to meet the relevant quality or safety standards. We cannot assure you that no product liability claims would be asserted against us as a result. A product liability judgment against us or a product recall may have an adverse effect on our reputation, business and results of operations.

Foreign governments may institute various trade regulation measures on imported goods. Such measures may be applicable to our products and adversely affect our export sales that constitute an important portion of our revenues.

A significant portion of our products is directly exported to the international markets such as the US, Germany, India, Indonesia and other countries. Our export to the international markets accounted for approximately 51.2%, 49.1% and 52.7% of our sales in 2012, 2013 and 2014, respectively. We expect export sales to continue to contribute an important portion of our revenue in the near future. As such, we are subject to applicable laws and regulations of the countries that import our products and our export sales and, in turn, financial condition and results of operations, are subject to the economic, political, social and legal developments in those jurisdictions.

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As described in detail in the section entitled “Business — Sales, Marketing and Customers — Anti-dumping Measures”, during Track Record Period, India has imposed anti-dumping duties of US\$460 per tonne on DSD Acid exported from the PRC from January 23, 2014 to January 22, 2019 generally, with the exception that anti-dumping duties of only US\$270 per tonne was imposed on DSD Acid exported by Huage Dye, which ceased to be a member of our Group in September 2013. Such duties, which are currently borne by the importers of DSD Acid in India when our DSD Acid enters India, may affect our export sales of DSD Acid to India and put us at a relative disadvantage compared to local producers.

We are currently not subject to any PRC export duties in the export of our products from the PRC, but we cannot assure you that the PRC government will not levy such taxes in the future. We are also not aware of any particular orders, rules, regulations and investigations in any other foreign countries other than India that may affect our export sales. However, we cannot assure you that no similar petition or investigations will be initiated against our products in the future in jurisdictions to which we export and may in the future export our products. If any such petitions are filed, they may result in the imposition of new anti-dumping or countervailing duties or other forms of government trade protection measures on our products. Our business, results of operations and financial condition may be adversely affected.

Should our export markets introduce new laws and regulations, measures and standards that make it more difficult or costly for our products or downstream products to be exported to them, or take steps to prevent, limit or prohibit the importation of our products or downstream products, our business, results of operations and financial condition may be adversely affected. On March 31, 2011, the United States International Trade Commission (ITC) initiated anti-dumping investigations on certain stilbenic OBA, a downstream product of DSD Acid, imported to the United States from Taiwan and the PRC. On May 10, 2012, ITC published its final findings and issued orders to institute anti-dumping duties with the weighted-average dumping margins ranging from 61.04% to 106.17% and 6.19% of the value per tonne of stilbenic OBA imported, respectively, from the PRC and Taiwan into the US.

Any continuing or new foreign government trade protection measures unfavorable to our products, such as imposition of custom duties and import tariffs may significantly increase the cost of importing our products by our foreign customers as we may pass on such additional costs to our customers. Our foreign customers may be unwilling, or might not be able to, pass on the extra cost to their customers due to domestic competition and choose instead to purchase products from our competitors who are not subject to such trade protection measures. Hence, we may substantially lose our competitive advantages in overseas markets and export sales revenue, and our business, financial condition and results of operations may be adversely affected.

We might not be able to obtain or renew our land use rights and building ownership rights for our business and production facilities.

As of the Latest Practicable Date, we held land use rights for nine parcels of land with an aggregate site area of approximately 768,000 sq.m. and we owned 100 buildings with an aggregate GFA of approximately 71,000 sq.m. We have obtained the relevant land use rights for land and building ownership rights for those buildings and land except for one of our buildings with an

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aggregate gross floor area of approximately 3,300 sq.m. For details, see “Business — Properties — Buildings — Owned Buildings”. Furthermore, the land use rights for two land parcels with an aggregate site area of approximately 240,000 sq.m. will expire in 2020. We cannot assure you that we will be able to renew the title certificates for properties that are critical to our operations as they expire. Furthermore, we may move our production plants or construct additional production plants in the future. We cannot assure you that we will be able to obtain all of the necessary certificates and permits or complete the procedures for construction of our Dongying Production Plant or such possible relocation or construction. Our rights as owner of these properties may be adversely affected as a result of the absence of necessary certificates, permits or procedures, and we may be subject to litigations or other actions taken against us and/or lose the right to continue to operate on these properties, which may, in turn, adversely affect our business, financial condition and results of operations.

We may fail to renew our certification or qualification as a supplier of our customers.

Our customers typically have evaluation and verification procedures in place to select qualified suppliers. These customers conduct checks from time to time on products provided by approved suppliers and any failure could lead to suspension or termination of such qualification. There is no assurance that we could always maintain our relationship with these customers without incurrence of expenses to implement corrective measures, in which event, our business, financial condition and results of operations could be adversely affected.

Furthermore, we cannot assure you that we will be able to obtain necessary approvals for our products from any new customers. Even if we can ultimately pass such qualification process we cannot assure you that such approvals can be obtained in a timely manner. Moreover, we cannot assure you that we will be able to continue to pass the evaluation and verification procedure of our customers without incurrence of expenses to implement corrective measures, or in a timely manner, or at all. In addition, even if we become an approved supplier of a company, it does not necessarily mean that we will receive purchase orders from that company. If we fail to obtain or renew our certification as a supplier of our key customers, we might not be able to obtain orders from other customers to replace any lost sales on comparable terms or at all. As a result, our business, financial condition and results of operations could be adversely affected.

Incidents caused by our historical internal control deficiencies may lead to imposition of penalties or other legal consequence.

We had not complied with certain requirements under relevant laws due to certain internal control deficiencies, such as not fully funded certain past social insurance and housing provident fund contributions for and on behalf of all of our employees in the PRC, failing to obtain construction land use planning permit, construction work planning permit and commencement of construction work permit prior to the commencement of certain construction projects, failing to file pre-assessment report on occupational disease hazards, assess the effect of the control on such hazards and apply for acceptance for the relevant protective facilities and failing to register certain hazardous chemicals. As a result of these historical non-compliance incidents, we may be required to make additional contribution to social security insurance or housing provident fund, imposed administrative penalties, or ordered to suspend business operation, as the case may be.

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For details on each incident, its legal consequence, potential impact on our business, financial condition, operations and prospects, see “Business — Legal Proceedings and Compliance.”

We experience seasonal fluctuations.

We experience seasonal fluctuations in our business and results of operations. Sales of our products and our production activities are generally slower during the first quarter of each year as a result of the Chinese New Year holidays in the first quarter, where many of the consumer product manufacturers are in recess. As a result, comparisons of our sales and results of operations of the first quarter each year with other corresponding period within a single calendar year or in different calendar years are not necessarily meaningful and should not be relied as indicators of our performance for any future fiscal period. Furthermore, large quantity of herbicide is typically produced ahead of the farming seasons for use during the farming seasons. As a result, demand for ONT, a raw material of certain herbicide, also correspond to this seasonal trend. Seasonal fluctuation in our revenue requires us to monitor and control our working capital carefully so as to provide our business with adequate cash for operations. Failure to manage seasonality in our business may cause our revenue and financial condition to be adversely affected.

We recorded net current liabilities during the Track Record Period and may record net current liabilities in the future.

As of December 31, 2014, we recorded net current liabilities of RMB38.7 million, primarily because we had a non-recurring distribution of retained earnings to Huage Holdings, the former shareholder of Tsaker Cangzhou prior to the Reorganization. According to the unaudited consolidated financial statements for the four months ended April 30, 2015, we recorded net current liabilities of RMB52.2 million. For details of the net current liabilities position, please see the section headed “Financial Information — Liquidity and Capital Resources — Net Current Assets/(Liabilities)”. We may continue to have net current liabilities in the future as our business expands. If we are unable to obtain sufficient funds to meet our needs or refinance our loans on commercially acceptable terms, or if at all, then we would not be able to repay our borrowings, particularly, our short-term borrowings, upon maturity. This could adversely affect our business expansion plans, financial condition and results of operations.

Our reputation could be adversely affected by negative publicity, whether or not expressly directed against us.

There were certain negative media coverage on our operations and the potential impact on the environment and health conditions of the residents residing near our production plants. The content of such media reports are not authorized by us, and may contain inaccurate, incomplete or false information about us. For instance, certain negative media reports alleging that we discharged wastewater directly without processing, and which allegedly adversely affected the health conditions of local residents and a publication containing certain allegations such as direct discharge of wastewater, water pollution and adverse effects of crops, livestock and health conditions of local residents against a DSD Acid manufacturer in Dongguang County, Hebei Province identified as “Hua Chemical Company” have come to our attention. For details, see “Business — Environment, Health and Safety — Negative Publicity and Allegations Directed against Hua Chemical Company”. The

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information contained in such media reports and publication is not based on any information provided by us to the relevant media outlets. We cannot assure you that we will not be subject to further negative media coverage, whether expressly or impliedly directed against us, in the future. Such negative publicity could have an adverse effect on our reputation. As a result, our business, financial condition, results of operations and prospects, and the value of your investment, may be negatively affected.

RISKS RELATING TO THE INDUSTRY WHICH WE OPERATE IN

Changes in the law and regulation in the jurisdictions in which we operate may have an adverse effect on us.

The regulatory environment for our business activities may continuously change at international, supranational, national and provincial levels as a result of technological progress, safety and environmental concerns, and customer demands regarding product quality and specifications. Changes in the rules, regulations, controls and laws with which we must comply may lead to increased compliance costs and more rigorous controls with regard to our handling of substances or hazardous materials, as well as their production, use, recycling or disposal. This may (i) compel us to significantly scale back on production, or possibly discontinue production altogether, or shut down, temporarily or permanently, certain production units; (ii) restrict our ability to alter or expand our facilities, to modify certain production processes or to continue production; and (iii) possibly compel us to abandon certain markets or our ability to export certain of our products to those markets, or institute costly emissions control or reduction systems, or, more generally, to incur expense for the renovation of existing sites. Any of these events may require significant capital expenditure and negatively affect our production costs and our product portfolio or expose us to considerable liability risks.

We face competition from other companies, which may affect our market share and profit margins

According to Frost & Sullivan, our main competition in the DSD Acid market stems from an Indian company and a domestic company in Jiangsu Province, the PRC. In the DMSS market, our main competition stems from a chemical company in the Netherlands, according to Frost & Sullivan.

If we fail to maintain our competitiveness by continuing to expand our productions and maintaining the quality and efficiency of our existing productions, or if more competitors enter the market, we may be forced to lower our product prices, or lose sales, causing a decline in profitability, leading to adverse effects to our business operations and financial condition.

Change of consumers' attitude towards dye and pigment products may adversely affect our business.

Our principal product, DSD Acid, is the main dye intermediate for the production of OBA, which is commonly used to brighten or whiten paper and textile. OBA is likely to be found in everyday use of paper, clothing, detergents and cosmetics. Change of consumers' attitude towards dye and pigment products (for example, if brightening of paper is no longer needed) may reduce the demand for our products.

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We are required to comply with various environmental, health and safety laws that are extensive and the compliance of which may be onerous or expensive.

We are subject to applicable national and local laws and regulations with respect to the protection of the environment and the health and safety of employees and the public in the PRC, such as The Environment Protection Law, The Production Safety Law and the Regulations on the Safe Management of Hazardous Chemical Materials. These laws and regulations govern, among other things, aerial emissions, waste water discharges, storage, use and handling of chemicals, waste disposal, potential investigation and remediation of soil and ground water contamination and protection of the health and safety of employees. Our manufacturing processes and products are subject to stringent quality, environmental and occupational safety standards. In addition, as of the Latest Practicable Date, we have obtained *Quality Management System ISO9001:2008*, *Environmental Management System ISO14001:2004* and *Occupational Health and Safety Management System GB/T28001-2011* certifications for our management systems.

If we fail to comply with these laws and regulations or if a more stringent enforcement regime is implemented, we may be exposed to penalties, fines, suspension or revocation of our licenses or permits to conduct business, administrative proceedings and litigation. In light of the magnitude and complexity of these laws and regulations, compliance with them or the establishment of effective monitoring systems may be onerous or require a significant amount of financial and other resources. In particular, it has been reported that NDRC has said that officials who fail to prevent problems such as pollution of waterways or soil contamination cannot be promoted or hold other positions and will be held accountable for their failure to safeguard the environment even if they have transferred to different jobs or jurisdictions, and could be prosecuted if they are found to have been derelict in overseeing the protection of the environment. Furthermore, the Supreme People's Court of the PRC recently issued the Certain Interpretations relating to the Application of Laws in Adjudicating Environmental Tort Liabilities Cases (最高人民法院關於審理環境侵權責任糾紛案件適用法律若干問題的解釋) on June 1, 2015 which stipulates that polluters will be held liable for damages caused by pollution in civil cases involving pollution of the environment and ecological damages and may be ordered to, among other things, pay damages, remove the hazard or restore to the former state, regardless of whether the polluter was at fault and whether the emission and discharge of pollutants is in compliance with national or local discharge standards.

In addition, as these laws and regulations continue to evolve, we cannot assure you that the PRC government or the governments of other overseas jurisdictions in which we have operations would not impose additional or more onerous laws or regulations, compliance with that may cause us to incur significantly increased costs that we might not be able to pass on to our customers.

As of the Latest Practicable Date, we are not aware of any material adverse changes or developments in environmental, health and safety laws or regulations imposed by relevant governmental authorities. Nevertheless, there is no assurance that there will not be adverse changes or developments in such laws and regulations in the future. If we fail to adapt to these changes, our reputation may be damaged, we may lose or might not be able to renew our licenses and permits or we may be required to pay penalties or fines or take remedial actions, any of which could have an adverse effect on our business, results of operations and prospects.

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RISKS RELATING TO THE PRC

Any slowdown in the PRC economy or changes in political and economic policies of the PRC government may have an adverse effect on us.

Substantially all of our assets and business operations are currently located in the PRC and a significant portion of our revenues are derived from the sale of products in the PRC. In 2012, 2013 and 2014, we derived 48.8%, 50.9% and 47.3% of our revenue from the sale of products to customers in the PRC, respectively. Accordingly, our business, financial condition, results of operations and prospects are significantly affected by economic, political, social and legal developments in the PRC.

The PRC economy differs from the economies of most developed countries in many respects, including its structure, the degree of governmental involvement, its level of development, its growth rate, the control of foreign exchange and capital flows, and the allocation of resources. The PRC economy is in transition from a planned economy to a market economy. For the past three decades, the PRC government has implemented economic reform measures, emphasizing the utilization of market forces in the development of the PRC economy. Any adverse change in the PRC's economic, political and social conditions, as well as governmental policies may have an adverse effect on the PRC's overall economic growth, which in turn may have an adverse effect on our business, financial condition, results of operations and prospects.

The PRC government has implemented economic reform measures and industrial policies in the past three decades and is expected to continue to do so in order to utilize market forces in the development of the PRC economy. Some of these measures and policies, while benefiting the overall PRC economy, may have a negative effect on us. For example, efforts by the PRC government to slow the pace of growth of the real estate industry in the PRC may impede growth of other areas of the PRC economy.

Uncertainties with respect to the PRC legal system may have an adverse effect on us.

Our business and operations are conducted in the PRC and governed by PRC laws, rules and regulations. In particular, a number of our material agreements are governed by PRC laws. The PRC legal system is a civil law system based on written statutes, and prior court decisions can only be used as reference. Since the late 1970s, the PRC government has significantly enhanced PRC laws and regulations in relation to economic matters such as foreign investments, corporate organization and governance, commerce, taxation and trade. However, the PRC does not yet have a fully integrated legal system. Due to the limited volume of published cases and the non-binding nature of prior court decisions, the interpretation and enforcement of many recently enacted laws, rules and regulations may be uncertain or inconsistent. In addition, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we might not be aware of our violation of these policies and rules until sometime after the violation. Furthermore, the legal protection available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and may result in substantial costs and diversion of resources and management attention, which in turn may have an adverse effect on our business, financial condition, results of operations and prospects.

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In addition, we cannot predict the effects of future developments in the PRC legal system. We may be required in the future to procure additional permits, authorizations and approvals for our existing and future operations, which might not be obtainable in a timely manner or at all. The inability to obtain such permits or authorizations may have an adverse effect on our business.

Our Company may be deemed a PRC resident enterprise under the EIT Law and be subject to PRC taxation on its worldwide income.

Under the EIT Law that took effect on January 1, 2008, except for the purchase and sale of equity through a public securities market, enterprises established outside of the PRC whose “de facto management bodies” are located in the PRC are considered “resident enterprises” and will generally be subject to the uniform 25% enterprise income tax rate on their worldwide income. The State Council of the PRC has promulgated implementation rules of this tax law, which defines “de facto management body” as an organization that exercises substantial and overall management and control over an enterprise’s manufacturing or business operation, finance and property. The determination of enterprise residency is further clarified in the “Notice of the SAT on Issues Relating to Determining the Resident Enterprise Status of Overseas Registered Chinese Holding Enterprises Based on the ‘de facto Management Bodies’ Standard” (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), which was issued on April 22, 2009 and has a retrospective effect since January 1, 2008. The notice provides specific tests setting out under what situations an enterprise’s “de facto management body” would be considered to be located in the PRC. However, these tests are provided only in respect of enterprises that are established offshore by PRC incorporated enterprises. No clarification of what constitutes a “de facto management body” is provided in this notice or any other public document in respect of enterprises that are established offshore by private individuals or foreign enterprises.

The PRC tax authorities in different regions may have different interpretations and policies in the implementation of the EIT Law and relevant regulations and the classification of resident and non-resident enterprises. Substantially all of our Company’s management is currently based in the PRC and the Directors expect them to continue to be located in the PRC for the foreseeable future. None of our Company nor any of our non-PRC subsidiaries are currently treated as “resident enterprises” for enterprise income tax purposes by the relevant tax authorities, however in the event that any or all of them are treated as “resident enterprises”, their respective worldwide income, excluding dividends received from our Company’s PRC subsidiaries, will be subject to PRC income tax at a rate of 25%. The imposition of such PRC income tax on some or all of our members may have an adverse effect on our business, financial condition, results of operations and prospects.

Dividends payable by our Company to non-PRC shareholders and their gains on the sale of Shares may become subject to income taxes under PRC tax laws.

Under the EIT Law, the Personal Income Tax Law of the PRC and relevant implementing regulations, unless otherwise stipulated in a relevant international tax treaty entered into by the PRC, dividends payable to shareholders that are “non-resident enterprises” are subject to a withholding tax of 10%, and dividends payable to shareholders who are “non-resident individuals” may be subject to a withholding tax of 20%, in each case to the extent such dividends are deemed to have their sources within the PRC. Similarly, any gain realized on the transfer of shares by “non-resident enterprise”

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shareholders are also subject to a 10% PRC income tax (or other treaty rate, if applicable), and any gain realized on the transfer of shares by “non-resident individual” shareholders may be subject to a 20% PRC income tax, in each case if such gain is regarded as income derived from sources within the PRC.

If our Company is considered to be a “resident enterprise” by virtue of having its “de facto management body” in the PRC, the above-mentioned dividends and gains “non-resident enterprise” and “non-resident individual” Shareholders may realize would be subject to PRC income tax.

Under the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, which became effective on January 1, 2007, income tax on dividends payable to a company resident in Hong Kong that holds more than a 25% equity interest in a PRC resident enterprise and income tax on dividends payable to any other of its Hong Kong shareholder may be reduced to a rate of 5% and 10%, respectively. However, according to the SAT’s Administrative Measures for the Application of Tax Treaties to Non-residents (for Trial Implementation), which became effective on October 1, 2009, preferential tax rates under such treaties do not automatically apply and approvals from competent local tax authorities are required before one is entitled to such preferential tax treatments. In addition, according to a tax circular issued by the SAT in February 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate to effectively deny its enjoyment by the relevant offshore entity.

The strengthened scrutiny over acquisition and disposition transactions by the PRC tax authorities may have an adverse impact on us or your disposition of our Shares.

On April 30, 2009, the SAT and the Ministry of Finance jointly issued the Notice on Certain Issues Concerning the Handling of Enterprise Income Tax in Enterprise Restructuring (《關於企業重組業務企業所得稅處理若干問題的通知》) (“Circular No. 59”). On December 10, 2009, the SAT issued the Notice on Strengthening the Administration of Enterprise Income Tax on Gain Derived from Equity Transfer Made by Non-Resident Enterprise (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (“Circular No. 698”). Both Circular No. 59 and Circular No. 698 became effective retroactively on January 1, 2008. Under the two circulars, if we or our relevant subsidiaries dispose of any equity interests, we and our subsidiaries may be subject to income tax on capital gains generated from such disposition of relevant equity interests. The PRC tax authorities have the discretion under the two circulars to make adjustments to the taxable capital gains based on the difference between the fair value of the equity interests transferred and the cost of investment. If the PRC tax authorities make such adjustment, our income tax costs will be increased.

On March 28, 2011, the SAT released the Notice on Certain Issues Regarding Administration of Enterprise Income Tax of Non-PRC Resident Enterprises (《關於非居民企業所得稅管理若干問題的公告》) (“Notice No. 24”), to clarify several issues related to Circular No. 698. Notice No. 24 became effective on April 1, 2011. According to Notice No. 24, the term “effective tax” refers to the effective

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tax on the gain derived from disposition of the equity interests of an overseas holding company; and the term “does not impose income tax” refers to the cases where the gain derived from disposition of the equity interests of an overseas holding company is not subject to income tax in the jurisdiction where the overseas holding company is a resident.

The Announcement of the State Administration of Taxation on Certain Issues Concerning the Enterprise Income Tax on the Indirect Transfer of Properties by Non-resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (“**Circular No. 7**”) issued by the State Administration of Taxation which came into effect on February 3, 2015 abolishes certain provisions of Circular No. 698 and Notice No. 24 and also provides more guidance on a number of issues in Circular No. 698.

By promulgating and implementing these circulars, the PRC tax authorities have strengthened their scrutiny over the direct or indirect transfer of equity interests in a PRC resident enterprise by a non-resident enterprise. Circular No. 7 stipulates that if a non-resident enterprise indirectly transfer its equity interest in the PRC resident enterprises and other properties by implementing arrangements such as transfer of shares in an overseas enterprise, without reasonable commercial purposes but to evade the enterprise income tax, the nature of this indirect transfer shall be re-defined and recognized as a direct transfer of equity interest in a PRC resident enterprise and other properties. For details, see “Regulatory Overview”.

The relevant provisions in Circular No. 7 are not applicable to transfers of our Shares by Shareholders who are individuals or PRC resident enterprises, and these Shareholders, as transferors of our Shares, will in no circumstances be subject to PRC tax reporting obligations or tax liabilities as provided under Circular No. 7. Transferring shareholders may become subject to PRC tax reporting obligations or tax liabilities under Circular No. 7 if (i) the transferring shareholders are non-resident enterprises; and (ii) the transfer of our Company’s Shares by such Shareholders is determined as not having any reasonable commercial purpose by competent tax authorities. For details, see “Regulatory Overview”.

Circular No. 7 specifies a number of factors and conditions that shall be considered in determining whether an indirect transfer of the PRC Taxable Properties has a reasonable commercial purpose. It also specifies circumstances under which an indirect transfer shall be directly deemed as having no reasonable commercial purpose (“**Deemed Negative Determination**”). The determination shall be made on a case-by-case basis based on specific circumstances. For details, see “Regulatory Overview”.

Provisions of Circular No. 7 imposing PRC tax liabilities and reporting obligations do not apply to “non-resident enterprise acquiring and disposing of the equity interests of the same offshore listed company in a public market” (“**Public Market Safe Harbour**”), which is determined by whether the parties, number and price of the shares acquired and disposed are not previously agreed upon, but determined in accordance with general trading rules in the public securities markets, according to Notice No. 24.

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Since Circular No. 7 only became effective since February 3, 2015 and no implementing rules have been released yet, it is not clear that how the relevant taxation authorities would interpret and define each factor and then determine whether the transfer of our Shares by Shareholders may have a reasonable commercial purpose or not. In addition, Circular No. 7 does not address detailed follow-up procedures if the indirect transfer of the PRC Taxable Properties is determined as not having any reasonable commercial purpose. As stated in the section headed “Information about this Prospectus and the Global Offering”, potential investors are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding and dealing in the Offer Shares.

If any future transfer of our Shares constitute an indirect transfer of the PRC Taxable Properties and is subject to the EIT obligation under Circular No. 7, the amount of the EIT shall be calculated based on the “income from the transfer” and applicable tax rate. Circular No. 698 stipulates that income from transfer of equity interest means the difference between the consideration for transfer and costs of equity interest. In respect of tax rate, a withholding tax rate of 10% shall be applicable, unless otherwise provided in the relevant tax treaty. However, according to our Company’s tax consultant and the PRC Legal Advisor, since the circumstances for indirect transfer of the PRC Taxable Properties are generally more complicated, the tax payable in connection with such transfers is subject to the final decision of relevant taxation authorities.

We rely principally on dividends paid by our subsidiaries for cash flows and income, and any limitation on the ability of our PRC subsidiaries to pay dividends to us may adversely affect our ability to conduct business or pay dividends.

We are a holding company and rely principally on dividends paid by our subsidiaries for cash requirements, including the payment of dividends. PRC laws require that dividends be paid only out of net profit, calculated according to PRC accounting principles, which differ in many respects from generally accepted accounting principles in other jurisdictions, including Hong Kong Financial Reporting Standards. PRC laws also require all of our PRC subsidiaries to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distributions as cash dividends. In addition to these restrictions, our subsidiaries may, from time to time, be subject to other restrictions on their ability to make distributions to their immediate parent or our Company. Any of these restrictions may adversely limit our ability to grow, make investments or acquisitions that may be beneficial to our businesses, pay dividends or otherwise fund and conduct our business.

Inflation in the PRC may negatively affect our profitability and growth.

Economic growth in the PRC has, in the past, been accompanied by periods of high inflation, and the PRC government has implemented various policies from time to time to control inflation. For example, the PRC government introduced measures in certain sectors to avoid overheating of the PRC economy, including increasing interest rates and capital reserve thresholds at PRC commercial banks. The effects of the stimulus measures implemented by the PRC government since the global economic crisis that unfolded in 2008 and the continued growth in the overall economy have resulted in sustained inflationary pressure. If such inflationary pressure continues and is not mitigated by PRC government measures, our cost of sales would likely increase, and our profitability would likely be

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reduced and we might not be able to pass any cost increases to our customers. If the measures implemented by the PRC government to control inflation are successful, these measures may also slow economic activities in the PRC and reduce demand for our products and decrease our revenue growth.

Changes in government control of currency conversion and in PRC foreign exchange regulations may adversely affect our business operations.

The PRC government imposes controls on the convertibility between Renminbi and foreign currencies and the remittance of foreign exchange out of the PRC. We receive a portion of our revenue in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Our PRC subsidiaries must convert their Renminbi earnings into foreign currency before they may pay cash dividends to us or service their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current account items may be made in foreign currencies without prior approval from the SAFE, by complying with certain procedural requirements.

However, approval from appropriate governmental authorities is required when Renminbi is converted into foreign currencies and remitted out of the PRC for capital account transactions, such as the repatriation of equity investment in the PRC and the repayment of the principal of loans or debt denominated in foreign currencies. Such restrictions on foreign exchange transactions under capital accounts also affect our ability to finance our PRC subsidiaries. Subsequent to this Global Offering, we have the choice, as permitted by the PRC foreign investment regulations, to invest our net proceeds from this Global Offering in the form of registered capital or a shareholder loan into our PRC subsidiaries to finance our operations in the PRC. Our choice of investment is affected by the relevant PRC regulations with respect to capital account and current account foreign exchange transactions in the PRC. Our investment decisions are additionally affected by various other measures taken by the PRC government relating to the PRC chemical market, including those disclosed in the section headed “Regulatory Overview” in this prospectus. In addition, our transfer of funds to our subsidiaries in the PRC is subject to approval by PRC governmental authorities in the case of an increase in registered capital, and subject to approval by and registration with PRC governmental authorities in case of shareholder loans to the extent that the existing foreign investment approvals received by our PRC subsidiaries permit any such shareholder loans at all. These limitations on the flow of funds between us and our PRC subsidiaries may restrict our ability to act in response to changing market conditions.

We are exposed to risks associated with fluctuations in exchange rates.

All of our production facilities are in the PRC and substantially all of our costs are incurred in Renminbi. Renminbi is our functional currency and our financial statements are presented in Renminbi.

The conversion of Renminbi into foreign currencies, including the US dollar, has been based on rates set by the PBOC. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the US dollar. Under this policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Effective May 21, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the US dollar from 0.3% to 0.5% around the central parity

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rate, and on June 19, 2010, the PBOC announced further reforms to increase the flexibility of the Renminbi exchange rate. Under the current policy, the Renminbi is pegged against a basket of currencies as determined by the PBOC against which it can rise or fall within stipulated ranges from 0.5% to 1% each day.

These changes in policy have resulted in an approximately 34.5% appreciation of the Renminbi against the US dollar from July 21, 2005 to January 31, 2014. There remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which may result in an appreciation of the Renminbi against these currencies.

Any appreciation of the Renminbi may cause our products that are sold to customers overseas for export to be relatively more expensive than those of our non-PRC competitors, which may have an adverse impact on the sale of our products, and may cause imported products, which compete with our products, to be relatively less expensive for PRC customers. In addition, while currently substantially all of our costs are in Renminbi, our strategy in the future is to increase direct sales to international customers and expand our operation internationally through establishing sales centers in Hong Kong that may increase our foreign exchange exposure. This may have an adverse effect on our business, financial condition, results of operations and prospects. Conversely, any depreciation of the Renminbi would adversely affect the value of any dividends payable on the Shares by our Company in foreign currency terms.

There are only limited hedging instruments available in the PRC to reduce our exposure to exchange rate fluctuations. While we may consider entering into currency hedging transactions in the future, the effectiveness of these transactions may be limited and we might not be able to successfully hedge our foreign currency exposure at all. In addition, any foreign currency exchange losses that we incur may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currencies because the regulations may limit our ability to hedge our exposure to foreign currency exchange losses.

It may be difficult to effect service of process upon, or to enforce judgments obtained outside the PRC against us, our Directors or our senior management members who reside in the PRC.

We are incorporated in the Cayman Islands. The vast majority of our assets, our subsidiaries and their assets are located in the PRC. In addition, substantially all of our Directors and our officers reside within the PRC and most assets of our Directors and officers are also located within the PRC. As a result, it may be difficult for investors to effect service of process outside the PRC upon most of our Directors and officers, including in respect of matters arising under applicable securities laws. Moreover, a judgment of a court of another jurisdiction may only be reciprocally recognized or enforced if the jurisdiction has a treaty with the PRC or if there are reciprocal relationships between the PRC and such jurisdiction, subject to the satisfaction of other requirements. However, the PRC does not have treaties providing for the reciprocal recognition or enforcement of judgments of courts with the Cayman Islands, Japan, the United Kingdom, the United States and most other western countries. Although Hong Kong and the PRC entered into an agreement on reciprocal recognition of

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judgments, enforcement of judgments is predicated on a written choice of court agreement that gives a PRC or Hong Kong court exclusive jurisdiction. As a result, it may be difficult or impossible for investors to effect service of process against our assets, management members or Directors in the PRC in order to seek recognition and enforcement of foreign judgments in the PRC.

PRC regulation of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using the net proceeds from the Global Offering to make additional capital contributions or loans to our major PRC subsidiaries.

Any capital contributions or loans that we, as an offshore entity, make to our PRC subsidiaries, including from the net proceeds from the Global Offering, are subject to PRC regulations. For example, any of our loans to our PRC subsidiaries cannot exceed the difference between the total amount of investment our PRC subsidiaries are approved to make under relevant PRC laws and the registered capital of our major PRC subsidiaries, and such loans must be registered with the local branch of SAFE. In addition, our capital contributions to our major PRC subsidiaries must be approved by MOFCOM or its local counterpart. We cannot assure you that we will be able to obtain these approvals on a timely basis, or at all. If we fail to obtain such approvals, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund their operations may be negatively affected, which may adversely affect our PRC subsidiaries' liquidity and ability to fund their working capital and expansion projects and meet their obligations and commitments and may have an adverse effect on our business, financial condition and results.

Natural disasters and health and public security hazards in the PRC may severely disrupt our business and operations.

In May 2008, a major earthquake registering 8.0 on the Richter scale struck Sichuan Province and certain other parts of the PRC, devastating much of the affected areas and causing the deaths of tens of thousands of people and widespread injuries. In addition, in early 2008, parts of the PRC, in particular its southern, central and eastern regions, experienced what was reported the most severe winter weather in the country in half a century, which resulted in significant and extensive damage to factories, power lines, homes, automobiles, crops and other properties, blackouts, transportation and communications disruptions and other losses in the affected areas. Moreover, certain countries and regions, including the PRC, have encountered incidents of the human swine flu, also known as Influenza A (H1N1), the avian flu, also known as the H5N1 strain of bird flu, severe acute respiratory syndrome (SARS) as well as the Middle East respiratory syndrome (MERS), over the past ten years. We are unable to predict the effect, if any, that any future natural disasters and health and public security hazards may have on our business. Any future natural disasters and health and public security hazards may, among other things, significantly disrupt our ability to adequately staff our business, distribute our products and may generally disrupt our operations and services. Furthermore, such natural disasters and health and public security hazards may severely adversely affect our business and prospects.

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RISKS RELATING TO THE GLOBAL OFFERING AND THE SHARES

Our Controlling Shareholders will continue to be able to exercise substantial influence over our business following the Global Offering and its interests may conflict with the interests of our other shareholders.

Immediately after the Global Offering, our Controlling Shareholders will hold approximately 66.8% of the Shares. While our Company has entered into the Deed of Non-competition with our Controlling Shareholders to ensure that we are capable of carrying on our business independently of our Controlling Shareholders, by virtue of the level of the shareholding, our Controlling Shareholders may be able to influence certain matters requiring approval of our Company's shareholders, such as the election of directors and the approval of certain business decisions. There may also be a conflict between the interests of our Controlling Shareholders and the interest of our Company's other shareholders with respect to decisions such as on dividends.

Substantial future sales of Shares and issuances of equity or debt securities that are convertible into equity may impact the market price of the Shares and may result in a dilution of shareholding.

Upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), Transfar will hold 10,500,000 Shares, representing 2.1% of the issued share capital of our Company while Wider Pacific will hold 30,596,000 Shares, representing 6.1% of the issued share capital of our Company. The share subscription agreement entered into between our Company and Transfar is silent as to whether the Shares held by Transfar will be subject to any lock-up arrangement after Listing. The documents in connection with the pre-IPO investment by Wider Pacific do not contain any provision on lock-up arrangement after Listing. For details, see "Our History and Development — Pre-IPO Investment — Lock-up". We are unable to predict whether substantial amounts of such Shares will be sold in the open market by the Pre-IPO Investors following the Listing. Any sales of substantial amounts of the Shares in the public market, or the perception that such sales might occur, may result in an adverse effect on the market price of the Shares and may impair our ability to raise capital through the sale of additional equity securities.

Further, we may seek to raise financing to fund future acquisitions and other growth opportunities. We may, for these and other purposes, such as in connection with share incentive plans, issue additional equity or convertible equity securities. As a result, our existing shareholders would suffer dilution in their percentage ownership, and such an issue, or the perception that such an issue may occur, may have an adverse effect on the market price of the Shares.

A potential sale of Shares by our existing Shareholders may have an adverse effect on our Share price.

Future sales by our existing Shareholders of a substantial number of our Shares in the public markets after Listing may adversely affect market prices of our Shares prevailing from time to time. Only a limited number of the Shares currently outstanding will be available for sale immediately after Listing due to contractual and regulatory restrictions on re-sale. Please see the section headed "Underwriting — Underwriting Arrangements and Expenses — Undertakings — Undertakings to the

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Hong Kong Stock Exchange pursuant to the Listing Rules” in this prospectus for a description of some of the contractual and regulatory restrictions on re-sale. Nevertheless, after these restrictions lapse or if they are waived or breached, future sales of a substantial number of our Shares, or the perception that these sales may occur, would adversely affect the market prices of our Shares and our ability to raise equity capital in the future.

There has been no prior public market for our Shares and their liquidity and market price may be volatile.

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We expect our Shares to be listed on the Hong Kong Stock Exchange. A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our Shares will not decline following the Global Offering. Furthermore, the price and trading volume of our Shares may be volatile.

The following factors may cause the market price of our Shares following the Global Offering to vary significantly from the Offer Price:

- variation in our turnover, earnings and cash flow;
- liability claims brought against us based on, for example, defective products or safety-related regulatory actions;
- interruptions to our distribution arrangements;
- our failure to execute our strategy;
- any unexpected business interruptions resulting from operational breakdowns or natural disasters;
- inadequate protection of our intellectual property or legal proceedings brought against us for infringement of third parties’ intellectual property rights;
- any major changes in our key personnel or senior management;
- our inability to obtain or maintain regulatory approval for our products; and
- political, economic, financial and social developments.

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The market price of our Shares when trading begins may be lower than the Offer Price as a result of, among other things, adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

The Offer Price will be determined on the Price Determination Date. However, the Offer Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be the third business day after the Price Determination Date. As a result, investors might not be able to sell or otherwise deal in the Offer Shares during that period. Accordingly, holders of the Offer Shares are subject to the risk that the price of the Offer Shares when trading begins may be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Certain facts and other statistics in this prospectus with respect to the PRC, the PRC economy and the PRC dye and pigment intermediates industry markets are derived from various official government sources and might not be reliable.

Certain facts and other statistics in this prospectus relating to the PRC, the PRC economy and the PRC dye and pigment intermediates industry have been derived from various official PRC government publications. We believe that these publications are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The presentation of these information are necessary to provide investors with sufficient context to evaluate our Shares, However, we cannot guarantee in full the quality or reliability of such source materials. They have not been prepared or independently verified by us, the underwriters or any of our or their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts and statistics, which might not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or might not be comparable to statistics produced for other economies or in other markets and should not be unduly relied upon. Furthermore, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts or statistics.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, except as otherwise permitted by the Hong Kong Stock Exchange at its discretion, a new applicant applying for a primary listing on the Hong Kong Stock Exchange must have sufficient management presence in Hong Kong, and this will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. Given (i) our business and operations are primarily located, managed and conducted in the PRC; (ii) our senior management team resides in the PRC; (iii) our management and operations have been mainly under the supervision of our executive Directors and senior management, who are principally responsible for the overall management, corporate strategy, planning, business development and control of our Group's businesses; and (iv) all of our executive Directors and senior management are PRC residents, and it is important for them to remain close to our operation in the PRC. As such, we consider that it would be more practical for our executive Directors to remain ordinarily resident in the PRC where our Company has substantially all of our operations.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. In order to maintain effective communication between us and the Hong Kong Stock Exchange, we have put in place the following measures:

- Mr. Ge Yi and Ms. Leung Suet Lun have been appointed as the authorized representatives of our Company pursuant to Rule 3.05 of the Listing Rules to act as our Company's principal communication channel with the Hong Kong Stock Exchange. Ms. Leung Suet Lun is ordinarily resident in Hong Kong, and will be available to meet with the Hong Kong Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Hong Kong Stock Exchange and will be readily contactable by telephone, facsimile or e-mail;
- each of the authorized representatives has means to contact all members of the Board (including our independent non-executive Directors) promptly at all times as and when the Hong Kong Stock Exchange wishes to contact the members of the Board for any matter;
- each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period upon notice;
- in compliance with Rule 3A.19 of the Listing Rules, we have retained Haitong International Capital Limited as compliance advisor. It will, among other things and in addition to our Company's authorized representatives, act as an additional channel of communication of our Company with the Hong Kong Stock Exchange and be available to answer enquiries from the Hong Kong Stock Exchange. Our Company will ensure that there are adequate and efficient means of communication among ourselves, our authorized representatives, Directors, other officers, and the compliance advisor; and

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- to facilitate the communication with the Hong Kong Stock Exchange, each of our Directors has provided to each of the authorized representatives and the Hong Kong Stock Exchange his/her contact details including mobile phone number, office phone number, e-mail address and fax number.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, the issuer must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules.

According to Rule 3.28 of the Listing Rules, our Company must appoint an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of company secretary. The Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a Member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance).

In assessing “relevant experience”, the Hong Kong Stock Exchange will consider the individual’s:

- (a) length of employment with the issuer and other issuers and the roles he played;
- (b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Codes;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

Our Company has appointed Ms. Wang Yanling as one of our joint company secretaries. Ms. Wang Yanling has been actively involved in the Listing since its preparatory period. Since Ms. Wang Yanling does not possess the acceptable professional or academic qualifications as stipulated in Rule 3.28 of the Listing Rules, our Company has appointed Ms. Leung Suet Lun, a member of the Hong Kong Institute of Certified Public Accountants and a solicitor of Hong Kong, as one of our joint

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

company secretaries. Over a period of three years from the Listing Date, our Company proposes to implement the following measures to assist Ms. Wang Yanling to become a company secretary with the requisite qualifications or relevant experience as required under the Listing Rules:

- (a) Ms. Leung Suet Lun, who meets all the requirements under Rule 3.28 of the Listing Rules, has been appointed as a joint company secretary of our Company for an initial period of three years from the date of the Listing Date. She will assist and guide Ms. Wang Yanling so that she is able to acquire the relevant knowledge and experience as required under the Listing Rules in order to discharge her functions as a joint company secretary of our Company;
- (b) our Company undertakes to reapply to the Hong Kong Stock Exchange in the event that Ms. Leung Suet Lun ceases to meet the requirements under Rule 3.28 of the Listing Rules or otherwise ceases to serve as a joint company secretary of our Company;
- (c) Ms. Wang Yanling has been appointed as a joint company secretary of our Company for an initial period of three years from the date of the Listing Date, a period which should be sufficient for her to acquire the relevant knowledge and experience required by the Hong Kong Stock Exchange;
- (d) our Company will further ensure that Ms. Wang Yanling has access to the relevant training and support to enable her to familiarise herself with the Listing Rules and the duties required of a company secretary of an issuer listed on the Hong Kong Stock Exchange. In addition, Ms. Wang Yanling will endeavour to familiarise herself with the Listing Rules during the three-year period from the Listing Date and will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules. Our Company's Hong Kong legal advisor has provided training relating to the Listing Rules to Ms. Wang Yanling; and
- (e) Upon expiry of Ms. Wang Yanling's initial term of appointment as a joint company secretary of our Company, our Company will evaluate her experience in order to determine if she has acquired the qualifications required under Rule 3.28 of the Listing Rules, and whether on-going assistance should be arranged so that Ms. Wang Yanling's appointment as a joint company secretary of our Company continues to satisfy the requirements under Rules 3.28 and 8.17 of the Listing Rules.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. The waiver will be revoked immediately if Ms. Leung Suet Lun ceases to provide assistance and guidance to Ms. Wang Yanling during the three-year period. In the event that Ms. Wang Yanling has obtained relevant experience under Rule 3.28 of the Listing Rules at the end of the said initial three-year period, the above joint company secretaries arrangement will no longer be required by our Company.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

CONTINUING CONNECTED TRANSACTIONS

After Listing, certain transactions, whereby we have entered into or will continue to conduct, will constitute continuing connected transactions for us under the Listing Rules. We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the reporting, annual review, announcement and where applicable, circular and the independent Shareholders' approval requirements set forth in Chapter 14A of the Listing Rules for such continuing connected transactions. Further information on such waiver is set forth in "Continuing Connected Transactions" in this prospectus.

DEALINGS IN THE SHARES PRIOR TO LISTING

Pursuant to Rule 9.09(b) of the Listing Rules, there must be no dealing in the securities for which listing is sought by any core connected person of the issuer during the period from the date which falls on four clear business days before the expected hearing date of our application for listing until the listing is granted.

The Exchangeable Bond was issued by Cavalli, being one of our Controlling Shareholders to Wider Pacific. Pursuant to the Exchangeable Bond, Wider Pacific is entitled to exchange the Exchangeable Bond for 30,596,000 Shares upon full exchange and the whole of the principal amount of the Exchangeable Bond outstanding shall be automatically exchanged into Exchanged Shares immediately before the completion of Listing. Accordingly, Cavalli will transfer Shares to Wider Pacific after the listing hearing date and immediately prior to Listing. For details of the investment by Wider Pacific, please see the section headed "Our History and Development — Pre-IPO Investment — B. Pre-IPO Investment by Wider Pacific".

For the reasons set forth below, we have applied to the Hong Kong Stock Exchange for and obtained a waiver from strict compliance with the requirements under Rule 9.09(b) of the Listing Rules solely with respect to any dealing in Shares by Cavalli, one of our Controlling Shareholders, to effect the aforementioned Exchangeable Bond:

- the exchange of the Exchangeable Bond by Wider Pacific into Shares upon completion of Listing is procedural to facilitate the realization of the value of the investment of Wider Pacific in our Group in accordance with the relevant investment agreements;
- the exchange of the Exchangeable Bond into Shares will occur immediately prior to Listing and does not require any additional consideration to be paid by Wider Pacific; and
- the material terms of the investment agreements with Wider Pacific are disclosed in the section headed "Our History and Development — Pre-IPO Investment — B. Pre-IPO Investment by Wider Pacific", to provide sufficient information to enable potential investors to make a properly informed assessment of our Company.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

The following information is provided for guidance only. Prospective applicants for the Offer Shares should consult their financial advisors and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable laws in the countries of their respective citizenship, residence and domicile.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information about our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

The Global Offering is made solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. No person is authorized in connection with the Global Offering to give any information or to make any representation not contained in this prospectus and the related Application Forms, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers, the Sole Sponsor, the Underwriters, any of their respective directors or affiliates of any of them or any other person or party involved in the Global Offering.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offering. The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters, and the International Offering is expected to be fully underwritten by the International Underwriters. The Global Offering is subject to our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price. The Global Offering is managed by the Sole Global Coordinator. If, for any reason, the Offer Price is not agreed upon among our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse. For further information, please refer to the section headed "Underwriting" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. No person is authorized to give any information or to make any representation not contained in this prospectus and the Application Forms, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers, the Sole Sponsor, the Underwriters, any of their respective directors, affiliates, advisors, agents or representatives of any of them or any other person or party involved in the Global Offering.

Each person acquiring the Offer Shares will be required to, or be deemed by his acquisition of Offer Shares, to confirm, that he is aware of the restrictions on offers and sale of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered any Offer Shares in circumstances contravene any such restrictions.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

Our Company has applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and Shares to be issued under the Capitalization Issue. Save as disclosed in this prospectus, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

The Shares will be traded in board lots of 500 Shares. The stock code of the Shares is 1986.

HONG KONG BRANCH SHARE REGISTER AND STAMP DUTY

All Offer Shares subscribed for pursuant to applications made in the Hong Kong Public Offering will be registered on our Company's branch share register of members to be maintained in Hong Kong by our branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Our Company's principal register of members will be maintained in the Cayman Islands by International Corporation Services Ltd. at Harbour Place, 2nd Floor, 103 South Church Street, P.O. Box 472, George Town, Grand Cayman KY1-1106, Cayman Islands.

Dealings in Offer Shares registered in the branch share register of members of our Company maintained in Hong Kong will be subject to Hong Kong stamp duty.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of and dealing in the Offer Shares. None of our Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers, the Sole Sponsor, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposition of Offer Shares.

For potential investors who are non-PRC resident enterprises, please also refer to “Risk Factors — Risks Relating to the PRC — The strengthened scrutiny over acquisition and disposition transactions by the PRC tax authorities may have an adverse impact on us or your disposition of our Shares” and “Regulatory Overview” in this prospectus for further details.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares is set out in the section headed “How to Apply for the Hong Kong Offer Shares” in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the sections headed “Structure and Conditions of the Global Offering” and “How to Apply for the Hong Kong Offer Shares — 4. Terms and conditions of an application” in this prospectus.

ROUNDING

Certain monetary amounts included in this prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Hong Kong Stock Exchange as well as the compliance with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Hong Kong Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advice for details of these settlement arrangements and how such arrangements will affect their rights and interests.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Executive Directors		
Mr. GE Yi (戈弋)	801, Unit 1, 7th Floor Lou No. 2 Yuan No. 8 Xindong Lu Chaoyang District Beijing PRC	Chinese
Mr. DUAN Weidong (段衛東)	Room 302, Unit 1 No. 2 Building Huage Jiayuan Dongguang County Cangzhou Hebei Province PRC	Chinese
Ms. DONG Zhongmei (董忠梅)	Room 401, Unit 3 No. 2 Building Huage Jiayuan Dongguang County Cangzhou Hebei Province PRC	Chinese
Ms. JIN Ping (晉平)	Room 401-2, 4th Floor No. 10 Building Yuhuli Area 2 Chaoyang District Beijing PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Non-executive Directors		
Mr. XIAO Yongzheng (肖勇政)	Room 302, No. 32 Lane 308, Yushan Road Pudong Shanghai PRC	Chinese
Mr. FONTAINE Alain Vincent	Flat A, 22/F Tower 5, Aria 51 Fung Shing Street Ngau Chi Wan, Kowloon Hong Kong	Canadian
Independent Non-executive Directors		
Mr. HO Kenneth Kai Chung (何啟忠)	Flat E, 10th Floor Block 6, The Coronation No. 1 Yau Cheung Road Kowloon Hong Kong	Australian
Mr. ZHU Lin (朱霖)	No. 31, Area 7, No. 68 Xiaotangshanzhen Shashun Road Changping District Beijing PRC	Chinese
Mr. YU Miao (于淼)	Unit 49-1, Floors 1-2 No. 49, Yanlan Shan Zhuang Yuan Shunyi District Beijing PRC	Chinese

For further information, see “Directors and Senior Management”.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	Haitong International Capital Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Sole Global Coordinator	Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Joint Bookrunners	Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong BOCI Asia Limited 26/F Bank of China Tower 1 Garden Road Central Hong Kong
Joint Lead Managers	Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong BOCI Asia Limited 26/F Bank of China Tower 1 Garden Road Central Hong Kong China Everbright Securities (HK) Limited 36th Floor, Far East Finance Centre 16 Harcourt Road Hong Kong Guotai Junan Securities (Hong Kong) Limited 27/F, Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Co-lead Managers	Bright Smart Securities International (H.K.) Limited 10/F, Wing On House No. 71 Des Voeux Road Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Kingsway Financial Services Group Limited
7/F, Tower 1
Lippo Centre
89 Queensway
Hong Kong

RHB OSK Securities Hong Kong Limited
12/F
World Wide House
19 Des Voeux Road Central
Hong Kong

Legal Advisors to the Company

As to Hong Kong law:
Jones Day
31/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law:
Haiwen & Partners
20/F, Fortune Financial Center
5 Dong San Huan Central Road
Chaoyang District
Beijing
China

As to Cayman Islands law:
Travers Thorp Alberga
1205A, The Centrium
60 Wyndham Street
Central
Hong Kong

Legal Advisors to the Sole Sponsor and the Underwriters

As to Hong Kong law:
Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Central
Hong Kong

As to PRC law:
Jingtian & Gongcheng
34/F, Tower 3, China Central Place
77 Jianguo Road
Chaoyang District
Beijing
China

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Auditors and Reporting Accountants	Ernst & Young <i>Certified Public Accountants</i> 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Industry Consultant	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. Suite 2802-2803, Tower A Dawing Center 500 Hongbaoshi Road Shanghai 201103 PRC
Receiving Bank	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong
Compliance Advisor	Haitong International Capital Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong

CORPORATE INFORMATION

Registered Office	P.O. Box 472 2nd Floor, Harbour Place 103 South Church Street, George Town Grand Cayman KY1-1106 Cayman Islands
Head Office in the PRC	6th Floor, Building A Jiahui International Centre No.14 Jiqingli Chaoyang District Beijing PRC
Principal Place of Business in Hong Kong registered under Part 16 of the Companies Ordinance	36th Floor Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
Company's Website	www.tsaker.com <i>(The information on the website does not form part of this prospectus)</i>
Joint Company Secretaries	Ms. WANG Yanling 6th Floor, Building A Jiahui International Centre, No. 14 Jiqingli Chaoyang District PRC Ms. LEUNG Suet Lun (<i>HKICPA</i>) 36th Floor, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Authorized Representatives	Mr. GE Yi 801, Unit 1, 7th Floor Lou No. 2 Yuan No. 8 Xindong Lu Chaoyang District Beijing PRC

CORPORATE INFORMATION

	Ms. LEUNG Suet Lun (<i>HKICPA</i>) 36th Floor, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Audit Committee	Mr. ZHU Lin (<i>Chairman</i>) Mr. XIAO Yongzheng Mr. YU Miao
Remuneration Committee	Mr. YU Miao (<i>Chairman</i>) Mr. XIAO Yongzheng Mr. HO Kenneth Kai Chung
Nomination Committee	Mr. GE Yi (<i>Chairman</i>) Mr. HO Kenneth Kai Chung Mr. ZHU Lin
Cayman Islands Principal Share Registrar and Transfer Office	International Corporation Services Ltd. Harbour Place, 2nd Floor 103 South Church Street P.O. Box 472, George Town Grand Cayman KY1-1106 Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal Banks	China Construction Bank (Dongguang branch) No.129, Yongxing Street Dongguang County Cangzhou City Hebei Province PRC Bank of China (Dongguang branch) Fuqian Street Dongshou Dongguang County Cangzhou City Hebei Province PRC

INDUSTRY OVERVIEW

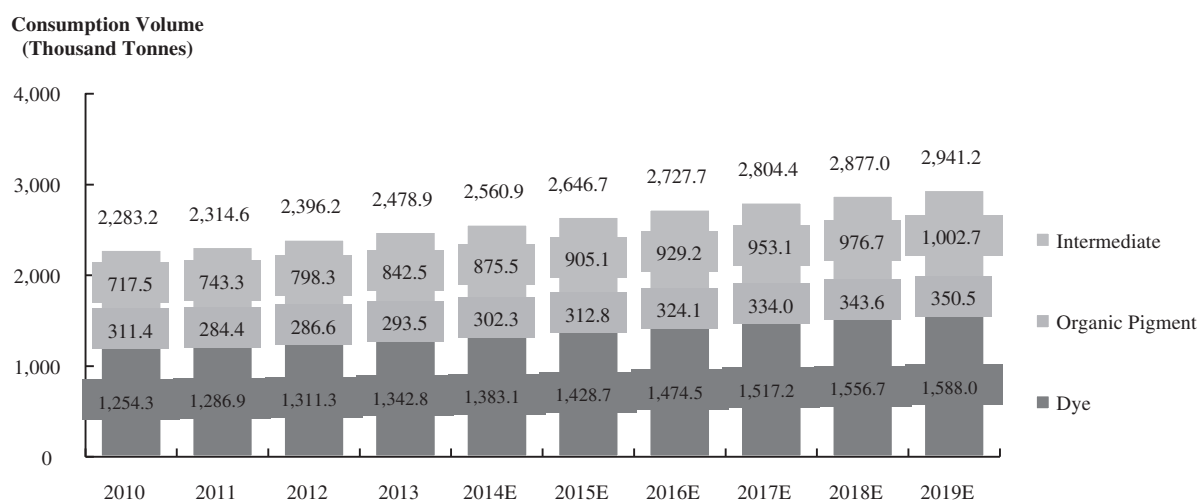
Certain information and statistics relating to our industry provided in this section have been derived from official government sources. In addition, this section and elsewhere in the prospectus contains information extracted from a commissioned report, or the Frost & Sullivan report, prepared by Frost & Sullivan, for purposes of this prospectus. See “—About This Section” below. We believe that the sources of the information in this “Industry Overview” section are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is materially false or misleading, and no fact has been omitted that would render such information materially false or misleading. However, the information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers, the Underwriters, any of our or their respective directors, officers, employees, advisors, agents or representatives or any other party involved in the Global Offering and no representation is given as to its accuracy. Except as otherwise noted, all the data and forecast in this section are derived from the Frost & Sullivan report.

Furthermore, the information from the PRC government sources may not be consistent with the information compiled within or outside the PRC by third parties. Neither we nor Frost & Sullivan makes any representation as to the correctness or accuracy of government or official information contained in this prospectus. Accordingly, such information should not be unduly relied upon.

THE WORLD DYESTUFF INDUSTRY

Global Consumption Volume

The dyestuff industry consists of three principal sub-segments of dyes, organic pigments and intermediates, which are essential derivatives of petroleum products. The consumption volume of global dyestuff market has grown stably since 2010, from 2,283,200 tonnes in 2010 to 2,560,900 tonnes in 2014, representing a CAGR of 2.9%. As of 2014, the major dyestuff sourcing countries were the PRC, India, Germany and Switzerland.



Source: Frost & Sullivan Analysis

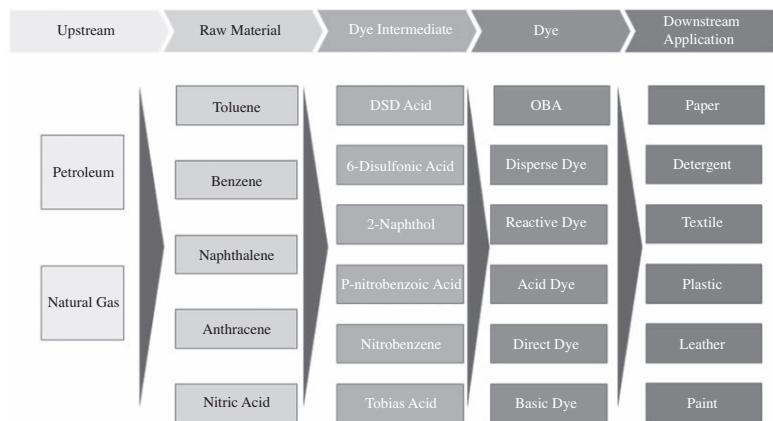
INDUSTRY OVERVIEW

Among the three dyestuff sub-segments, dye accounted for nearly half of the world's total dyestuff consumption.

The PRC has been the world's largest dyestuff producer for years. As of 2013, the PRC contributed approximately 65.0% of the share in terms of production volume in the global dyestuff market.

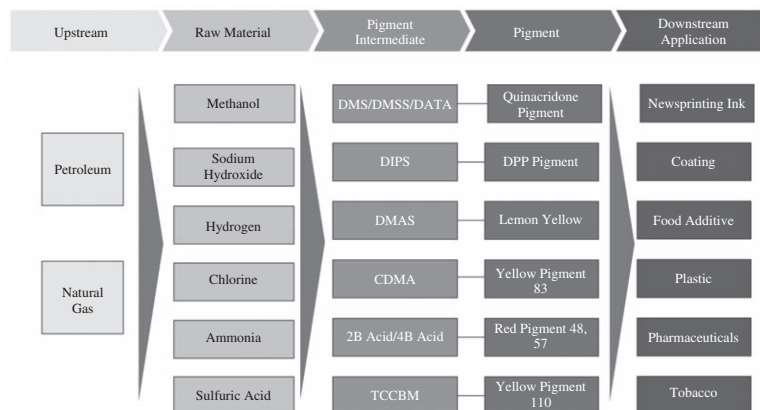
VALUE CHAIN OF DYE AND PIGMENT INTERMEDIATES

Value Chain of DSD Acid and Mononitrotoluene Industry



Source: Frost & Sullivan Analysis

Value Chain of Pigment Intermediate Industry



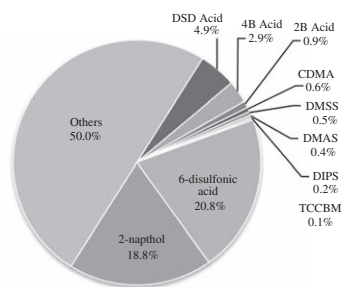
Source: Frost & Sullivan Analysis

INDUSTRY OVERVIEW

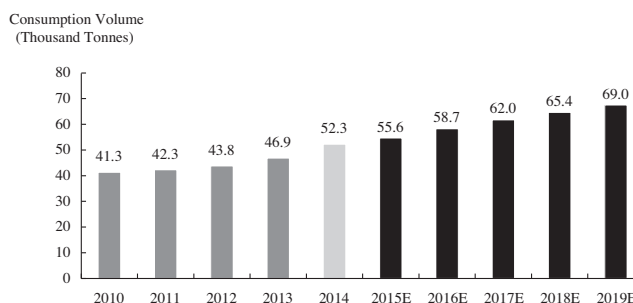
MARKET OVERVIEW OF DSD ACID

Dye intermediates are petroleum downstream products that are further processed for applications. During the processing, petroleum products are transformed to finished dyes and pigments. The dye and pigment intermediates market comprises many chemicals. The major categories of intermediates, among others, include 6-disulfonic acid and 2-naphthol, which respectively accounted for approximately 20.8% and 18.8% of the market share in terms of global production volume in 2014. Our principal products, DSD Acid, DMSS and DMAS, each accounted for 4.9%, 0.5%, and 0.4%, respectively, of the global production volume of all dye and pigment intermediates in 2014, according to Frost & Sullivan. Other dye and pigment intermediates include, among others, nitrobenzene and tobas acid. Our principal product, DSD Acid, is the core dye intermediate, without comparable substitute, for the production of OBA, that is commonly used to brighten or whiten paper and textile.

**Global Intermediate Market Breakdown
by Product, 2014**



**Global Market Consumption
Volume of DSD Acid**



Source: Frost & Sullivan Analysis

Before the 1990s, DSD Acid was mainly produced in western countries by multinational chemical producers. However, with the increasingly strict environmental regulations and rising cost of waste treatment, large producers gradually ceased their production of DSD Acid at the beginning of the 21st century. In recent years, production of DSD Acid gradually moved from developed countries to developing countries, including the PRC, which have lower costs of production, environmental protection and labor, which is in line with the trend of the entire dye and pigment intermediate market. The rising cost of production of DSD Acid, which is also attributable by the compliance with the increasingly stringent environmental protection regulations, makes the production of DSD Acid in developed countries uneconomical, according to Frost & Sullivan.

Global Consumption of DSD Acid

The global DSD Acid demand was relatively stable from 2010 to 2014 with its consumption volume increased from 41,300 tonnes to 52,300 tonnes in 2014, representing a CAGR of 6.1%. Despite the slow growth in 2011 and 2012 due to global economic recession and that a large producer, BASF, shut down its DSD Acid production plants in Germany and the U.S., the market experienced a rebound in 2013. It is anticipated that the market consumption of DSD Acid is likely to remain stable and market consumption is expected to grow from 52,300 tonnes in 2014 to 69,000 tonnes in 2019, with a CAGR of 5.7%.

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Key Market Drivers for DSD Acid

Demand for the growth of DSD Acid will be supported by the following drivers:

- steadily rising demand: DSD Acid is mainly used in 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;
- higher demand for household paper: consumption of household and sanitary paper is expected to maintain a relatively higher growth as a result of rising living standards and higher disposable income of the PRC and developing countries;
- technological and process improvements: allowing leading DSD Acid producers to increase yields, control cost and make the DSD Acid production to be more environmental friendly; and
- government supporting measures: measures such as the 12th Five Year Plan for Petroleum and Chemical Industry in Hebei Province (《河北省石油和化學工業“十二五”專項發展規劃》) provide support to the industry while less efficient, less technologically-advanced and less environmentally compliant industry players are expected to exit the market.

MARKET OVERVIEW OF PIGMENT INTERMEDIATES

Pigment intermediates are essential derivatives of petroleum products manufactured through a series of chemical reactions, including DMSS, DATA, DMAS, 2B Acid, 4B Acid. With numerous pigment intermediates, the competition in the pigment intermediate industry is fierce.

- **DMSS and DATA** are two important high performance pigment intermediates that serve as the raw material for quinacridone pigments used in vehicle painting. DATA is a downstream product of DMSS.
- **DMAS** is used to produce lemon yellow, which is one of the most widely adopted edible synthetic pigments. Lemon yellow is used in the manufacturing of food, drugs, cosmetics and tobacco.
- **CDMA** is used to produce pigment yellow 83, which is widely used for the coloring of plastic materials represented by PVC (polyvinyl chloride). PVCs are widely used in infrastructure and automotive industry.
- **2B Acid and 4B Acid** are used to produce pigment red 48 and pigment red 57. These two red pigments are major pigments for the color red and have widely been adopted in printing ink, coating, coloring of plastic and rubber.

INDUSTRY OVERVIEW

Global Consumption of our principal pigment intermediates products, DMSS, DMAS, CDMA, 2B Acid and 4B Acid

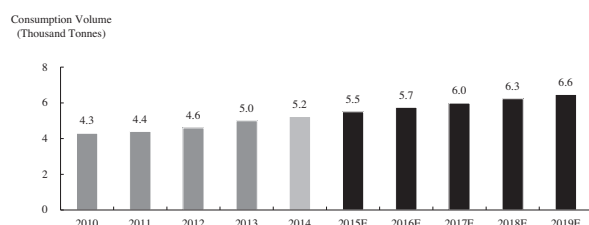
Consumption of DMSS is largely affected by its downstream industries. The stagnant global economic condition in 2012, especially the European debt crisis has depressed the market demand of quinacridone pigments, and hence, DMSS. Nevertheless, the DMSS market began to recover quickly, starting from 2013. The consumption of DMSS is expected to remain stable, with market consumption expected to grow from 5,200 tonnes in 2014 to 6,600 tonnes in 2019, representing a CAGR of 4.9%.

DMAS consumption has been stable in recent years. Although the impact of economic recession brought by European debt crisis on food and beverage industry lasted until 2013, it has shown signs of recovery in 2014. The consumption of DMAS is expected to remain stable in the forecast period below, with a growth from 4,500 tonnes in 2014 to 5,500 tonnes in 2019, representing a CAGR of 4.1%.

CDMA consumption is mainly influenced by its downstream plastic polymers industry. The global plastic industry has been quite stable recently with a market growth rate between 3% to 5%. The pigment in the plastic polymers are important because the polymers do not inherently have color. Market consumption is expected to grow from 6,100 tonnes in 2014 to 7,200 tonnes in 2019, with a CAGR of 3.4%.

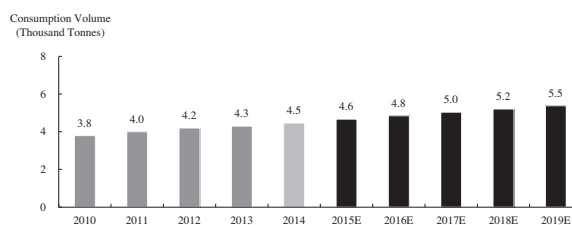
The consumption of 2B Acid and 4B Acid is likely to be steady, with growth from 9,500 tonnes and 31,000 tonnes, respectively, in 2014 to 11,330 tonnes and 36,830 tonnes in 2019, representing a CAGR of 3.6% and 3.5%, respectively.

Global Market Consumption Volume of DMSS



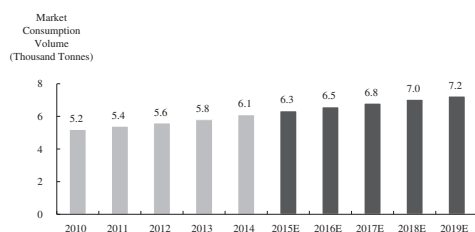
Source: Frost & Sullivan Analysis

Global Market Consumption Volume of DMAS



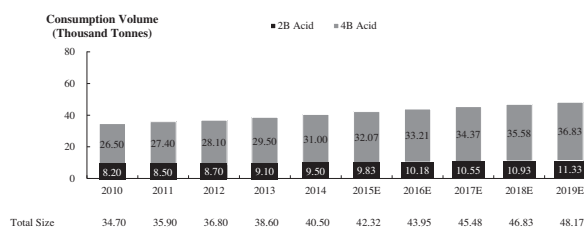
Source: Frost & Sullivan Analysis

Global Market Consumption Volume of CDMA



Source: Frost & Sullivan Analysis

Global Market Consumption Volume of 2B Acid/4B Acid



Source: Frost & Sullivan Analysis

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Key Market Drivers for Pigment Intermediates

The recovery of the developed economies from the recent economic crisis is expected to fuel the growth of the major downstream applications of pigment and generate more demand of pigment intermediates. Furthermore, the continuous improvements on product performance is likely to further boost the pigment industry. The key market drivers for pigment intermediates include the following:

- **Rising Demand from Ink, Coating and Plastic Industries:** Ink, coating and plastic industries are the major downstream application of pigments. With gradual recovery of global economy, production of ink, coating and plastic products are expected to rise along with the increases in disposable income.
- **Increasing Research and Innovation on High Performance Pigment:** High performance pigments have much better heat resistance, light resistance and weather ability than normal pigments, and are thus widely welcomed by downstream industries which will benefit pigment intermediates such as DMSS and DATA, DMAS, CDMA, 2B Acid and 4B Acid.
- **Efforts to Make Production More Environmental Friendly:** Traditionally, pigment production is often regarded as heavy pollution industry but recent development is likely to gradually change the production process to be less polluted by either installing water treatment equipment or using new production technologies.
- **Government Supporting Measures:** Dye and pigment intermediates belong to the fine chemicals industry, which enjoys the support from PRC government. The PRC government has issued policies that foster the growth of the pigment intermediates industry such as the 12th Five Year Plan for Petroleum and Chemical Industry in Hebei Province (河北省石油和化學工業“十二五”專項發展規劃). It also promotes value-adding, environmental friendliness and innovation in the fine chemical industry.
- **Growth of Downstream Applications:** Each pigment intermediate is also supported by the growth of their respective downstream applications.
 - **DMSS and DATA:** As the majority of DMSS is used to produce DATA, an increase in consumption of DATA is expected to drive the demand for DMSS. One of the major downstream applications of DMSS and DATA is vehicle paints, especially for premium vehicles, which experienced a healthy growth in recent years particularly for the PRC which is one of the largest markets for automotive industry. As the automotive industry in the PRC is expected to maintain a stable rise in the future, demand for paints for auto bodies are also expected to have a healthy increase in the coming years, pulling up the demand for DMSS and DATA.
 - **DMAS:** One of the major downstream applications of DMAS is to produce lemon yellow, which is used in the manufacturing of food, drugs, cosmetics and tobacco. The pharmaceutical industry in the PRC and food processing industry are growing rapidly in the coming years, for instance, the pharmaceutical industry in the PRC is expected to keep growing above 10% until 2020.

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- **CDMA:** One of the major downstream applications of CDMA is to produce pigment yellow 83, which is widely used for the coloring of plastic materials such as PVC. Estimated growth rate of production of PVC of the world in the coming years is approximately 4%.
- **2B Acid and 4B Acid:** Typical downstream use of 2B Acid and 4B Acid is to produce pigment red 48 and pigment red 57 which are used in the colouring in printing ink, coating and colouring of plastic and rubber. Demand for 2B Acid and 4B Acid is expected to experience a moderated growth.

OUR COMPETITIVE ADVANTAGES

- **Significant economies of scale.** With a leading position in the markets of a series of dye and pigment intermediates, including DSD Acid and DMSS and also the largest purchaser of PNT in the world in 2014, we have significant economies of scale in terms of our production volume, market share and purchase of raw materials that is unlikely to be replicated by other competitors.
- **Great product performance and sustained good quality.** Due to the superior product performance and sustained quality, our products have been widely welcomed by our downstream customers who have gradually get used to our quality products.
- **Strong bargaining power due to competition among upstream suppliers.** Due to the ease to find substitute suppliers, our upstream suppliers are likely to face stiff competition for our business, providing us with strong bargaining power against our upstream raw material suppliers.
- **Less pollution due to great production technology and continuous efforts to protect the environment.** We adopted a different strategy from many of our competitors by reusing wastewater and thus reducing the discharge of polluted water, which is helpful in meeting our environment compliance requirements.
- **Good cooperation with customers who are leaders in their respective markets.** We have kept good cooperation with many of our customers who are leaders in their respective markets.

COMPETITIVE LANDSCAPE

DSD Acid industry is concentrated with no more than 20 manufacturers around the world. In 2014, we were the largest producer of DSD Acid in the world in terms of production volume. We compete globally with an Indian chemical company and a chemical company based in Jiangsu Province, the PRC.

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The table below sets forth information of the few largest producers of certain fine chemicals in terms of production volume in 2014:

Product	Largest Producer		Second Largest Producer		Third Largest Producer	
	Entity	Market Share %	Entity	Market Share %	Entity	Market Share %
DSD Acid.	Our Group	57.4	an Indian chemical company	13.7	a domestic chemical company based in Jiangsu Province, the PRC	5.8
DMSS	Our Group	27.4⁽¹⁾	a Dutch chemical company	21.0	a domestic chemical company based in Zhejiang Province, the PRC	12.0
DMAS	a Dutch chemical company	50.8	Our Group	21.7	a domestic chemical company	20.2
DIPS	a German chemical company	35.9	Our Group	33.2⁽²⁾	a Dutch chemical company	4.4

Sources:

1. Data supplied by our Group
2. Other data: Frost & Sullivan

The table below sets forth information of the few largest producers of certain fine chemicals in terms of sales revenue in 2014:

Product	Largest Producer		Second Largest Producer		Third Largest Producer	
	Entity	Market Share %	Entity	Market Share %	Entity	Market Share %
DSD Acid.	Our Group	62.6	an Indian chemical company	15.8	a domestic chemical company based in Jiangsu Province, the PRC	5.6
DMSS	Our Group	40.6⁽¹⁾	a Dutch chemical company	35.1	a domestic chemical company based in Shandong Province, the PRC	6.4
DMAS	a Dutch chemical company	49.0	Our Group	24.6	a domestic chemical company	19.3
DIPS	Our Group	63.9⁽²⁾	a Dutch chemical company	7.7	a domestic chemical company	7.6

Sources:

1. Data supplied by our Group
2. Other data: Frost & Sullivan

INDUSTRY OVERVIEW

Notes:

- (1) The difference between our market share in the DMSS market in terms of production volume and sales revenue in 2014 is primarily due to the self-consumption of DMSS by a domestic company based in Zhejiang Province, the PRC.
- (2) The difference between our market share in the DIPS market in terms of production volume and sales revenue in 2014 is primarily due to the self-consumption of DIPS by a German chemical company.

ENTRY BARRIERS

Key Barriers to Entry into the Dye and Pigment Intermediate Market

Set out below are the key barriers to the entry into the DSD Acid market:

- **Capital Barrier.** Establishing a production line requires a large amount of investment and has a long construction period. In addition, companies need to have sufficient working capital and make a large investment in research and development.
- **Environmental Protection Barrier.** Newly-built production plants are now facing higher and more stringent requirements on environmental compliance. Stringent environmental protection requirements pose a high barrier for new entrants.
- **Technology Barrier.** Leading players have accumulated rich practical experience of process optimization, parameters setting of production lines and level of automation. New entrants may find it difficult to initiate their production as their own technology might not meet the product quality demand.
- **Product Application Barrier.** Customers who have been used to using certain suppliers with customised specifications may find it difficult to try new suppliers and may be reluctant to adjust their own production lines.
- **Government Permission.** The production of pigment and pigment intermediates is subject to government inspections and requires many relevant approvals and permits from the government.

PRICING ANALYSIS OF OUR PRINCIPAL PRODUCTS

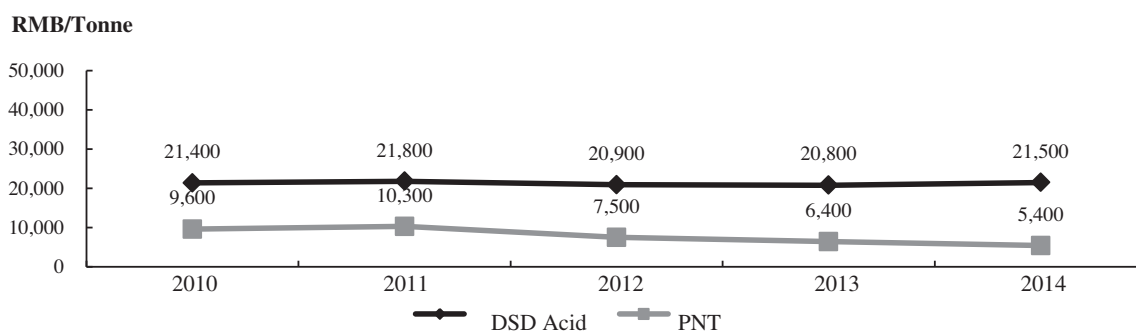
Pricing of DSD Acid

Price of DSD Acid mainly depends on (i) the price of PNT, its key raw material and (ii) the supply and demand of DSD Acid in the market.

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PNT is the key raw material of DSD Acid. As PNT is produced from toluene, which is a bulk chemical developed from crude oil, prices of PNT is sensitive to the fluctuation of crude oil prices. Rising prices of crude oil inevitably increased the cost of PNT. In addition, as ONT is co-produced with PNT at a fixed rate through chemical reactions, demand for ONT also has a direct impact on the price of PNT. In 2012, the demand of DSD Acid, and hence, PNT slowed down in the PRC while the demand for ONT rose. Moreover, global oil prices witnessed a drop in the second half of 2014. As a result, prices of PNT has experienced a decline from RMB7,500 per tonne in 2012 to RMB5,400 per tonne in 2014. Prices of PNT has remained at a low level in recent years. Apart from the raw materials cost, price of DSD Acid also depends on its supply and demand conditions. Recent imbalance in the supply and demand for DSD Acid, which was intensified by the reduced production volume among some PRC manufacturers due to more stringent enforcement of environmental regulations by the PRC government, resulted in a surge of the price of DSD Acid in the first half of 2014. Price of DSD Acid witnessed a drop in the end of 2014, mainly due to the decline of the price of PNT. Price of PNT has gradually recovered since April 2015, lifting up the price of DSD Acid accordingly. Average price of DSD Acid was around RMB17,700 to RMB18,000 per tonne in May 2015. Price of DSD Acid is expected to remain relatively stable in the long run.

Historical Price of PNT and DSD Acid



Source: Frost & Sullivan Analysis

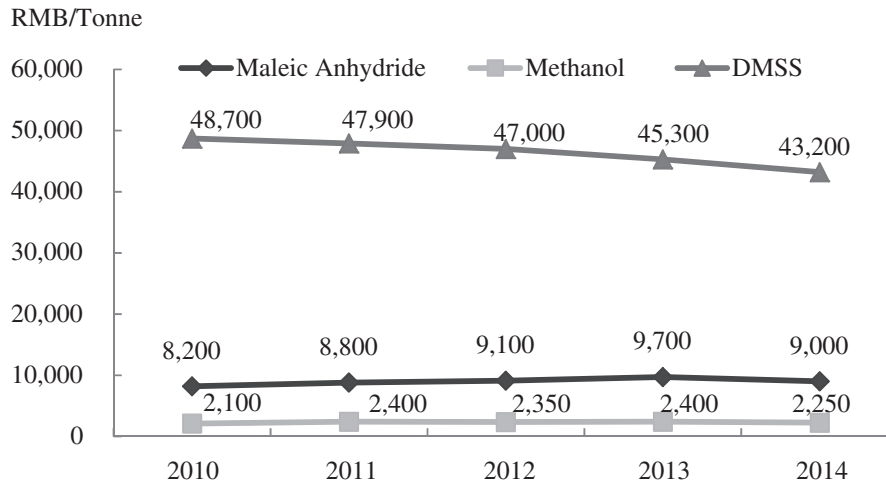
Pricing of DMSS

Price of DMSS depends on (i) the price of maleic anhydride and methanol, its key raw materials and (ii) the supply and demand of DMSS in the market.

Maleic anhydride and methanol are the key raw materials for the production of DMSS. Prices of methanol have been relatively stable in recent years while there had been an increase in prices of maleic anhydride from RMB8,200 per tonne in 2010 to RMB9,700 per tonne in 2013. It is expected that the prices of maleic anhydride and methanol are likely to remain stable in the coming years. Apart from the raw materials cost, it is noted that price of DMSS is more sensitive to its supply and demand conditions.

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Historical Price of Methanol, Maleic Anhydride and DMSS



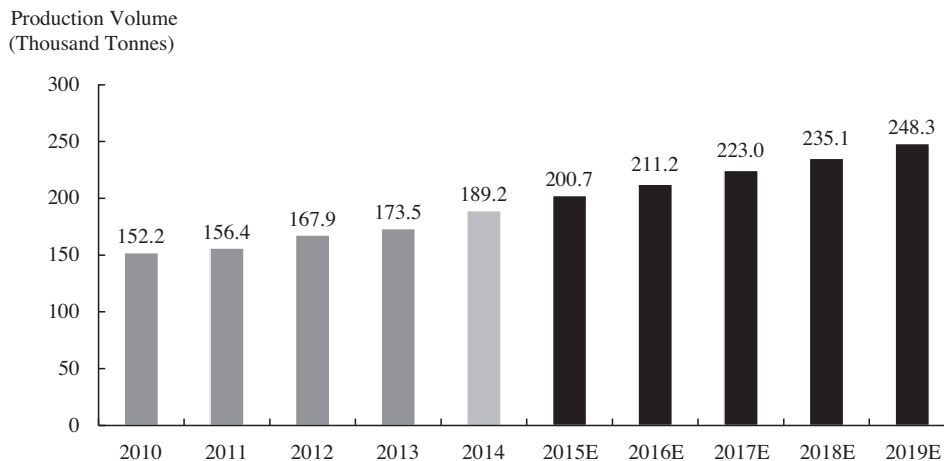
Source: Frost & Sullivan Analysis

OVERVIEW OF THE WORLD'S ONT AND OT MARKETS

Mononitrotoluene, including PNT, ONT and MNT, are produced simultaneously during the nitration of toluene. For PNT, DSD Acid is the largest application, while for ONT, its primary application is OT, a majority of which is used to produce agricultural chemicals, particularly for herbicides. The total global production capacity of mononitrotoluene as of the end of 2014 was 470,000 tonnes, which included the Dongao Chemicals' then annual capacity of 40,000 tonnes.

Currently, the PRC is the largest producer of ONT, accounting for 70.1% of the global production volume in 2014. As the demand for agricultural chemicals, including herbicide, is expected to rise steadily in the near future, demand for ONT is also likely to sustain a stable growth in the following years. Production volume of ONT is expected to rise from 200,700 tonnes in 2015 to 248,300 tonnes in 2019, representing a CAGR of 5.6%.

Global Production Volume of ONT



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The market structure of mononitrotoluene is concentrated as the five largest producers accounted for approximately 79.6% of the world's market share by production volume in 2014. With an expected annual production capacity of 80,000 tonnes of mononitrotoluene by the end of 2015, Dongao Production Plant will be one of the three largest mononitrotoluene producers of the world.

Price of ONT generally increased from RMB5,600 per tonne in 2010 to RMB8,100 per tonne in 2014. In the beginning of 2015, price of OT was approximately RMB13,000 per tonne. Price of OT mainly depends on the price of raw materials, represented by ONT. From 2012 to 2014, price of OT increased gradually, which is in line with the trend of the price increase of ONT. In 2014, global consumption of OT was around 100,000 tonnes.

Key Market Drivers for ONT and OT Markets

Demand for the growth of ONT will be supported by the following drivers:

- **Rising demand for herbicides:** As ONT is mainly consumed in agricultural chemicals industry, in particular the herbicides, which is estimated to grow at approximately 5% globally, rising demand for herbicides is expected to pull up the consumption of ONT.
- **Industry consolidation and modernization:** Currently, some of the ONT producers cannot easily find clients for their PNT, which is co-produced with ONT. Those players are likely to reduce their total production volume. Meanwhile, leading players with sales channels for both PNT and ONT are expected to benefit from industry consolidation. Players with accumulative experience in research and development are likely to lead the development of ONT industry, improving the production efficiency and technology.
- **Steady growth of other downstream applications:** ONT can also be applied in other industries, among others, dye and pigment industry and pharmaceutical industry. With a rising disposable income and an increasing attention to health, consumption of drugs is expected to rise steadily, which will generate increasing demand for ONT.
- **As the primary downstream product of ONT,** factors affecting the cost, prospects and growth drivers of OT are similar to those of ONT.

OVERVIEW OF THE WORLD'S NMP MARKET

NMP has characteristics including high boiling point, low viscosity, high dissolving capacity, low toxicity, good thermal stability, good chemical stability and is primarily applied in the clean energy industry, including lithium battery manufacturing, and high polymer material industry, including aramid fiber manufacturing.

The global consumption volume of NMP in 2014 was approximately 210,000 tonnes and the annual growth of NMP is estimated at approximately 8% to 10% in the coming years.

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The PRC has the highest production capacity of NMP, with approximately 200,000 tonnes in aggregate. The PRC market is relatively concentrated with top five players contributing 71.0% of the market share in terms of production capacity in 2014.

Key Drivers of the NMP Market

Demand for NMP is expected to have a healthy increase in the coming years, mainly driven by the rising demand for lithium batteries given the development of consumer electronics such as mobile phones, tablets, and notebook computers and, in particular, electric vehicles, which is expected to enjoy a series of incentive policies in the PRC. In addition, the PRC government is actively developing new energy industry and environmental protection industry, which gives rise to a strong demand for protective garments and filtration materials, which can be made by aramid fibers, a downstream application of NMP, given its characteristics such as high temperature resistance. Accordingly, the demand for aramid fibers expected to witness a healthy growth in the coming years, lifting the demand for NMP.

ABOUT THIS SECTION

This “Industry Overview” section contains information extracted from a report commissioned by us prepared by Frost & Sullivan for purposes of this prospectus, or the Frost & Sullivan report. We expect to pay a total of RMB839,000 to Frost & Sullivan for the preparation and use of the Frost & Sullivan report.

About Frost & Sullivan

Frost & Sullivan is an independent global consulting firm founded in 1961 and has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. It offers industry research, market strategies, provides growth consulting and corporate training. Its industry coverage in China includes agriculture, forestry, husbandry and fishery, automotive and transportation, chemicals, materials, food and beverage, airlines and aviation, financial services, retail and consumer goods, energy and power systems, environment and building technologies, healthcare, industrial automation, machinery, and electronics, metals and mining, and technology, media, and telecom. The Frost & Sullivan report that we commissioned includes information on global and PRC dyestuff market, global DSD Acid market, global pigment and high performance pigment intermediate market, and other economic data, which have been quoted in this prospectus.

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Research Methodology and Assumptions

Frost & Sullivan's independent research was undertaken through both secondary and primary research. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Primary research involved interviews with leading industry participants and industry experts. Frost & Sullivan has assumed that the information and data, which it obtained from independent third parties and publicly available data, are complete and accurate. The information contained herein has been obtained from sources which Frost & Sullivan believes are reliable, but there can be no assurance as to the accuracy or completeness of any such information, and may be affected by the accuracy of the assumptions and the choice of these parameters.

The bases and assumptions for the projections in the Frost & Sullivan report include the following:

- The PRC's economy is likely to maintain steady growth in the next decade;
- The PRC's social, economic, and political environment is likely to remain stable in the forecast period;
- Forecast of production capacity of DSD Acid, DMSS and mononitrotoluene (PNT/ONT/MNT) is based on disclosed expansion plan at present; and
- While producing a tonne of mononitrotoluene, PNT:ONT:MNT is approximately 35%:60%:5%.

We confirm that after taking reasonable care, there is no adverse change in the market information since the date on which we obtained the data from Frost & Sullivan which may qualify, contradict or have an impact on the information in the section.

REGULATORY OVERVIEW

LEGAL SUPERVISION OVER THE CHEMICAL INDUSTRY IN THE PRC

Interim Provisions for Promoting Industrial Structure Adjustment and the Guideline Catalogue for Industrial Structure Adjustment

According to the Interim Provisions for Promoting Industrial Structure Adjustment (促進產業結構調整暫行規定) that were promulgated by the State Council and became effective on December 2, 2005, the Guideline Catalogue for Industrial Structure Adjustment (2005 Version) (產業結構調整指導目錄(2005年本)) that was promulgated by the NDRC and became effective on December 2, 2005, the Guideline Catalogue for Industrial Structure Adjustment (2011 Version) (產業結構調整指導目錄(2011年本)) promulgated on March 27, 2011, and the Decision of the NDRC on Amending the Relevant Entries under the Guideline Catalogue for Industrial Structure Adjustment (2011 Version) (國家發展改革委關於修改《產業結構調整指導目錄(2011年本)》有關條款的決定) promulgated on February 16, 2013, industries are classified into four categories, namely encouraged, permitted, restricted and eliminated. Investments in the encouraged industries are welcome and can enjoy certain preferential policies prescribed by the government authorities, while new investments in the restricted industries and investments in the eliminated industries are prohibited.

Regulations on the Safety Administration of Hazardous Chemicals

The Regulations on the Safety Administration of Hazardous Chemicals (危險化學品安全管理條例) were promulgated by the State Council on January 26, 2002 and revised on February 16, 2011 and December 7, 2013, which stipulate supervisory rules for the safety administration of production, storage, use, operation and transportation of hazardous chemicals. Hazardous chemicals include hyper-toxic and other hazardous chemicals that are toxic, corrosive, explosive, flammable or accelerative, and which damage human health, facilities or the environment. The relevant PRC government authorities will promulgate and adjust the Catalogue of Hazardous Chemicals (危險化學品目錄) from time to time. Enterprises engaging in the production of hazardous chemicals must, prior to the commencement of production, obtain a Safety Production Permit for hazardous chemicals.

The safety conditions of newly built, reconstructed or expanded construction projects for the production and storage of hazardous chemicals are subject to the examination of the work safety administrative department. In the event that an enterprise undertaking such construction projects fails to do so, the relevant work safety administrative department shall order the concerned party to discontinue the construction process and make corrections within a specified time limit. Failure to make corrections within the specified time limit may result in a fine of no less than RMB500,000 but not exceeding RMB1 million. If the said act constitutes a crime, the concerned party shall be subject to criminal liability according to law.

Regulations on Safety Production Permit and Measures for Implementation of Safety Production Permit of Hazardous Chemical Production Enterprises

The Regulations on Safety Production Permit (安全生產許可證條例) were promulgated by the State Council and became effective on January 13, 2004 and were revised on July 18, 2013 and July 29, 2014. The Measures for Implementation of Safety Production Permit of Hazardous Chemical Production Enterprises (危險化學品生產企業安全生產許可證實施辦法) were formulated according to

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the Regulations on Safety Production Permit and the related laws and regulations, and were promulgated by the State Administration of Work Safety of the PRC and became effective on May 17, 2004. They were replaced with the Measures for Implementation of Safety Production Permit of Hazardous Chemical Production Enterprises promulgated by the State Administration of Work Safety of the PRC on August 5, 2011.

According to the aforesaid regulations and measures, an enterprise which engages in the production of final products or intermediate products as listed in the Catalogue of Hazardous Chemicals (危險化學品目錄) must obtain a Safety Production Permit for hazardous chemicals prior to its commencement of production of hazardous chemicals.

If a hazardous chemical production enterprise commences production without obtaining the Safety Production Permit, the relevant authorities may order it to suspend production, confiscate the illegal gains and impose a fine of no less than RMB100,000 but not exceeding RMB500,000 on the enterprise. If the said act constitutes a crime, the concerned party could be subject to criminal liability according to law.

Administrative Measures for the Registration of Hazardous Chemicals

According to the Administrative Measures for the Registration of Hazardous Chemicals (危險化學品登記管理辦法) that were promulgated by the former State Economic and Trade Commission on October 8, 2002 and became effective on November 15, 2002, and the Implementing Opinions of the State Administration of Work Safety on the Administrative Measures for the Registration of Hazardous Chemicals (國家安全生產監督管理局關於<危險化學品登記管理辦法>的實施意見), an enterprise which engages in the production of hazardous chemicals in the PRC must register the hazardous chemicals with the competent administration authorities, and obtain the Registration Certificate of Hazardous Chemicals Producers and the Hazardous Chemicals Registration Certificate.

The Administrative Measures for the Registration of Hazardous Chemicals (危險化學品登記管理辦法) that were promulgated by the State Administration of Work Safety of the PRC on July 1, 2012 and became effective on August 1, 2012 abolished the above administrative measures. According to the currently effective administrative measures, a newly established hazardous chemicals production enterprise shall undergo the formalities for the registration of hazardous chemicals before the completion and acceptance of projects. A Hazardous Chemicals Registration Certificate is valid for three years. A Hazardous Chemicals Registration Certificate should set out particulars such as the nature of the enterprise (a hazardous chemicals producer, a hazardous chemicals exporter or a hazardous chemicals producer and exporter), the registered products and the validity period.

Interim Provisions on the Supervision and Management of Major Hazards of Hazardous Chemicals

According to the Interim Provisions on the Supervision and Management of Major Hazards of Hazardous Chemicals (危險化學品重大危險源監督管理暫行規定) that were promulgated by the State Administration of Work Safety of the PRC on August 5, 2011 and became effective on December 1, 2011, an enterprise which engages in the production, storage, use and operation of hazardous

REGULATORY OVERVIEW

chemicals should make identification, safety assessment, safety evaluation and grading of its major hazards; set up a sound safety monitoring and controlling system; formulate an emergency plan for major hazards accidents; register the identified major hazards item by item in a timely manner and file with the local work safety administrative department at the county level.

If an enterprise violates the above provisions, the relevant work safety administrative department may order it to make corrections within a specified time limit. Failure to make corrections within the specified time limit may cause it being ordered for suspension of production and business operation for rectification, and may result in a fine, or it may be warned.

Measures for the Licensing for Production and Operation of Non-pharmaceutical Precursor Chemicals

According to the Measures for the Licensing for Production and Operation of Non-pharmaceutical Precursor Chemicals (非藥品類易製毒化學品生產、經營許可辦法) that were promulgated by the State Administration of Work Safety of the PRC on April 5, 2006 and became effective on April 15, 2006, whoever intends to produce or operate a non-pharmaceutical precursor chemical of Class 3 must file for its production and operation of non-pharmaceutical precursor chemicals.

If an enterprise produces or operates non-pharmaceutical precursor chemicals without licensing or filing, the relevant work safety administrative department may impose a fine; the illegal income (if any) shall be confiscated; its business license can be revoked by the administrative department for industry and commerce; if the said act constitutes a crime, the concerned party could be subject to criminal liability according to law; and the relevant authorities would not accept its application for licensing or filing for production and operation of non-pharmaceutical precursor chemicals within three years after the decision of administrative penalty made by the relevant authorities.

Measures for the Environmental Management Registration of Hazardous Chemicals (for Trial Implementation)

According to the Measures for the Environmental Management Registration of Hazardous Chemicals (for Trial Implementation) (危險化學品環境管理登記辦法(試行)) that were promulgated by the Ministry of Environmental Protection of the PRC on October 10, 2012 and became effective on March 1, 2013, an enterprise that engages in hazards chemicals production, using hazards chemicals for production or hazards chemicals export and import in the PRC shall apply for making the environmental management registration of hazardous chemicals, and obtain environmental management registration certificates for production and use of hazardous chemicals. For the newly built, reconstructed or expanded construction projects producing and using hazardous chemicals, the environmental management registration for production and use of hazardous chemicals shall be handled prior to the completion and acceptance of projects.

According to the Circular on Launching of a Pilot Project for the Environmental Management Registration of Hazardous Chemicals (Ji Huan Ban Fa [2014]No.62) (《關於開展化學品環境管理登記試點工作的通知》(冀環辦發[2014]62號)) and the Circular (冀環辦字函[2014]158號) issued by Hebei Provincial Department of Environmental Protection on April 3, 2014 and June 13, 2014 and the

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Implementation Plan for the Pilot Project of the Environmental Management Registration of Hazardous Chemicals for Cangzhou (《滄州市危險化學品環境管理登記試點工作實施方案》) issued by Cangzhou Environmental Protection Bureau on June 23, 2014, Tsaker Cangzhou and Tsaker Dongguang are not on the released list of pilot project.

LEGAL SUPERVISION OVER PRODUCTION SAFETY IN THE PRC

PRODUCTION SAFETY LAW

The Production Safety Law of the PRC (中華人民共和國安全生產法) was promulgated by the SCNPC on June 29, 2002 with effect from November 1, 2002 and revised by the SCNPC on August 31, 2014 and became effective on December 1, 2014.

The Production Safety Law applies to enterprises engaged in production activities within the PRC and provides that enterprises engaged in production and operation activities shall meet the production safety requirements prescribed by relevant laws, regulations and national or industrial standards, failure of which will result in prohibition of engaging in production activities. Such enterprises are also required to strengthen the production safety management, establish and improve the responsibility system for production safety, improve work safety conditions and ensure safe production. The safety facilities in a newly built, reconstructed or expanded construction project of a business entity must be designed, constructed and put to use in production simultaneously with the body of the project.

If an enterprise fails to comply with the Production Safety Law of the PRC and other laws, regulations and national or industrial standards in relation to production safety, it may be ordered to make corrections within a specified time limit. Failure to make corrections within the specified time limit may cause it being ordered for suspension of production and business operation for rectification, and may be imposed a fine. If the said act causes serious consequences and constitutes a crime, the concerned party shall be subject to criminal liability according to law.

Interim Measures for the Supervision and Administration of “Three Simultaneities” for the Safety Facilities of Construction Projects

The Interim Measures for the Supervision and Administration of “Three Simultaneities” for the Safety Facilities of Construction Projects (建設項目安全設施「三同時」監督管理暫行辦法) were promulgated by the State Administration of Work Safety of the PRC on December 14, 2010 and became effective on February 1, 2011.

According to the above measures, the safety facilities in a newly built, reconstructed or expanded construction project must be designed, constructed and put to use in production simultaneously with the body of the project. The enterprise shall demonstrate and pre-assess the safety conditions of its construction projects, make a safety design chapter, submit to the relevant work safety administrative department for examination or filing, and apply to the work safety administrative department for the completion and acceptance or the filing of its projects.

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If an enterprise violates the relevant requirements, it may be warned and be ordered to make corrections within a specified time limit. Failure to make corrections within the specified time limit may result in it being ordered to discontinue the construction process or suspend its production and business operation for rectification, and being imposed a fine.

Administrative Regulations on the Safety Supervision of Construction Projects involving Hazardous Chemical

The Administrative Regulations on the Safety Supervision of Construction Projects involving Hazardous Chemicals (危險化學品建設項目安全監督管理辦法), which were promulgated by the State Administration of Work Safety of the PRC on January 30, 2012 and came into effect on April 1, 2012, stipulate that newly built, reconstructed or expanded construction projects for the production or storage of hazardous chemical materials, as well as chemical construction projects which generate hazardous chemical materials, are subject to safety inspections. Such projects must not commence construction or operation (put to use) prior to completing the safety inspections.

If a construction entity violates the relevant requirements, it may be ordered to discontinue the construction process and make corrections within a specified time limit. Failure to make corrections within the specified time limit may cause it being imposed a fine. If the said act constitutes a crime, the concerned party shall be subject to criminal liability according to law.

LEGAL SUPERVISION OVER PRODUCTION OF INDUSTRIAL PRODUCTS IN THE PRC

Regulations on the Administration of Production Licence for Industrial Products and its Implementation Measures

The Regulations on the Administration of Production Licence for Industrial Products of the PRC (中華人民共和國工業產品生產許可證管理條例) were promulgated by the State Council on July 9, 2005 and became effective on September 1, 2005. The Implementation Measures of the Regulations on the Administration of Production Licence for Industrial Products of the PRC (中華人民共和國工業產品生產許可證管理條例實施辦法) were promulgated by the General Administration of Quality Supervision, Inspection and Quarantine on September 15, 2005 and revised on April 21, 2010, and were replaced with the Implementation Measures of the Regulations on the Administration of Production Licence for Industrial Products of the PRC that were promulgated by the General Administration of Quality Supervision, Inspection and Quarantine on April 21, 2014 and came into force on August 1, 2014.

Pursuant to the aforesaid regulations and implementation measures, producing products listed in the Catalogue of the Industrial Products that are subject to the production licencing system requires the Production Licence for Industrial Products. Such licence shall be valid for 5 years. For obtaining the Production Licence for Industrial Products, an enterprise shall have a business licence, have professional technicians qualified for the production of its products, have suitable production conditions and means of inspection and quarantine for its products, have sound and effective quality

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control system and responsibility system, produce products complying with the relevant national standards, industrial standards and requirements for ensuring personal health and personal and property safety, and comply with the provisions of state policies and the requirements of other laws and administrative regulations.

If an enterprise violates the aforesaid regulations and implementation measures, the relevant authorities may order it to suspend production. The relevant authorities may also confiscate the illegal products, impose a fine on the enterprise and confiscate the illegal income. If the said act constitutes a crime, the concerned party shall be subject to criminal liability according to law.

LEGAL SUPERVISION OVER ENVIRONMENTAL PROTECTION IN THE PRC

Environmental Protection Law

The Environmental Protection Law of the PRC (中華人民共和國環境保護法) (the “**Environmental Protection Law**”), which was promulgated by the SCNPC on December 26, 1989 and came into effect on the same day, and revised on April 24, 2014 and came into effect on January 1, 2015, provides a regulatory framework to protect and improve people’s environment and the ecological environment, prevent and control pollution and other public hazards and safeguard human health. The environmental protection department of the State Council is in charge of promulgating the national standards for environment quality and the national standards for the discharge of pollutants. The people’s governments of provinces, autonomous regions and municipalities directly under the Central Government may establish their local standards for environment quality and local standards for the discharge of pollutants for items not specified in the national standards.

The Environmental Protection Law requires, enterprises that cause environmental pollution and other public hazards must establish a responsibility system for environmental protection, and must adopt effective environmental protection measures. Installations for the prevention and control of pollution at a construction project must be designed, constructed and put to use in production simultaneously with the body of the project. Enterprises subject to pollutant discharge permit administration shall discharge pollutants according to the requirements in their pollutant discharge license and shall not discharge pollutants without obtaining the pollutant discharge license.

Enterprises that are in violation of the Environmental Protection Law may be subject to being ordered to make corrections, being imposed a fine or suspension of production or use in accordance with the seriousness of the case. If the said violation constitutes a crime, the concerned party shall be subject to criminal liability according to the law.

Environmental Impact Assessment Law

The Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法), which was promulgated by the SCNPC on October 28, 2002 and became effective on September 1, 2003, stipulates that enterprises are required to submit the report of environmental impacts, the report form of environmental impacts or the registration form of environmental impacts to the competent environmental protection administrative authorities according to the seriousness of the impacts. In

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case the environmental impact appraisal document of a construction project fails to pass the examination of the statutorily prescribed examination and approval department or fails to be approved after examination, the examination and approval department of the project may not approve the construction thereof, and the construction entity may not start construction.

Enterprises that are in violation of the Environmental Impact Assessment Law of the PRC and unlawfully start the construction shall be ordered by the relevant environmental protection administrative authorities to stop the construction and be imposed a fine, and the person in-charge and other personnel who are held to be directly responsible shall be given an administrative punishment.

Law on the Prevention and Control of Water Pollution

The Law on the Prevention and Control of Water Pollution of the PRC (中華人民共和國水污染防治法), which was promulgated by the SCNPC on May 11, 1984 and amended on May 15, 1996 and February 28, 2008, stipulates that an environmental impact assessment must be conducted in respect of all newly built, reconstructed or expanded construction projects involving the discharge of pollutants directly or indirectly into water. Facilities for the prevention and control of water pollution at a construction project must be designed, constructed and put to use in production simultaneously with the body of the project. No construction projects shall be permitted to be put into operation or use before its facilities for the prevention and control of water pollution have been inspected and accepted by the environmental protection administrative authorities. Furthermore, enterprises which discharge industrial sewage directly or indirectly into water systems must obtain pollutant discharge permits.

Integrated Wastewater Discharge Standard (GB8978-1996) (污水綜合排放標準 (GB8978-1996)) sets out the maximum allowable emission concentration for water pollutants.

Law on Prevention and Control of Air Pollution and Relevant Emission Standards

The Law on Prevention and Control of Air Pollution of the PRC (中華人民共和國大氣污染防治法), which was promulgated by the SCNPC on September 5, 1987 and amended on August 29, 1995 and April 29, 2000, and took effect from September 1, 2000, requires newly built, reconstructed or expanded construction projects which discharge pollutants into the air to comply with certain regulations relating to environmental protection. When a construction project is to be put into operation or to use, its facilities for the prevention of atmospheric pollution must be inspected and accepted by the environmental protection administrative authorities. Construction projects that do not fulfill the requirements specified in the State regulations concerning environmental protection for such construction projects shall not be permitted to begin operation or to use. Enterprises which discharge atmospheric pollutants must obtain air pollutant emission permits.

The Comprehensive Emission Standard of Air Pollutant (GB16297-1996) (大氣污染物綜合排放標準 (GB16297-1996)) was promulgated by the former State Environmental Protection Administration on April 12, 1996 and became effective on January 1, 1997. This standard sets out the maximum emission of 33 air pollutants, including the maximum allowable concentration and the maximum allowable emission rate, etc. This standard is applicable to the management on air pollutant emission from current pollution sources and environmental impact assessment, design, inspection and

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acceptance of environmental protection facilities upon completion and air pollutant emission management after commencing operation of construction projects. This standard is a comprehensive emission standard and shall be applied to all industries except for certain industries which implement the national air pollutant emission standard formulated for their respective industries.

The Emission Standard of Air Pollutant from Boiler (鍋爐大氣污染物排放標準) was promulgated by the former State Environmental Protection Administration and the General Administration of Quality Supervision, Inspection and Quarantine of the PRC in September 1983 for the first time and revised in 1991, 1999 and 2001. The Ministry of Environmental Protection and the General Administration of Quality Supervision, Inspection and Quarantine of the PRC has made the third amendment and promulgated the Emission Standard of Air Pollutant from Boiler (GB 13271-2014) (鍋爐大氣污染物排放標準(GB 13271-2014)) and the Emission Standard of Air Pollutant from Boiler (GB 13271-2001) (鍋爐大氣污染物排放標準(GB 13271-2001)) will be repealed from July 1, 2016. This standard sets out the maximum concentration, testing and monitoring requirements for air pollutants from boiler, which is the basic requirement for the control of air pollutants from boiler.

Law on Prevention and Control of Environmental Noise Pollution

The Law on Prevention and Control of Environmental Noise Pollution of the PRC (中華人民共和國環境噪聲污染防治法), which was promulgated by the SCNPC on October 29, 1996 and came into effect on March 1, 1997, stipulates where a newly built, reconstructed or expanded construction project might cause environmental noise pollution, its facilities for prevention and control of environmental noise pollution must be designed, constructed and put to use in production simultaneously with the body of the project. No project shall be permitted to put into operation or use prior to the inspection and acceptance of its facilities for the prevention and control of noise pollution by the competent environmental protection administrative authorities.

Law on Prevention and Control of Environmental Pollution Caused by Solid Waste

The Law on Prevention and Control of Environmental Pollution Caused by Solid Waste of the PRC (中華人民共和國固體廢物污染環境防治法), which was promulgated by the SCNPC on December 29, 2004 and amended on June 29, 2013, stipulates that construction projects where solid waste will be generated or projects for the storage, utilization or treatment of solid waste shall be subject to environmental impact assessment according to law. The necessary supporting facilities for the prevention and control of environmental pollution by solid wastes as specified in the statement of the environmental effect of the construction project shall be designed, constructed and put to use in production simultaneously with the body of the project. No construction projects shall be permitted to be put into operation or to use before its facilities for the prevention and control of environmental pollution by solid wastes have been inspected and accepted by the competent environmental protection administrative authorities.

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LEGAL SUPERVISION OVER FOREIGN INVESTMENT IN THE PRC

Company Law, Wholly Foreign-owned Enterprise Law and Law on Sino-Foreign Equity Joint Ventures

The establishment, operation and management of corporate entities in the PRC are governed by the Company Law of the PRC (中華人民共和國公司法) (the “**Company Law**”), which was promulgated by the SCNPC on December 29, 1993 and became effective on July 1, 1994. It was subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013 respectively. According to the Company Law, the companies are classified into limited liability companies and limited companies by shares. The Company Law shall also apply to foreign-invested enterprises. Foreign-invested enterprises include sino-foreign equity joint venture enterprises, sino-foreign cooperative joint venture enterprises and wholly foreign-owned enterprises. The establishment procedures, verification and approval procedures, registered capital requirement, foreign exchange restriction, accounting practices, taxation and labor matters of a wholly foreign-owned enterprise are also regulated by the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法), which was promulgated on April 12, 1986 and amended on October 31, 2000, and the Implementation Regulation of the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法實施細則), which was promulgated on December 12, 1990 and amended on April 12, 2001 and February 19, 2014. The establishment, operation and management of sino-foreign equity joint venture enterprises are regulated by the Law on Sino-Foreign Equity Joint Ventures of the PRC (中華人民共和國中外合資經營企業法), which was promulgated by the SCNPC and became effective on July 8, 1979 and amended on April 4, 1990 and March 15, 2001, respectively and the Implementation Regulation of the Law on Sino-Foreign Equity Joint Ventures of the PRC (中華人民共和國中外合資經營企業法實施條例), which was promulgated on September 20, 1983 and amended on July 22, 2001, February 19, 2014 and February 19, 2014, respectively.

Provisions Guiding Foreign Investment Direction and Catalogue for the Guidance of Foreign Investment Industries

The Provisions Guiding Foreign Investment Direction (指導外商投資方向規定), which were promulgated by the State Council on February 11, 2002 and came into effect on April 1, 2002, and the Catalogue for the Guidance of Foreign Investment Industries (外商投資產業指導目錄) which was jointly promulgated by the NDRC and MOFCOM on June 28, 1995, December 31, 1997, March 11, 2002, November 30, 2004, October 31, 2007, December 24, 2011 and March 10, 2015, classify all foreign investment projects into four categories: (1) encouraged projects, (2) permitted projects, (3) restricted projects, and (4) prohibited projects. If the industry in which the investment is to occur falls into the encouraged category, foreign investment, in certain cases, may enjoy preferential policies or benefits. If restricted, foreign investment may be conducted in accordance with applicable legal and regulatory restrictions. If prohibited, foreign investment of any kind is not allowed. Furthermore, on March 10, 2015, the NDRC and MOFCOM promulgated the Industry Catalogue for Guiding Foreign Investment (Revised in 2015) which would take effect from April 10, 2015.

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Interim Measures for the Administration of Approval of Foreign Investment Projects and Administrative Measures for Approval and Filing of Foreign Investment Projects

The Interim Measures for the Administration of Approval of Foreign Investment Projects (外商投資項目核准暫行管理辦法), which were promulgated by the NDRC on October 9, 2004 and became effective on the same date, stipulates that the application report of foreign investment projects by Sino-foreign equity and cooperative joint venture enterprises, wholly foreign-owned enterprises, domestic enterprises acquired by foreign investors, increase in registered capital of foreign-invested enterprises of the encouraged and permitted industries with a total investment of US\$100 million or more or of the restricted industries with a total investment of US\$50 million or more shall be subject to the examination and approval of the NDRC, of which the application report of a project of the encouraged and permitted industries with a total investment of US\$500 million or more and the restricted industries with a total investment of US\$100 million or more shall be subject to the examination and approval of the NDRC, and then be reported to the State Council for verification. A project of the encouraged and permitted industries with a total investment of less than US\$100 million and of the restricted industries with a total investment of less than US\$50 million shall be subject to the examination and approval of a regional development and reform department, of which a project of the restricted industries shall be subject to the examination and approval of a provincial development and reform department. In the event that there is a change in investors or equities, major construction contents and main products of a project, the enterprise should apply to the development and reform commission for amendment.

The above interim administrative measures were replaced with the Administrative Measures for Approval and Filing of Foreign Investment Projects (外商投資項目核准和備案管理辦法), which were promulgated by the NDRC on May 17, 2014 and became effective on June 17, 2014, and according to the new administrative measures, foreign investment projects by sino-foreign equity and cooperative joint venture enterprises, wholly foreign-owned enterprises, foreign-funded partnership, domestic enterprises acquired by foreign investors, increase in registered capital or reinvestment of foreign-invested enterprises shall be subject to management by two methods, namely, approval and filing. The foreign investment projects other than those that shall be subject to the examining and approving system as required in these administrative measures shall be subject to filing with the competent investment departments of local governments.

LEGAL SUPERVISION OVER MERGER AND ACQUISITION ACTIVITIES BY FOREIGN INVESTORS IN THE PRC

According to the Regulations on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the “**M&A Rules**”) which was issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the State Administration of Taxation, the State Administration for Industry and Commerce, China Securities Regulatory Commission and the SAFE on August 8, 2006, came into effect on September 8, 2006 and was revised by the MOFCOM on June 22, 2009, a foreign investor may be deemed to have acquired a domestic enterprise in the following cases:

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- the foreign investor purchases the equity interests of the shareholders of a domestic non-foreign-invested enterprise (the “**domestic company**”) or subscribes for the increased capital of a domestic company, and changes the domestic company into a foreign-invested enterprise;
- the foreign investor establishes a foreign-invested enterprise and purchases by agreement the assets of a domestic enterprise and operates such assets through such foreign-invested enterprise, or the foreign investor purchases by agreement the assets of a domestic enterprise and then invests such assets to establish a foreign-invested enterprise and operate the assets.

Pursuant to the M&A Rules, where a domestic company, enterprise or natural person intends to take over its domestic affiliated company in the name of a company which it lawfully establishes or controls outside the PRC, it shall be subject to the examination and approval of the MOFCOM. The parties concerned shall not dodge the aforesaid requirements by making investments within the PRC through the foreign-invested enterprise or in other ways. Where a foreign investor purchases the equity interest of a domestic foreign-invested enterprise or subscribes for the increased capital of a domestic foreign-invested enterprise, it shall be subject to the current laws, administrative regulations on foreign-invested enterprises and the relevant provisions on alteration in investors’ equity interest of foreign-invested enterprise. Furthermore, where a foreign investor merges or acquires a domestic enterprise and obtains the actual control, and where it involves a major industry, has or may have an influence on the national economic security or cause the transfer of the actual control of a domestic enterprise owning famous trademark or having a trade name with a long history in the PRC, the person concerned shall submit a report thereof to the MOFCOM. If the parties concerned fail to do so but its takeover has had or may have a serious impact on the national economic security, the MOFCOM may, together with relevant authorities, demand the parties concerned to terminate the transaction or transfer the relevant equity interests/assets or take other effective measures to eliminate the impact of the takeover on the national economic security.

LEGAL SUPERVISION OVER FOREIGN EXCHANGE IN THE PRC

Regulations on the Control of Foreign Exchange

Pursuant to the Regulations on the Control of Foreign Exchange of the PRC (中華人民共和國外匯管理條例) which was promulgated by the State Council on January 29, 1996, came into effect on April 1, 1996 and was amended on January 14, 1997 and August 5, 2008, foreign exchange receipts of domestic institutions or individuals may be repatriated to the PRC or deposited abroad. Foreign exchange receipts for current account transactions may be retained or sold to financial institutions engaged in the settlement or sale of foreign exchange. Overseas institutions or individuals that directly invest in the PRC shall go through registration formalities at foreign exchange control authorities after receiving approval from relevant competent authorities. Domestic institutions or individuals that engage in overseas direct investment shall go through foreign exchange registration formalities.

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Circular on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Offshore Investment and Financing and Return Investment via Special Purpose Vehicles

On July 4, 2014, the SAFE released the Circular on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Offshore Investment and Financing and Return Investment via Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (“**Circular No. 37**”) and abolished the Circular on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Return Investment via Offshore Special Purpose Vehicles 《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》 (“**Circular No. 75**”) which came into effect on November 1, 2005. Pursuant to Circular No. 37, a PRC resident should apply to the SAFE for foreign exchange registration of overseas investments before it makes capital contribution to an SPV using his or her legitimate domestic or offshore assets or interests. SPVs mean offshore enterprises directly established or indirectly controlled by domestic residents for the purpose of investment and financing by utilizing the domestic or offshore assets or interests they legally hold. Following any significant change in a registered offshore SPV, such as capital increase, reduction, equity transfer or swap, consolidation or division involving domestic resident individuals, the domestic individuals shall amend the registration with the SAFE. Where an SPV intends to repatriate the funds raised after completion of the offshore financing to the PRC, it shall comply with relevant PRC regulations on foreign investment and foreign debt management. A foreign-invested enterprise established through return investment shall complete relevant foreign exchange registration formalities according to the prevailing foreign exchange administration regulations on foreign direct investment and truthfully disclose information on the actual controller of its shareholders. Where a domestic resident fails to go through relevant foreign exchange registration as required, fails to truthfully disclose information on the actual controller of the enterprise involved in the return investment or otherwise makes false commitments, the foreign exchange control authority may order them to take remedial actions, issue a warning, and impose a fine of less than RMB300,000 on an institution or less than RMB50,000 on an individual.

On February 13, 2015, the SAFE issued the Notice on Further Simplification and Improvement of Foreign Exchange Administration Policies for Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (“**Circular No. 13**”), which will come into effect on June 1, 2015. Pursuant to the Circular No. 13, a domestic resident who makes capital contribution to a SPV using his or her legitimate domestic or offshore assets or interests is no longer required to apply to the SAFE for foreign exchange registration of overseas investments. Instead, he or she shall apply to banks in the place where the assets or interests of such domestic enterprise are located (in case such domestic resident individually makes capital contribution to the SPV using his or her legitimate domestic assets or interests) or banks in place where his or her permanent residence is registered (in case such domestic resident individually makes capital contribution to the SPV using his or her legitimate offshore assets or interests).

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LEGAL SUPERVISION OVER IMPORT AND EXPORT OF GOODS IN THE PRC

Provisions of the Foreign Trade Law and the Measures for the Record-Filing and Registration of Foreign Trade Operators

According to the Foreign Trade Law of the PRC (中華人民共和國對外貿易法) which was promulgated by the SCNPC on May 12, 1994 and was amended on April 6, 2004 and the Measures for the Record-Filing and Registration of Foreign Trade Operators (對外貿易經營者備案登記辦法) promulgated by the MOFCOM on June 25, 2004, foreign trade operators which engage in the import and export of goods shall go through the formalities for record-filing and registration with the MOFCOM or an authority authorized by the MOFCOM, unless laws, administrative regulations and rules of the MOFCOM provide that it is unnecessary to go through such formalities. If foreign trade operators fail to go through the formalities for record-filing and registration in accordance with relevant provisions, the PRC customs authority shall refuse to handle the declaration and clearance formalities of their imports and exports.

Rules for the Administration of Registration of Declaration Entities

Pursuant to the Rules for the Administration of Registration of Declaration Entities by the Customs of the PRC (中華人民共和國海關對報關單位註冊登記管理規定) released by the General Administration of Customs on March 31, 2005 and the Rules of the Customs for the Administration of Registration of Declaration Entities of the PRC (中華人民共和國海關報關單位註冊登記管理規定) released by the General Administration of Customs on March 13, 2014, a consignor or consignee of import or export goods shall go through the procedures for registration of the declaration entity with the Customs at its locality. A consignee or consignor of import or export goods may, after registration with the Customs, make its declarations at each Customs territory port of the PRC or at the centralized Customs surveillance place.

The Law on Import and Export Commodity Inspection and Relevant Implementation Regulations

Pursuant to the PRC Law on Import and Export Commodity Inspection (中華人民共和國進出口商品檢驗法) which was promulgated by the SCNPC on February 21, 1989 and amended on April 28, 2002 and June 29, 2013 and the Regulations for the Implementation of the PRC Law on Import and Export Commodity Inspection (中華人民共和國進出口商品檢驗法實施條例) which was promulgated by the former State Bureau of Import and Export Commodities Inspection on October 23, 1992 and promulgated by the State Council on August 31, 2005 and amended on July 18, 2013, the consignees or consignors of import and export commodities may go through formalities of application for inspection by themselves, or may entrust an inspection application agency to go through such formalities, provided that they shall file a record with the entry and exit inspection and quarantine authority in both cases. If anyone exports without permission any export commodity subject to statutory inspection without applying for inspection or without having the commodity inspected, or exports without permission any export commodity without applying for export checking as it should be, the entry and exit inspection and quarantine authority shall confiscate his/her illegal gains and impose a fine upon him/her. If a crime is committed, he/she shall be subject to criminal liabilities.

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Regulations on Import and Export Duties

Pursuant to the Regulations on Import and Export Duties of the PRC (中華人民共和國進出口關稅條例) which was amended by the State Council on March 18, 1992, November 23, 2003 and December 7, 2013 respectively, consignors of export goods are required to pay duties. The PRC Customs is the PRC authority in charge of the collection of customs duties. Customs duties of import and export goods may be levied by means of ad valorem, specific duties, or other means specified by the PRC government. In calculating duties, import and export commodities shall be classified under applicable tax items in accordance with the Category Provisions of the Customs Import and Export Tariff (海關進出口稅則) and shall be taxed at relevant tax rates.

LEGAL SUPERVISION OVER PROPERTIES IN THE PRC

Property Law

According to the Property Law of the PRC (中華人民共和國物權法) which was promulgated by the NPC on March 16, 2007 and became effective on October 1, 2007, the creation, change, transfer or elimination of the property right of a realty shall be registered according to law and the creation or transfer of the property right of a chattel shall be delivered according to law. The Property Law of the PRC also includes requirements in relation to construction land use right, residential land use right, right of easement and various security rights.

Land Administration Law

The Land Administration Law of the PRC (中華人民共和國土地管理法) was promulgated by the SCNPC on June 25, 1986 with effect from January 1, 1987 and amended on December 29, 1988, August 29, 1998 and August 28, 2004, pursuant to which any unit and individual needing land for construction shall apply for use of state-owned land according to law. The state-owned land applied for use according to law includes land owned by the state and land originally collectively owned by rural residents and expropriated by the state.

LEGAL SUPERVISION OVER TAXATION IN THE PRC

Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) which was promulgated by the NPC on March 16, 2007 and came into effect on January 1, 2008 and the Regulations on the Implementation of the Enterprises Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) which was promulgated by the State Council on December 6, 2007 and came into effect on January 1, 2008, enterprises that are established in the PRC or are established in accordance with the laws of a foreign country (region) but with its actual management organ in the PRC shall pay enterprise income tax for their income originating both within and outside the PRC. Non-resident enterprises that have set up institutions or premises in the PRC shall pay enterprise income tax in relation to the income originating from the PRC and obtained by their institutions or establishments, and the income generated outside the PRC having actual relationship with the institutions or establishments set up by such enterprises. Where non-resident enterprises have not set

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up institutions or establishments in the PRC, or where they have set up institutions or establishments but there is no actual relationship between their income and such institutions or establishments, non-resident enterprises shall pay enterprise income tax in relation to the income originating from the PRC.

Value-added Tax

Pursuant to the Temporary Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例) which was promulgated by the State Council on December 13, 1993 and was amended on November 10, 2008, entities and individuals selling goods or providing processing, repairing or replacement services and importing goods into the PRC shall pay value-added tax. Unless otherwise stipulated, the value-added tax rate of 17% shall be applicable to taxpayers selling or importing goods and taxpayers providing processing, repairing or replacement services.

Business Tax

Pursuant to the Temporary Regulations on Business Tax of the PRC (中華人民共和國營業稅暫行條例) which was promulgated by the State Council on December 13, 1993 and was amended on November 10, 2008, enterprises which provide services subject to payment of business tax, transfer intangible assets or sell real estate properties must pay business tax.

Withholding Tax and International Tax Treaties

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed between the Mainland of China and the Hong Kong Special Administrative Region on August 21, 2006, if the beneficiary of the dividends is a Hong Kong company which holds at least 25% of the shares in a PRC company, a withholding tax of not more than 5% shall be imposed on the dividends paid by the PRC company to the Hong Kong company; if the beneficiary of the dividends is a Hong Kong company which holds less than 25% of the shares in a PRC company, a withholding tax of not more than 10% shall be imposed on the dividends paid by the PRC company to the Hong Kong company.

Pursuant to the Trial Administrative Measures on Non-residents' Entitlement to the Treatment Under Tax Treaties (非居民享受稅收協定待遇管理辦法(試行)) which was promulgated by the State Administration of Taxation on August 24, 2009 and came into effect on October 1, 2009, non-residents must go through approval or filing procedures before they can enjoy the treatments under tax treaties in accordance with the provisions relating to dividends of tax treaties. Non-residents are not entitled to the treatments under relevant tax treaties if they fail to complete the approval or filing procedures.

Enterprise Income Tax for Equity Transfers by Non-resident Enterprise

Pursuant to Circular No. 698 issued by the State Administration of Taxation on December 10, 2009 with retroactive effect from January 1, 2008, and the Announcement of the State Administration of Taxation on Relevant Issues Concerning the Application of Special Tax Treatments to the Equity

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Transfers by Non-resident Enterprises (國家稅務總局關於非居民企業股權轉讓適用特殊性稅務處理有關問題的公告) which was issued on December 12, 2013, if an overseas investor indirectly transfers its equity interests in a PRC resident enterprise through the sale of its equity interests in an overseas holding company located in a country or region which (1) has an effective tax rate of less than 12.5% or (2) does not impose income tax on the foreign income of its residents, the overseas investor must report the indirect transfer to the competent tax authority of the PRC resident enterprise. Based on the principle of “substance over form”, the PRC tax authority may disregard the existence of the overseas holding company if the overseas investor indirectly transfers the equity interests of a PRC resident enterprise by adopting an abusive arrangement of organizational form and lacks a reasonable business purpose for avoiding its obligation to pay enterprise income tax. Income from transfer of equity interest shall be the balance amount after deducting the cost price of the equity interest from the transfer price of the equity interest.

On February 3, 2015, the State Administration of Taxation issued Circular No. 7, which abolished certain provisions in Circular No. 698 and Notice No. 24 and provided more guidance on a number of issues in the Circular No. 698. If a non-resident enterprise indirectly transfers its equity interest in the PRC resident enterprises and other properties by implementing arrangements without reasonable commercial purposes but to evade the enterprise income tax, the nature of this indirect transfer shall be re-defined and recognized as a direct transfer of equity interest in a PRC resident enterprise and other properties. The equity interest in the PRC enterprises and other properties refers to (i) properties of an establishment or place in the PRC, (ii) real estate in the PRC or (iii) equity investment in a PRC resident enterprise and other properties directly held by such non-resident enterprise and for which the proceeds from the transfer of such properties shall be subject to EIT as specified by the PRC tax laws (collectively the “**PRC Taxable Properties**”). An indirect transfer of the PRC Taxable Properties refers to transactions with the same or similar substantive results as a direct transfer of the PRC Taxable Properties arising from a transfer by a non-resident enterprise of equity interest or other similar interest in an overseas enterprise (excluding the PRC resident enterprises registered overseas) that directly or indirectly holds the PRC Taxable Properties, including a change in overseas enterprise’s shareholders as a result of reorganization of such non-resident enterprise.

The relevant provisions in Circular No. 7 are not applicable if the overall arrangement regarding the indirect transfer of the PRC Taxable Properties meets with any of the following circumstances: (1) such non-resident enterprise obtains income from indirect transfer of PRC Taxable Properties by acquiring and disposing of the equity interests of the same offshore listed company in a public market (“**Public Market Safe Harbour**”); or (2) such non-resident enterprise directly holds and transfers the PRC Taxable Properties in accordance with applicable tax treaty or arrangement which exempts the transfer from relevant enterprise income tax in the PRC.

If the above exemptions do not apply, transfers of Shares by Shareholders which are non-resident enterprises may be re-defined and recognized as a direct transfer of the PRC Taxable Properties if it is determined that such arrangements have no reasonable commercial purposes but to evade the EIT, which should be determined on a case-by-case basis.

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Circular No. 7 provides that the overall circumstances of such transfer shall be considered and the following relevant factors shall all be analyzed in determining whether an indirect transfer of the PRC Taxable Properties has a reasonable commercial purpose, which should be determined on a case-by-case basis: (1) whether the main value of the equity of the overseas enterprise is, directly or indirectly, sourced from the PRC Taxable Properties; (2) whether the assets of the overseas enterprise is, directly or indirectly, mainly comprised investments in the PRC, or whether its income is, directly or indirectly, mainly sourced from the PRC; (3) whether the actual functions performed and risks undertaken by the overseas enterprises and its subsidiaries which, directly or indirectly, hold the PRC Taxable Properties can prove the economic substance of the corporate structure; (4) the existence duration of the shareholders, business model and related organizational structure of the overseas enterprise; (5) the information regarding overseas income tax payment for the indirect transfer of the PRC Taxable Properties; (6) whether the indirect investment or indirect transfer of the PRC Taxable Properties by the equity transferor can be substituted by a direct investment or a direct transfer of the PRC Taxable Properties; (7) the information regarding the tax treaties or tax arrangements applicable to the income from indirect transfer of the PRC Taxable Properties; and (8) other related factors.

Circular No. 7 also provides that unless fall under the exemptions stipulated, an indirect transfer shall be directly deemed to have no reasonable commercial purpose if it meets with all the following circumstances (“**Deemed Negative Determination**”): (1) 75% or more of the value of the overseas enterprise shares is, directly or indirectly, derived from the PRC Taxable Properties; (2) at any time within one year before the indirect transfer of the PRC Taxable Properties, 90% or more of the total assets of the overseas enterprise (not including cash) is, directly or indirectly, comprised investments in PRC, or 90% or more of the overseas enterprise’s income in the year before the indirect transfer of the PRC Taxable Properties is, directly or indirectly, derived from PRC; (3) the overseas enterprise and its subsidiaries which, directly or indirectly, hold the PRC Taxable Properties, are incorporated in a country (region) to meet the organizational form as required by law, but actually only perform limited functions and undertake limited risks which are not enough to substantiate their economic substance; and (4) the overseas income tax payable for the indirect transfer of the PRC Taxable Properties outside of the PRC is less than the possible tax burden in the PRC on the direct transfer of the PRC Taxable Properties in the PRC.

It is also stated in Circular No. 7 that, an indirect transfer of the PRC Taxable Properties shall be deemed to have reasonable commercial purpose if it meets with all the following conditions: (1) parties to the indirect transfer have one of the following equity holding relationships: (a) the transferor, directly or indirectly, holding over 80% equity interest in the transferee; (b) the transferee, directly or indirectly, holding over 80% equity interest in the transferor; or (c) over 80% equity interest in each of the transferee and the transferor is held, directly or indirectly, by the same party. To the extent that the offshore subject company derives directly and indirectly more than 50% of its value from real estate in the PRC, the equity shareholding threshold shall be 100%; for the aforesaid indirect shareholding, the equity interest shall be calculated by multiplying the equity shareholding percentage at each level; (2) The current indirect transfer does not result in a reduction in the PRC income tax payable on the proceeds from subsequent potential indirect transfers of the PRC Taxable Properties; and (3) The transferee pays the consideration for the indirect transfer solely in the form of its equity interest or the equity interest of entities with equity controlling holding relationship (excluding equity interest in publicly listed companies).

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Provisions of Circular No. 7 imposing PRC tax liabilities and reporting obligations do not apply to Public Market Safe Harbour, which is determined by whether the parties, number and price of the shares acquired and disposed are not previously agreed upon, but determined in accordance with general trading rules in the public securities markets, according to Notice No. 24.

Nevertheless, transfers of our Shares will not necessarily be subject to PRC tax liabilities and reporting obligations if such transfers do not fall under the Public Market Safe Harbour. As advised by our tax consultant, it is very possible that a public Shareholder is not able to individually conduct or cause the conducting of, a “direct transfer” of the equity interest in any of the PRC subsidiaries indirectly held by our Company; hence, transfers of our Shares should not be deemed as a substitute of a direct transfer of equity in PRC entities in order to evade EIT. Therefore, our tax consultant is of the view that, if such transfer does not fall under the Deemed Negative Determination, under most circumstances, the transfer by such Shareholder shall not be deemed as “without reasonable commercial purposes but to evade the enterprise income tax” and such transfer of our Company’s Shares shall not be subject to Circular No. 7 as well. This understanding, however, shall be subject to determination and discretion of the tax authorities on a case-by-case basis.

LEGAL SUPERVISION OVER INTELLECTUAL PROPERTY RIGHTS IN THE PRC

Trademark Law

The Trademark Law of the PRC (中華人民共和國商標法) was promulgated by the SCNPC on August 23, 1982 and came into effect on March 1, 1983, and was amended on February 22, 1993, October 27, 2001 and August 30, 2013, respectively, with the latest revision came into effect on May 1, 2014. Pursuant to the Trademark Law, any of the following acts constitutes an infringement on the exclusive right to use a registered trademark:

- Using a trademark identical with the registered trademark on the same kind of commodities without a license from the registrant of that trademark;
- Using a trademark similar to a registered trademark on the same commodities, or using a trademark identical with or similar to a registered trademark on similar goods, which may be easily confusing, without a license from the registrant of that trademark;
- Selling the commodities that infringe the exclusive right to use a registered trademark;
- Forging, manufacturing without authorization the marks of a registered trademark of others, or selling the marks of a registered trademark forged or manufactured without authorization;
- Changing a registered trademark and putting the commodities with the changed trademark into the market without a consent from the registrant of that trademark;
- Providing convenience for or help others to infringe the exclusive rights to use a registered trademark on purpose; and

REGULATORY OVERVIEW

- Causing other damage to the exclusive right to use a registered trademark of another person.

A trademark registrant can license others to use its registered trademark through execution of a trademark license contract. The licensor shall supervise the quality of licensee's commodities that use its registered trademark and the licensee shall ensure the quality of commodities that use such registered trademark. Any breach of the Trademark Law of the PRC may be subject to a fine, confiscation and destruction of infringed commodities.

Patent Law

According to the Patent Law of the PRC (中華人民共和國專利法) which was promulgated by the SCNPC on March 12, 1984 and amended on September 4, 1992, August 25, 2000 and December 27, 2008, respectively, and the Rules for the Implementation of the Patent Law of the PRC (中華人民共和國專利法實施細則) which was promulgated by the State Council on June 25, 2001 and amended on December 28, 2002 and January 9, 2010, respectively, an inventor or a designer may apply to the patent administration department under the State Council for the grant of an invention patent, a utility patent or a design patent. According to the Patent Law, the right to apply for a patent (a patent application) and registered patent rights can be transferred upon completion of registration with the competent patent administration department. The patent term for invention patent is 20 years and for utility or design patents is 10 years, in each case commencing from the application date of the patent. Patent holders are obligated to pay annual fees commencing from the year in which the patent right is granted. Failure to pay the annual fees may result in the termination of the patent.

LEGAL SUPERVISION OVER LABOR PROTECTION IN THE PRC

Labor Law

The Labor Law of the PRC (中華人民共和國勞動法), which was promulgated by the SCNPC on July 5, 1994, came into effect on January 1, 1995 and was amended on August 27, 2009, provides that an employer shall develop and improve its rules and regulations to safeguard the rights of its employees. An employer shall develop and improve its labor safety and health system, stringently implement national protocols and standards on labor safety and health, conduct labor safety and health education for employees, prevent labor accidents and reduce occupational hazards. Labor safety and health facilities must comply with relevant national standards. An employer must provide employees with the necessary labor protection equipment that complies with labor safety and health conditions stipulated in national regulations, and provide regular health checks for employees that are engaged in operations involving occupational hazards. Employees engaged in special operations shall have received specialized training and obtained relevant qualifications. An employer must also develop a vocational training system. Vocational training funds must be set aside and used in accordance with national regulations and vocational training for employees must be carried out systematically based on the actual conditions of the company.

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Labor Contract Law and its Implementation Regulations

The Labor Contract Law of the PRC (中華人民共和國勞動合同法), which was promulgated by the SCNPC on June 29, 2007, came into effect on January 1, 2008, and was amended on December 28, 2012, and the Implementation Regulations on the Labor Contract Law of the PRC (中華人民共和國勞動合同法實施條例) which was promulgated on September 18, 2008 and came into effect on the same day, regulate the relationship between employer and employee and contains specific provisions on labor contracts. Labor contracts must be made in writing and, after reaching agreement upon due negotiations, may be for a fixed-term or an un-fixed term, or conclude upon the completion of certain work assignments. An employer may legally terminate a labor contract and dismiss its employees after reaching an agreement upon due negotiations with the employees or by fulfilling relevant statutory conditions.

Social Insurance and Housing Provident Funds

According to relevant PRC laws, ordinances and regulations, including the Interim Measures Concerning the Maternity Insurance of Enterprises Employees (企業職工生育保險試行辦法) which was promulgated by the Ministry of Labor (renamed) on December 14, 1994 and came into effect on January 1, 1995, the Interim Regulations Concerning the Levy of Social Insurance Fees (社會保險費徵繳暫行條例) which was promulgated by the State Council on January 22, 1999 and came into effect on the same day, the Regulations on Unemployment Insurance (失業保險條例) which was promulgated by the State Council on January 22, 1999 and came into effect on the same day, the Regulations on Work Injury Insurance (工傷保險條例) which was promulgated by the State Council on April 27, 2003, came into effect on January 1, 2004 and was amended on December 20, 2010, and the Social Insurance Law of the PRC (中華人民共和國社會保險法) promulgated by the SCNPC on October 28, 2010 and came into effect on July 1, 2011, employees should participate in pension insurance, medical insurance, work injury insurance, unemployment insurance and maternity insurance, while employers should declare and make contributions to social insurance in full and on time. Where an employer fails to make contributions to social insurance in full and on time, the social insurance agency may order it to make payments or make up the shortfall within a specified time limit and charge an overdue fine. The relevant administrative department will impose a fine on the employer if no payment is made after expiry of the specified time limit.

According to the Regulations on the Administration of Housing Provident Fund (住房公積金管理條例) which was promulgated by the State Council on April 3, 1999, came into effect on April 3, 1999 and amended on March 24, 2002, a newly established entity shall go through housing provident fund payment and deposit registration with the housing provident fund management center within 30 days from the date of its establishment, and open housing provident fund accounts with a commissioned bank on behalf of its employees within 20 days from the date of registration by lodging the verification documents issued by the housing provident fund management center. Where an entity fails to go through payment and deposit registration of housing provident fund or fails to open housing provident fund accounts for its employees, the housing provident fund management center shall order it to go through the formalities within a prescribed time limit. Where it fails to do so after expiry of the time limit, a fine of more than RMB10,000 but less than RMB50,000 shall be imposed. The entity shall pay and deposit housing provident funds on time and in full, and may not be overdue in the payment and deposit of housing provident funds or make underpayment. Where an entity is overdue

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in the payment and deposit of, or underpays, the housing provident funds, the housing provident fund management center shall order it to make the payment and deposit within a prescribed time limit. If no payment and deposit is made after expiry of the time limit, an application may be made to the people's court for compulsory enforcement.

LEGAL SUPERVISION OVER UNFAIR COMPETITION, MONOPOLY AND ANTI-DUMPING

Law against Unfair Competition of the PRC

Pursuant to the Law against Unfair Competition of the PRC (中華人民共和國反不正當競爭法) which was promulgated by the SCNPC on September 2, 1993 and came into effect on December 1, 1993, an operator may not adopt unfair means which cause damage to its competitors to conduct transactions in the market, including counterfeiting the registered trademark of another person, infringing business secrets, using advertisements or other means to give false publicity, selling goods at a price below cost for the purpose of excluding its competitors, etc. Also, an operator may not carry out any illegitimate activity to infringe the rights and interests of consumers, including making a tie-in sale against the wish of the buyer or attach other unreasonable conditions in sales of goods, making false sales with prizes attached, promoting the sale of inferior but high-priced goods by offering prizes and making sales with prizes attached in the form of a lottery where the amount for the highest prize exceeds RMB5,000.

Anti-monopoly Law of the PRC

Pursuant to the Anti-monopoly Law of the PRC (中華人民共和國反壟斷法) which was promulgated by the SCNPC on August 30, 2007 and came into effect on August 1, 2008, in respect of the monopolistic conducts in economic activities carried out in the PRC, such as monopolistic agreements reached among the operators, abuse of dominant market positions, concentration of operators that eliminates or restricts or might eliminate or restrict competition, and in respect of overseas monopolistic conducts that eliminate or restrict competition in the domestic market, the antimonopoly execution authorities under the State Council have the right to order the operators to cease such illegal acts, confiscate the illegal gains, impose fines on them and take other enforcement actions.

Anti-dumping Law in India

The Customs Tariff Act, 1975 empowers the Central Government of India to impose anti-dumping duty on products imported in India. The powers of the Central Government of India are carried out by the Directorate General of Anti-dumping and Allied Duties under the Ministry of Commerce and Industry of India ("MCI"), in conjunction with the Ministry of Finance of India.

The Central Government of India may investigate any product for dumping either suo moto or on receipt of a written application from the domestic industry wherein the applicants account for at least 25% of the total production of the like article by the domestic industry in terms of the Customs Tariff (Identification, Assessment and Collection of Antidumping Duty on Dumped Articles and for Determination of Injury) Rules, 1995.

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The anti-dumping duty may be imposed on any product imported into India wherein the export price in India is lower than the “normal value” of the product. The anti-dumping duty may be imposed to the maximum of the margin of dumping (i.e. the difference between the export price and the “normal value” of the product).

The “normal value”, in relation to a product is determined by the Central Government of India by analyzing inter alia the: (i) comparable price of a like product when destined for consumption in the exporting territory; or (ii) comparable representative price of the like product when exported from the exporting territory to an appropriate third country; or (iii) the cost of production of the said product in the country of origin along with reasonable addition for costs, and profits as may be applicable.

On determination of the “normal value” and the margin of dumping, the anti-dumping duty is imposed by the Central Government of India by a notification in the Official Gazette. An appeal against the same lies with the Customs, Excise and Gold (Control) Appellate Tribunal (constituted under section 129 of the Customs Act). Such appeal should ideally be filed within 90 days of the date of the notification under appeal.

Pending the final determination of the anti-dumping duty, the Central Government of India is empowered to impose a provisional anti-dumping duty on the product on the basis of a provisional estimate of such value and margin. In the event the provisional anti-dumping duty imposed is higher than the final anti-dumping duty, the Central Government of India must reduce such anti-dumping duty and refund the excess duty collected.

The anti-dumping duty will cease to have effect on expiry of five years from the date of such imposition. However, the Central Government of India may extend the period of such imposition for a further period of five years.

As of the Latest Practicable Date, save as the above legal supervision over monopoly, unfair competition and anti-dumping in relation to our products, there are no other regulations which are applicable or of a material relevance to our products imported into various countries by our customers.

OVERVIEW OF RELEVANT LAWS AND REGULATIONS IN RESPECT OF EXPORT OF PRODUCTS BY OUR GROUP TO OUR MAJOR EXPORTING COUNTRIES

Rules and regulations relevant to our export to India

In general, import of products into India is subject to, and must comply with, domestic Indian laws, rules, orders and regulations, specifications, environmental and safety norms as applicable to domestically produced goods. The Indian legal framework on foreign trade policy i.e., import into India and export from India, comprise various laws, policy statements, other orders and rules passed by the Indian Government from time to time, key amongst them being:

- Foreign Trade (Development & Regulation) Act, 1992 (“FTDRA”);
- Foreign Trade (Regulation) Rules, 1993;

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- Foreign Trade (Exemption From Application of Rules in Certain Cases) Order; 1993;
- The Safeguard Measures (Quantitative Restrictions) Rules, 2012;
- Foreign Trade Policy (2015 to 2020);
- Handbook of Procedures - Vol. I;
- Handbook of Procedures - Vol. II incorporating the Standard Input Output Norms;
- Customs Act, 1962 read with the Customs Tariff Act, 1975;
- Indian Trade Clarification (Harmonized System); and
- Manufacture, Storage and Import of Hazardous Chemical Rules, 1989 issued under the Environment (Protection) Act, 1986.

Chemical products presently exported by members of our Group to our customers in India, may be freely exported, and it is the Indian customers who undertake responsibility to import these chemical products and comply with applicable requirements primarily set out under the extant EXIM Policy (as defined below).

Export Import Policy Framework in India

Foreign Trade Policy 2015-2020 (Foreign Trade Policy, Handbook of Procedures Vol. I & II (“EXIM Policy”))

In India, the import and export of goods is governed by the FTDR, and India’s EXIM Policy. In India, the Directorate General of Foreign Trade (“**DGFT**”) is the principal governing body responsible for all matters related to the EXIM Policy.

The Foreign Trade Policy is effective for a period of five years. The current EXIM Policy is applicable from April 1, 2015 to March 31, 2020. The EXIM Policy monitors foreign trade into India and provides guidelines, incentives and restrictions on export from, and imports into, India.

There are no specific domestic compliances on the exporter, who exports products into India. Such exporter must comply with the laws of its own jurisdiction.

Importers, i.e. the Indian customer of the exported product, are permitted to engage in export and import trade, provided they obtain an Importer Exporter Code Number (“**IEC**”) from the DGFT. Once the IEC is issued, the source of items for import must be identified and declared. The ITC-HS (as defined below) allows for free import of most goods, without a special import license, unless the goods have been specifically categorized as Licensed (Restricted) Items; Canalized Items or Prohibited Items under the ITC-HS.

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All importers must follow detailed customs clearance formalities when importing goods into India. An importer must submit a bill of entry and supporting documents (such as invoice, bill of lading or delivery order/airway bill, letter of credit/bank draft, insurance document, import license, etc.) to the custom authorities at the port/airport of import. The bill of entry certifies the description, end-use and value of the goods entering the country. The rate of duty applicable on a particular good is as on the date it is removed from a warehouse, but may be subject to change. The importers may also complete these formalities through an electronic data interchange system, with less paper work. The bill of entry number may then be used to complete the import of goods into India.

Import Tariff/Duties and Import Export Classification, ITC (HS) Code

Import tariffs are typically taxes or duties imposed by governments on import of goods and services. In India, tariff based levies or taxes imposed on imports are referred to as customs duty or import duty. The imposition or levy of customs duty is governed by the Customs Act, 1962 (“**Customs Act**”) read with the Customs Tariff Act, 1975.

Section 12 of the Customs Act, provides for levy of duties on goods imported into or exported from India. Import and export of goods must be assessed to duty. The goods are classified under Schedules I and II of the Customs Tariff Act, 1975. Schedule I sets out various categories of goods and products and the corresponding duty applicable to such category. The classification of goods is based on Indian Trade Clarification (Harmonized System) (“**ITC (HS)**”) Codes.

The Harmonized Commodity Description and Coding System, also known as the Harmonized System (HS) of tariff nomenclature is an internationally standardized system of names and numbers to classify traded products. ITC-HS Codes or better known as Indian Trade Clarification based on Harmonized System of Coding was adopted in India for import-export operations. Indian custom uses an eight digit ITC-HS Codes to suit the national trade requirements. Schedule I of the ITC (HS) Codes determines the duty applicable on products listed therein. Chemical products manufactured by us and imported by our customers into India are classified as “Organic Chemicals” under Chapter 29, Schedule I of the ITC (HS). The basic custom duty on import of “Organic Chemicals”, as classified under Chapter 29, ranges from 10% to 12.5%, depending on classification of the product. As such, the export of chemical products by members of our Group to India, is subject to import tariffs (custom duty), when imported into India. The customs duty must be paid by the importer (i.e. Indian entity) when it receives the chemical products.

Handling of Hazardous Chemicals in India

Manufacture, Storage and Import of Hazardous Chemicals Rules, 1989 (made under the Environment (Protection) Act, 1986) (“Chemical Rules”)

While the DGFT monitors the types of goods that may be imported into India, the Chemical Rules regulate the import of hazardous chemicals into India. The Chemical Rules were notified under the Environment (Protection) Act, 1986 by the Ministry of Environment & Forests and cover industrial

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activities in terms of processes and storages involving specified hazardous chemicals classified under the Chemical Rules as “toxic”, “flammable” (only liquid and gaseous chemicals) and “explosive”. These encompass most of the chemicals and petrochemicals industries using chemicals, which are flammable, explosive, toxic or reactive.

An Indian state authority may ask the Indian importer to supply the following information and documents. If the state authority determines that the imported chemical is hazardous and may cause an accident, it may direct the importer to stop such imports. The importer of hazardous chemicals must:

- supply information such as name and address of importer, quantity of chemicals, product safety information, etc.;
- maintain records of hazardous chemicals imported, which may be subject to inspection by the state or the Ministry of Environment and Forests; and
- ensure that the transport of hazardous chemicals from port of entry to the ultimate destination is in accordance with the Central Motor Vehicles Rules, 1989.

Quality Standards

Bureau of Indian Standards Act, 1986

The Bureau of Indian Standards (“**BIS**”) is the national standards body of India and has been constituted as a statutory body under the Bureau of Indian Standards Act, 1986. BIS sets out and monitors the policy and laws relating to standardization and certification of products and services. In terms of the EXIM Policy, products which are subject to mandatory BIS certification, cannot be imported into India without BIS certification. Importers who wish to import such products into India must obtain BIS certification.

As of the Latest Practicable Date, approximately 90 items manufactured overseas and imported to India, including certain of our chemical products imported by our customers to India, must have BIS certification and comply with quality specifications stipulated by BIS.

As our products are dye and pigment intermediates, which have to be further processed by downstream manufacturers before they are used in consumer products and only form part of such end products, we are of the view that laws and regulations relating to product safety and liability, as set out in paragraphs below, will not have a material impact on our operation.

Product liability laws and regulations in Germany

German product liability law consists of the Product Liability Act (Produkthaftungsgesetz) as well as product liability based on tort law (section 823 German Civil Code, BGB). Product liability law applies in the event that damage was caused or might occur within the territory of Germany irrespective of the economic operator’s business seat. Product liability law applies if damage was caused by defective products. The law constitutes an obligation of the economic operators — mainly

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the manufacturer and the importer — to compensate personal injuries or property damage suffered by anyone involved in the use of the defective product. However, it does not define specific quality requirements or general rules for bringing products onto the German market. Instead, product liability law defines the general rule that a product has to be safe for adequate use in accordance with the technical standard as defined by the state of art and science applicable to product design, manufacturing or the provision of user instructions (through user manuals and safety messages), and with the expectations regarding product safety resulting from the product's presentation. The safe adequate product use is based on an individual risk analysis (such a risk analysis is also needed to comply with the European Union Law). If substances or mixtures comply with the European Law, the requirements for proper user instruction can be deemed fulfilled. In addition, to avoid liability, a proper production of the substances and mixtures must be proved for each delivery. Further, if substances and mixtures are not applied or used directly by end-users (as is the case with the products, namely DMS, DSD Acid, NTS, CDMA, DIPS and DNS) the likelihood of product liability decreases.

Product safety and liability laws and regulations in the US

Product safety laws and regulations

The Consumer Product Safety Act (“CPSA”) was enacted “to assist consumers in evaluating the comparative safety of consumer products; to develop uniform safety standards for consumer products and to minimize conflicting state and local regulations; and to promote research and investigation into the causes and prevention of product related death, illnesses, and injuries.” To that end, the CPSA created the Consumer Products Safety Commission (“CPSC”), an independent regulatory commission, and empowers it to promulgate consumer product safety standards to prevent or reduce “an unreasonable risk of injury associated with such product.”

In 2008, the Congress passed the Consumer Product Safety Improvement Act (“CPSIA”). The CPSIA represents a significant overhaul of consumer product safety laws and was designed to enhance federal and state efforts to improve the safety of all products that are imported into and distributed in the US.

Significantly, the CPSIA expands the power of the CPSC to ban and recall products that present a “substantial product hazard” and to enforce applicable law by refusing entry to imports, seizing violative products, and imposing civil and criminal penalties. The CPSIA further requires manufacturers or importers to provide a “general conformity certificate” to accompany any consumer product imported into the US that is subject to a consumer product safety rule under the CPSIA or under any similar rule, ban, standard, or regulation under any other statute enforced by the CPSC. The certificate must certify that the particular consumer product complies with all applicable consumer product safety rules, standards and regulations, including the CPSA, and must be premised on a “test of the products or a reasonable testing program.”

REGULATORY OVERVIEW

Product liability laws and regulations

In the US, liability for defective consumer products, including products containing defective components of consumer products, can result from state product liability laws. These laws are not found in a single all-encompassing body of law or statute, but rather are the result of different product liability laws and differing judicial precedents in all 50 states. Further differences can arise due to the overlay of the federal judicial system, which results in the possibility that a given case will be decided either by a state court or by a federal court within that state, depending on the circumstances. While the specifics differ in significant ways, the following provides a broad overview of the approaches to product liability law that are taken in the various jurisdictions of the US.

In many states, a product will be considered defective for purposes of potential product liability if a court or jury determines the product to be unsuitable for the specific purpose for which it was intended. In some other states, the question is whether the product is unreasonably dangerous. Certain other states evaluate the product from the perspective of the reasonable expectation of the user, while still others follow a variation on one of the foregoing standards. Whichever test is followed, however, the burden is on the claimant to establish that the product in question was defective when it was manufactured, that the defect caused the claimant's injury, and that the claimant suffered damages as a result.

Product defects generally fall into three broad categories: (1) manufacturing defects, which cause the product to malfunction; (2) design defects which result in injury; and (3) inadequate product warnings. A few states have added an additional post-sale duty to warn of a known defect, designed to prevent future injuries involving the same product.

Claimants may also be able to assert claims against a manufacturer premised on negligence, breach of warranty, or other theories. In some jurisdictions, claimants may also be able to recover statutory damages and attorneys' fees if they can establish that state or federal consumer protection statutes, such as the CPSA or CPSIA, have been violated by the manufacturer. States have a variety of safety-driven consumer product regulation, which often target specific goods. The sources for these regulations are either state statutes or administrative regulations that place specific requirements on certain industries. Such requirements often take the form of labeling or licensing requirements and are usually enforced by public health or state safety agencies or by state attorneys-general. Civil and/or criminal penalties may be imposed for violations of the safety-driven consumer product regulations. If a claimant is able to prove reckless or intentional behavior on the part of the manufacturer, it may also be able to recover punitive damages against a manufacturer.

Product liability suits may be brought by individual plaintiffs who have sustained injury, death or property damage due to a defective product, or by groups of plaintiffs who have suffered similarly-situated claims relating to a product and who are certified by a court as a proper class of plaintiffs to act together to bring a class action suit in the US. Manufacturers may also be subject to cross-claims or third party claims for indemnity or contribution that are brought by defendants in a product liability suit. This may occur, for example, when a retailer, who has sold the allegedly defective product made by a manufacturer, is sued by the user of the product, or when a manufacturer, who included an allegedly defective component in its product that renders the consumer product allegedly defective, is sued by the user of the product.

REGULATORY OVERVIEW

In the US, state “long arm” statutes may be used to exercise, or attempt to exercise, jurisdiction over a foreign manufacturer in state or federal court in the Territory. Typically, the exercise of such “long arm” jurisdiction is based on some action of the defendant which subjects it to the jurisdiction of the court. Such actions include knowingly manufacturing, selling, and introducing into commerce a product that is intended to be purchased by end-users in the US.

There are a number of viable defenses to product liability or similar claims that may be available to a manufacturer. These include, but are not limited to, product misuse, assumption of the risk, superseding cause, lack of a defect, and lack of causation. A disclaimer or limitation of warranties may also be germane in a breach of warranty action.

If a product liability claim is proven, the following types of damages, among others, may be recoverable depending on the particular facts and the specific jurisdiction: (1) money damages for pain and suffering; (2) money damages for lost earnings or medical expenses; (3) long-term care expenses; (4) loss of financial support; (5) loss of consortium; (6) damage to property (e.g., by reason of a fire caused by the defect); and (7) punitive damages.

There are costs involved in defending a product liability lawsuit. These may include the cost of legal discovery, attorneys’ fees, expert fees, administrative costs, trial costs, appeal costs, and the potential for an adverse verdict and judgment. Depending upon the jurisdiction, the facts, and the decision-maker (court or jury), money damages can be sizeable. In most cases, product liability claims are litigated in court, but claims sometimes may be arbitrated or mediated to resolution. Normally, subject to certain protections extended to the manufacturer, the claimant selects which of these approaches will apply, as well as the particular jurisdiction and court or other forum in which the claim will be tried.

OUR HISTORY AND DEVELOPMENT

OVERVIEW

Our Founder

The operation history of our Group can be traced back to the establishment of Huage Dye by Huayu Chemical Plant (which was established in 1995), the Employee Share Ownership Committee of Huayu Chemical Plant and five other independent third parties in December 1997. Huage Dye had been principally engaging in the production and sale of DSD Acid, our major product, from December 1997 to September 2013. The operating assets of Huage Dye were acquired by Tsaker Dongguang in September 2013. Mr. Ge Jianhua, the founder of our Group and the father of Mr. Ge Yi, first acquired control of over 30% of equity interests in our Group in 2005 when Huage Holdings, the holding company of our Group prior to the reorganization which was beneficially wholly-owned by Mr. Ge Jianhua in 2005, first became a controlling shareholder of Huage Dye.

After a series of capital injection and equity transfers as set out below, Huage Dye was beneficially held as to approximately 33.61%, 33.61% and 32.78% respectively by Huayu Chemical Plant, Huage Holdings (which was then beneficially wholly-owned by Mr. Ge Jianhua) and Mr. Ge Jianhua in April 2005. Mr. Ge Jianhua funded the acquisition of equity interest in Huage Dye by cash savings.

Tsaker Cangzhou was established in September 2005 by Huage Fine Chemicals, together with Houston Trade and an independent investor. Tsaker Cangzhou has been engaging in the production of pigment intermediates since its establishment. At the time of its establishment, Huage Fine Chemicals was held as to 49.56% and 50.44% respectively by DJ International Company (帝捷國際公司) (which was owned by Ge Jianzhi, brother of Mr. Ge Jianhua) and Huage Holdings (which was then beneficially wholly-owned by Mr. Ge Jianhua). The contribution to the registered capital of Tsaker Cangzhou by Huage Fine Chemicals was funded by Mr. Ge Jianhua's gains in his other investments. Huage Fine Chemicals, an entity controlled by Huage Holdings, successfully developed DMS, DMSS and DIPS in March 2001, October 2001 and March 2004, respectively. The production and sale of DMS, DMSS and DIPS were transferred from Huage Fine Chemicals to Tsaker Cangzhou in the third quarter of 2011. Tsaker Dongying was established in May 2014 to focus on the production of DSD Acid, PNT, ONT, MNT, OT and NMP.

Mr. Ge Jianhua, our founder, has over 30 years of experience in the chemical engineering industry. Prior to joining our Group, Mr. Ge Jianhua was a researcher of Petroleum and Chemical Industry Research Institute of Hebei Province (河北省石油化學工業研究所) from February 1982 to January 1984 and was the assistant factory manager and subsequently promoted to the vice factory manager of Fertilizer Factory of Dongguang County, Hebei Province (河北省東光縣化肥廠) from January 1984 to January 1993. Mr. Ge Jianhua was the head of Xinghua Chemical Plant of Dongguang County, Hebei Province (河北省東光縣興華化工廠) from January 1993 to December 1994.

Huage Holdings was beneficially wholly-owned by Mr. Ge Jianhua in June 2009 when Mr. Ge Jianhua transferred 75% beneficial equity interests in Huage Holdings to Mr. Ge Yi, our Chairman, executive Director and Chief Executive Officer and the son of Mr. Ge Jianhua. Since then, Mr. Ge Yi became a Controlling Shareholder of our Group.

OUR HISTORY AND DEVELOPMENT

Development of our Group

Our Group has continued its rapid growth and expanded the production of dye and pigment intermediates since its acquisition of the controlling interests in Huage Dye and the establishment of Tsaker Cangzhou in 2005. During the Track Record Period, we principally produced DSD Acid, DMSS and DATA as well as other fine chemicals in small amount including NTS, DNTS, DMS, DMAS, DIPS, CDMA and TCCBM. Since February 2015, we have started to produce PNT, ONT, OT, MNT and NMP, and we also plan to produce 2B Acid and 4B Acid in future.

On May 7, 2013, Tsaker Dongguang was established in the PRC with a registered capital of RMB50 million to acquire certain operating assets of Huage Dye and to engage in the production and sale of dye intermediates and other chemicals. See “— Development of our Group — Establishment of Tsaker Dongguang” below for further details.

On October 17, 2013, Tsaker Beijing was established in the PRC with a registered capital of RMB40 million to focus on the technology research and development on our chemical products and ancillary services. See “— Development of our Group — Establishment of Tsaker Beijing” below for further details.

On May 20, 2014, Tsaker Dongying was established in the PRC with a registered capital of RMB30 million to focus on the production and sale of DSD Acid, PNT, ONT, MNT, OT and NMP as of the Latest Practicable Date. See “— Development of our Group — Establishment of Tsaker Dongying” below for further details.

KEY BUSINESS MILESTONES

The following table sets forth a summary of the key development milestones of the business of our Group:

Year	Milestone Event
1997 . . .	Huage Dye was established to principally engage in the production and sale of DSD Acid.
2001 . . .	Huage Fine Chemicals successfully developed DMS and DMSS in March 2001 and October 2001, respectively.
2004 . . .	Huage Fine Chemicals successfully developed DIPS in March 2004.
2005 . . .	Mr. Ge Jianhua and Huage Holdings became beneficially interested in approximately 32.78% and 33.61% of the equity interests respectively in Huage Dye in April 2005.
2008 . . .	Tsaker Cangzhou successfully developed DMAS in January 2008.
2011 . . .	Huage Holdings was recognized as Hebei Dyes and Pigments Engineering Technology Research Centre (河北省染料與顏料工程技術研究中心) by Hebei Provincial Department of Science and Technology (河北省科學技術廳).

OUR HISTORY AND DEVELOPMENT

Year	Milestone Event
	Production and sale of DMS, DMSS and DIPS were transferred from Huage Fine Chemicals to Tsaker Cangzhou.
2012 . .	Huage Dye was awarded Key High Technology Enterprise of the National Torch Programme (國家火炬計劃重點高新技術企業) by Torch High Technology Industry Development Center, Ministry of Science and Technology (科技部火炬高新技術產業開發中心).
2013 . .	Tsaker Dongguang was established to acquire certain operating assets of Huage Dye and to principally engage in the production and sale of dye intermediates and other chemical products. Tsaker Beijing was established to focus on the technology research and development of our chemical products and ancillary services.
2014 . . .	Tsaker Dongying was established to focus on the production and sale of DSD Acid, PNT, ONT, MNT, OT and NMP.
2015 . . .	We leased certain production assets in relation to the production of, among others, PNT, ONT, MNT and OT from Dongao Chemicals in January 2015 and has commenced the production of PNT, ONT, MNT and OT, in February 2015.

DEVELOPMENT OF OUR GROUP

We conduct our businesses primarily through our PRC operating subsidiaries. In particular, our dye intermediate businesses are currently conducted through Tsaker Dongguang, while our pigment intermediate businesses are currently conducted through Tsaker Cangzhou. Our Company holds our PRC operating subsidiaries through Tsaker Hong Kong which was incorporated in Hong Kong. Set out below is a brief outline of the corporate development of our Group prior to the Reorganization.

Establishment and Development of Huayu Chemical Plant

Huayu Chemical Plant, a wholly state owned enterprise (全民所有制企業), was established on May 5, 1995 with registered capital of RMB1 million. Mr. Ge Jianhua was appointed as the factory manager and the legal representative of Huayu Chemical Plant at the time of its establishment.

On October 10, 1997, Huayu Chemical Plant and an independent third party (which was a state owned enterprise), among others, entered into a corporation transfer agreement, pursuant to which the interest in Huayu Chemical Plant was transferred to the independent third party. Such transfer was completed on November 19, 2000 and the independent third party became the sole beneficial owner of Huayu Chemical Plant until the entire equity interest of Huayu Chemical Plant was acquired by Tsaker Cangzhou in 2014. See “— Reorganization — (5) Acquisition of Huayu Chemical Plant and its Merger with Tsaker Cangzhou by Absorption” below for further details.

Huayu Chemical Plant was established to engage principally in the production and sale of DSD Acid. Except for the leasing of land to Huage Dye, Huayu Chemical Plant ceased its production after it has injected its assets into Huage Dye when Huage Dye was established in December 1997.

OUR HISTORY AND DEVELOPMENT

Establishment and Development of Huage Dye, the Operating Assets of which have been acquired by Tsaker Dongguang after Reorganization

Huage Dye was established under the name of Hebei Huayu Chemical Co., Ltd. (河北華煜化工股份有限公司) in the PRC on December 25, 1997 to principally engage in the production of DSD Acid and other chemicals. At the time of its establishment, it was held as to approximately 49.28%, 44.26%, 1.39%, 2.46%, 0.72%, 0.76% and 1.13% respectively by Huayu Chemical Plant, the Employee Share Ownership Committee of Huayu Chemical Plant, Xing Shouxun, Cui Fenglan, Chen Junlan, Cui Tangjie and Chen Xuewei. Huayu Chemical Plant contributed the capital by asset injection including production plant and facilities. The Employee Share Ownership Committee of Huayu Chemical Plant, being an internal organization through which employees of Huayu Chemical Plant held the shares of Huayu Chemical Plant, contributed to the registered capital by cash. Each of Xing Shouxun, Cui Fenglan, Chen Junlan, Cui Tangjie and Chen Xuewei was a director of Huage Dye and was an independent third party. The registered capital of Huage Dye as of the date of its establishment was approximately RMB16.57 million.

In 2001, three equity transfer agreements were entered into between the following transferors and transferees in relation to the equity interest of Huage Dye for such cash consideration, which were determined based on an asset valuation of Huage Dye as at December 31, 2000 conducted by an independent valuer, the details of which are set out in the table below:-

Date of the Relevant Equity Transfer Agreement	Transferor(s)	Transferee(s)	Equity Interest Involved	Consideration
			<i>Approximate %</i>	<i>(in RMB)</i>
July 1, 2001.	Employee Share Ownership Committee of Huayu Chemical Plant	Dongguang Huaying Chemical Co., Ltd (東光華營化工有限公司) (“ Dongguang Huaying ”)	2.72%	623,381.50
July 1, 2001.	Xing Shouxun	Ge Jianhua	1.39%	319,587.50
	Chen Junlan	Ge Jianhua	0.72%	164,112.50
	Cui Tangjie	Ge Jianhua	0.76%	174,136.15
	Chen Xuewei	Ge Jianhua	0.27%	62,966.68
	Chen Xuewei	Dong Zhongmei, member of senior management of Huage Dye, an executive Director and Vice-President (Sales & Procurement) of our Company	0.51%	116,730.63
	Chen Xuewei	Employee Share Ownership Committee of Huayu Chemical Plant	0.35%	79,427.69

OUR HISTORY AND DEVELOPMENT

Date of the Relevant Equity Transfer Agreement	Transferor(s)	Transferee(s)	Equity Interest Involved	Consideration
			<i>Approximate %</i>	<i>(in RMB)</i>
July 10, 2001	Cui Fenglan	Dongguang Huaying	2.22%	509,543.40
	Cui Fenglan	Employee Share Ownership Committee of Huayu Chemical Plant	0.23%	53,276.10

The primary reason of the above transfers is for Mr. Ge Jianhua to acquire equity interests in Huage Dye. Dongguang Huaying's acquisition of the equity interest was funded by its operating income. Dongguang Huaying engaged primarily in the production of sulfuric acid for use by Huage Dye. Dongguang Huaying was established in October 2000 and was held as to approximately 48.33% and 51.67% by Huage Holdings and two independent third parties, respectively, at the time of its establishment. Huage Holdings was beneficially held as to 40% and 60% by Mr. Ge Jianhua and four independent third parties, respectively, at the time of establishment of Dongguang Huaying. Dongguang Huaying subsequently changed its name to Hebei Huage Non-Organic Chemical Co., Ltd. (河北華戈無機化學有限公司), which merged with Huage Dye by absorption and was deregistered in March 2010. The acquisition of the equity interest by Mr. Ge Jianhua and Dong Zhongmei was funded by their respective cash savings.

In addition to the transfers of equity set out in the above table, on August 30, 2001, the equity interest holders of Huage Dye also resolved to increase the registered capital of Huage Dye from approximately RMB16.57 million to approximately RMB25.05 million, which was respectively contributed by Dongguang Huaying and the Employee Share Ownership Committee of Huayu Chemical Plant. Upon completion of the above transfers of equity interest and capital injection in August 2001, the registered capital of Huage Dye was beneficially owned in the manner as follows:-

Holders of Equity Interest	Registered Capital	
	<i>(RMB in millions)</i>	<i>Approximate %</i>
Huayu Chemical Plant	8.17	32.61
Dongguang Huaying	1.00	3.99
Employee Share Ownership Committee of Huayu Chemical Plant	15.28	60.98
Ge Jianhua	0.52	2.08
Dong Zhongmei	<u>0.08</u>	<u>0.34</u>
Total	<u>25.05</u>	<u>100.00</u>

As Mr. Ge Jianhua believed in the growth potential of the dye and pigment intermediates industry in the PRC, Mr. Ge Jianhua invested further in Huage Dye, and subsequently, in Huage Holdings and

OUR HISTORY AND DEVELOPMENT

Tsaker Cangzhou. In January 2005, seven equity transfer agreements were entered into between the following transferors and transferees for such cash consideration. The details of the equity transfers in Huage Dye in 2005 were set out in the table below:-

Date of the Relevant Equity Transfer Agreement	Transferor(s)	Transferee(s)	Equity Interest Involved	Consideration
			<i>Approximate %</i>	<i>(in RMB)</i>
January 9, 2005	Employee Share Ownership Committee of Huayu Chemical Plant	Huage Holdings	29.6155%	10,252,983.4 ⁽¹⁾
January 9, 2005	Dongguang Huaying	Huage Holdings	3.99%	1,382,924.6 ⁽¹⁾
January 9, 2005	Employee Share Ownership Committee of Huayu Chemical Plant	Huayu Chemical Plant	1%	347,888.1 ⁽¹⁾
January 9, 2005	Employee Share Ownership Committee of Huayu Chemical Plant	Dong Zhongmei, member of senior management of Huage Dye, an executive Director and Vice-President (Sales & Procurement) of our Company	7.3373%	2,231,414.55 ⁽²⁾
January 9, 2005	Employee Share Ownership Committee of Huayu Chemical Plant	Qin Zhizhong, member of senior management of Huage Dye	7.6745%	2,333,955.06 ⁽²⁾
January 9, 2005	Employee Share Ownership Committee of Huayu Chemical Plant	Li Yaojie, member of senior management of Huage Dye	7.6745%	2,333,953.38 ⁽²⁾
January 9, 2005	Employee Share Ownership Committee of Huayu Chemical Plant	Shen Dongmei, member of senior management of Huage Dye	7.6745%	2,333,953.38 ⁽²⁾

Notes:

1. The consideration was determined based on the valuation conducted during the capital injection in Huage Dye in 2001, since for the period between 2001 and 2004, there had not been material change in the net assets value of Huage Dye.
2. The consideration was determined with reference to (i) the valuation conducted during the capital injection in Huage Dye in 2001 and (ii) arm's length negotiation among the parties.

OUR HISTORY AND DEVELOPMENT

After the above transfers, Huage Dye was legally held as to 33.61%, 33.61%, 7.67%, 7.67%, 7.67%, 7.67% and 2.08% respectively by Huayu Chemical Plant, Huage Holdings, Dong Zhongmei, Qin Zhizhong, Li Yaojie, Shen Dongmei and Mr. Ge Jianhua. Each of Qin Zhizhong, Li Yaojie, Shen Dongmei was an independent third party and together with Dong Zhongmei, they held their equity interests for and on behalf of Mr. Ge Jianhua since Mr. Ge Jianhua intended to keep his investment low profile. Accordingly, Huage Dye was beneficially held as to approximately 33.61%, 33.61% and 32.78% respectively by Huayu Chemical Plant, Huage Holdings (which was then beneficially wholly-owned by Mr. Ge Jianhua) and Mr. Ge Jianhua in April 2005. Mr. Ge Jianhua funded the acquisition of equity interest in Huage Dye by cash savings. As of the date of the completion of such transfers, Mr. Ge Jianhua was the sole beneficial owner of all equity interest in Huage Holdings.

A fellow subsidiary of Huayu Chemical Plant subsequently acquired 33.61% equity interest in Huage Dye from Huayu Chemical Plant in December 2005. To the best knowledge and belief of our Directors, such transfer was conducted due to internal reorganization. After a series of transfer of equity interest between the nominees of Mr. Ge Jianhua and Huage Holdings in December 2007, Huage Dye was held as to 33.61% and 66.39% by the fellow subsidiary of Huayu Chemical Plant and Huage Holdings, respectively. In February 2009, as Mr. Ge Jianhua believed in the growth potential of DSD Acid market in the PRC, Huage Holdings acquired 33.61% of equity interest in Huage Dye from the fellow subsidiary of Huayu Chemical Plant pursuant to an equity transfer agreement dated January 24, 2009 entered into between the fellow subsidiary of Huayu Chemical Plant and Huage Holdings for a consideration of approximately RMB42.0 million, which was determined based on an asset valuation of Huage Dye as at December 31, 2007 conducted by an independent valuer. Huage Holdings' acquisition of the equity interest from the fellow subsidiary of Huayu Chemical Plant was funded by its operating income. Upon the completion of such transfer, Huage Dye was held as to 99% and 1% respectively by Huage Holdings and Mr. Ge Jianhua. As of the date of completion of such transfer, Huage Holdings was beneficially wholly-owned by Mr. Ge Jianhua.

Establishment and Development of Huage Holdings, Holding Company of our Group prior to the Reorganization

Huage Holdings was established on December 6, 1999 under the name of Dongguang County Huaguang Chemicals Co., Ltd. (東光縣華光化工有限責任公司) with a registered capital of RMB1 million. The principal activity of Huage Holdings is investment holding. At the date of its establishment, Huage Holdings was beneficially held as to 40%, 20%, 20% and 20% respectively by Mr. Ge Jianhua, Ma Yingru, Liu Jinfeng and Meng Desheng. Mr. Ge Jianhua's contribution to the registered capital was funded by cash savings. Each of Ma Yingru, Liu Jinfeng and Meng Desheng was an employee of our Group and was an independent third party.

After a series of capital injection and equity transfer, on May 13, 2002, Huage Holdings was held as to 16.7%, 16.7%, 16.7% and 50% respectively by Ji Xiuyan, Si Yunzhi, Zhang Baoping and Cui Fenglan, all of whom were independent third parties and held the equity interest in Huage Holdings on behalf of Mr. Ge Jianhua since Mr. Ge Jianhua intended to keep his investment low profile. Mr. Ge Jianhua funded such capital injection and acquisition of equity interest by his cash savings.

OUR HISTORY AND DEVELOPMENT

After a series of capital injection and the transfer of equity interest between nominees of Mr. Ge Jianhua and Mr. Ge Yi during the period from 2002 to 2013, Huage Holdings was beneficially held as to 75% and 25% respectively by Mr. Ge Yi and Mr. Ge Jianhua in June 2009 and 80% and 20% respectively by Mr. Ge Yi and Mr. Ge Jianhua in March 2011. Subsequently for the period from April 2013 to November 2013, the beneficial interests of Mr. Ge Yi decreased from 80% to 71.5% while the beneficial interests of Mr. Ge Jianhua increased from 20% to 28.5% after a series of capital reduction and equity transfer. As of the Latest Practicable Date, Huage Holdings was owned as to 28.56% and 71.44% respectively by Mr. Ge Jianhua and Mr. Ge Yi.

Establishment and Development of Tsaker Cangzhou and the Acquisition of Tsaker Hong Kong

Tsaker Cangzhou was established to focus on the production of certain fine chemicals on September 23, 2005. At the time of its establishment, Tsaker Cangzhou had an initial registered capital of RMB13.08 million and was held as to approximately 38.2%, 30.9% and 30.9% respectively by Huage Fine Chemicals, Houston Trade and a corporate investor which was an independent third party.

As of the date of the establishment of Tsaker Cangzhou, Huage Fine Chemicals was a sino-foreign joint venture company established in the PRC and was then held as to 50.44% and 49.56% respectively by Huage Holdings, the equity interest of which was then beneficially wholly-owned by Mr. Ge Jianhua, and DJ International Company (帝捷國際公司), which was owned by Ge Jianzhi, brother of Mr. Ge Jianhua. The production and sale of DMS, DMSS and DIPS were transferred from Huage Fine Chemicals to Tsaker Cangzhou in the third quarter of 2011. Huage Fine Chemicals was subsequently deregistered in February 2013. The contribution to the registered capital of Tsaker Cangzhou by Huage Fine Chemicals was funded by Mr. Ge Jianhua's gain in his other investments. As at the date of the establishment of Tsaker Cangzhou, Houston Trade was held by Ms. Lin Jie, sister-in-law of Mr. Ge Jianhua.

Following the initial establishment of Tsaker Cangzhou, the corporate investor transferred the equity interest it held in Tsaker Cangzhou to its 50% ultimate beneficial owner, who is an independent third party, in October 2005 and Huage Fine Chemicals transferred the equity interest it held in Tsaker Cangzhou to Huage Holdings in June 2007 due to the change in holding company by Mr. Ge Jianhua. Subsequent to a capital injection with an aggregate amount of RMB12.50 million in January 2007 and the aforesaid two transfers, Tsaker Cangzhou was held as to approximately 47.33%, 29.44% and 23.23% respectively by Huage Holdings, Houston Trade and the independent investor. In 2011, Ms. Lin Jie and the independent investor would like to realize their investments in Tsaker Cangzhou, and Mr. Ge Yi intended to consolidate the equity interest in Tsaker Cangzhou. Therefore, Houston Trade, the independent investor, Tsaker Hong Kong and the entities controlled by Mr. Ge Yi, namely Cavalli and Huage Holdings, executed certain agreements pursuant to which Houston Trade sold its 29.44% of equity interest in Tsaker Cangzhou at a consideration of approximately US\$7.71 million while the independent investor sold its 23.23% of equity interest in Tsaker Cangzhou at a consideration of approximately US\$6.09 million. The consideration was determined with reference to the net asset value of Tsaker Cangzhou as of December 31, 2010.

OUR HISTORY AND DEVELOPMENT

Immediately after this series of changes in equity interest in 2011, Tsaker Cangzhou was held as to 75% and 25% respectively by Huage Holdings, which was then beneficially held as to 20% and 80% respectively by Mr. Ge Jianhua and Mr. Ge Yi, and Tsaker Hong Kong, which was wholly-owned by Cavalli. Tsaker Hong Kong was an investment holding company incorporated for the purpose of holding Tsaker Cangzhou.

Incorporation of Cavalli, holding company held by Mr. Ge Yi

On March 11, 2011, Cavalli was incorporated in the BVI with a share capital of US\$50,000 divided into 50,000 ordinary shares of par value of US\$1 each. As of the date of its incorporation, it issued and allotted 42,500 and 7,500 ordinary shares, representing 85% and 15% of the shareholding interests, respectively to Mr. Ge Yi and Mr. Wang Xinping, who held such shares on trust for Mr. Ge Yi. Mr. Wang Xinping is an independent third party.

On May 12, 2014, Mr. Wang Xinping transferred all 7,500 shares in Cavalli he held on behalf of Mr. Ge Yi to Mr. Ge Yi. As a result, Mr. Ge Yi became the sole shareholder of Cavalli.

Establishment of Tsaker Dongguang

On May 7, 2013, Tsaker Dongguang was established in the PRC by Huage Cangzhou with a registered capital of RMB50 million. As of the date of the establishment of Tsaker Dongguang, Huage Cangzhou was owned as to approximately 70.35%, 25.97% and 3.68% by Huage Holdings Co., Ltd. (華歌控股有限公司), Cui Fenglan and Li Haijun, respectively. Each of Cui Fenglan and Li Haijun was an employee of Tsaker Dongguang and they held the equity interest in Huage Cangzhou on behalf of Mr. Ge Yi. As of the date of the establishment of Tsaker Dongguang, Huage Holdings Co., Ltd. (華歌控股有限公司) (an entity with a company name similar to Huage Holdings) was held as to 20%, 40% and 40% respectively by Ms. Ge Hong, Mr. Ge Jianhua, Ms. Xing Rongxi, who respectively are Mr. Ge Yi's sister, father and mother and all of whom held the equity interest in Huage Holdings Co., Ltd. (華歌控股有限公司) on behalf of Mr. Ge Yi. Tsaker Dongguang was established to acquire certain operating assets of Huage Dye and to principally engage in the production and sale of dye intermediates and other chemical products.

Establishment of Tsaker Beijing

On October 17, 2013, Tsaker Beijing was established in the PRC and was wholly-owned by Huage Cangzhou with a registered capital of RMB40 million. Tsaker Beijing was established to focus on the technology research and development of our chemical products and ancillary services.

Establishment of Tsaker Dongying

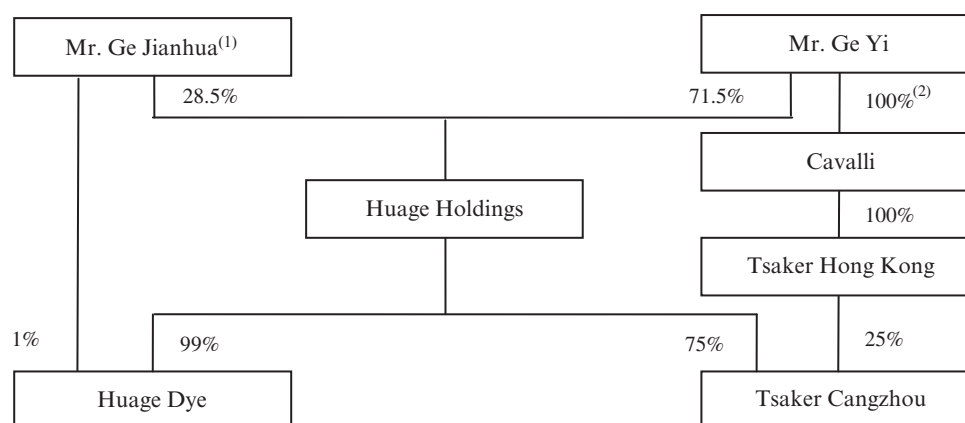
On May 20, 2014, Tsaker Dongying was established in the PRC and was wholly-owned by Tsaker Cangzhou with a registered capital of RMB30 million to focus on the production of DSD Acid, PNT, ONT, MNT, OT and NMP. On January 15, 2015, Tsaker Dongying entered into an assets leasing agreement with Dongao Chemicals, pursuant to which Dongao Chemicals agreed to lease to Tsaker Dongying all the assets including factory premises, land, equipment, facilities in relation to the production of, among others, PNT, ONT, MNT, OT and NMP. For details, please refer to the section

OUR HISTORY AND DEVELOPMENT

headed “Continuing Connected Transactions — Non-exempt Continuing Connected Transactions — Continuing Connected Transactions which are subject to the reporting, annual review and announcement requirements but exempt from the circular and the independent Shareholders’ approval requirements — (2) Assets Leasing Agreement”.

REORGANIZATION

Prior to the Reorganization undertaken by our Group in preparation for the Listing, the shareholding structure of our Group was as follows:



Notes:

- (1) Mr. Ge Jianhua is the father of Mr. Ge Yi.
- (2) Mr. Wang Xinping then held 7,500 ordinary shares, or 15% of the issued share capital of Cavalli, on trust for Mr. Ge Yi.

In preparation for the Global Offering to avail ourselves of international capital markets and to maintain effective control over our operations in the PRC, we underwent a series of corporate reorganization transactions inside and outside the PRC.

(1) Acquisition of assets of Huage Dye by Tsaker Dongguang and Subsequent Deregistration of Huage Dye

On September 30, 2013, Tsaker Dongguang and Huage Dye entered into an asset restructuring agreement (which was supplemented by a supplemental agreement dated October 10, 2013) pursuant to which Tsaker Dongguang acquired the operating assets owned by Huage Dye used for production (including, among others, fixed assets, raw materials, work-in-progress, construction-in-progress, land use rights, trade payables and advance to suppliers) for a cash consideration of approximately RMB124.71 million, which was legally and properly settled on December 25, 2013. The cash consideration was determined with reference to the valuation of the net assets as at July 31, 2013 conducted by an independent appraisal firm and the audited accounts of Huage Dye for the period from July 31, 2013 to September 30, 2013, being RMB124.71 million.

OUR HISTORY AND DEVELOPMENT

The retained assets and liabilities in Huage Dye, such as trade and note receivables, did not constitute business, but were mainly assets and liabilities derived from the previous operation of the business transferred from Huage Dye to Tsaker Dongguang, namely, the production of dye intermediates. Such retained assets and liabilities (such as trade and note receivables, trade payables and inventories) were not transferred to our Group because, unlike fixed assets, they were generally not necessary for the continuing operations of the transferred business and were retained to reduce the cashflow of our Group to acquire the transferred business from Huage Dye. By retaining these net assets in Huage Dye, our Group avoided the further cash outflow of RMB112.7 million for acquiring the transferred business for the purpose of Reorganization.

As advised by our PRC Legal Advisor, during the Track Record Period and before the transfer of business to Tsaker Dongguang, Huage Dye had certain non-compliance incidents in relation to housing provident fund (“HPF”) and social security insurance fund (“SSIF”), which were similar to those of the similar nature of Tsaker Cangzhou, Tsaker Dongguang and Tsaker Dongying as disclosed under the section headed “Business — Legal Proceedings and Compliance — Historical non-compliance”. Huage Dye had not set up HPF accounts for making HPF contributions within the stipulated time as required by the relevant PRC law and not contributed HPF for the period from January 2012 to September 2013 (being the time Huage Dye ceased to be the member of our Group) and paid SSIF contribution required under PRC law for certain employees for various reasons similar to the same non-compliance incidents of other members of our Group. The SSIF contributions that Huage Dye paid to the relevant local government authorities was calculated based on a base number required by such local government authorities. For 2012 and the nine months ended September 30, 2013, we have made provision of RMB11.1 million and RMB7.4 million respectively for the outstanding amount of the HPF and SSIF contributions of Huage Dye, which were included in our consolidated statements of profit or loss and other comprehensive income for the two years ended December 31, 2013.

As advised by our PRC Legal Advisor, the prescribed standards of maximum penalty and legal consequences for the above non-compliance incidents applicable to Huage Dye under the PRC laws were the same as those relate to the equivalent non-compliance incidents of other members of our Group. However, as advised by our PRC Legal Advisor, since Huage Dye was a limited liability company which was an independent legal person with its own legal capacity for rights and liabilities under the PRC laws and was wholly-owned by Huage Holdings before its deregistration, such penalty and legal consequences shall be borne by Huage Dye or, in extreme cases, by its shareholders upon its de-registration, being Huage Holdings, but not us. As of the Latest Practicable Date, no claim, penalty or notice of any investigation or penalty has been made against our Group, Huage Holdings or Huage Dye, and according to our PRC Legal Advisor based on an interview with the relevant authorities, the probability that the HPF Center and DSIB will request to make up for the shortfall of HPF and SSIF contribution and having overdue fine or penalty imposed for SSIF is relatively low. In addition, our Controlling Shareholders have jointly and severally agreed to indemnify us against any penalties or liabilities in connection with any non-compliance of operation of the business of Huage Dye.

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Save as the above and as disclosed in the section headed “Business — Legal Proceedings and Compliance — Historical non-compliance”, we confirm that there were no material non-compliance or litigations and claims against Huage Dye during the Track Record Period and up to the date of its deregistration.

Following the transfer of the operating assets in Huage Dye, Huage Dye was merged with Huage Holdings by absorption and was deregistered on March 24, 2015.

(2) Establishment of Tsaker Dongying

On May 20, 2014, Tsaker Dongying was established. For details, see “— Development of our Group — Establishment of Tsaker Dongying” above.

(3) Transfer of equity interest in Tsaker Dongguang to Tsaker Cangzhou

On July 29, 2014, Huage Cangzhou transferred all its equity interests in Tsaker Dongguang to Tsaker Cangzhou pursuant to an equity transfer agreement dated February 28, 2014 for a total cash consideration of approximately RMB64.19 million, which was legally and properly settled on May 21, 2014. The cash consideration was determined with reference to the valuation of the net assets of Tsaker Dongguang as of January 31, 2014 by an independent PRC asset appraisal firm, being approximately RMB64.19 million.

(4) Transfer of equity interest in Tsaker Cangzhou to Tsaker Hong Kong

On October 10, 2014, Huage Holdings transferred all its 75% equity interests in Tsaker Cangzhou to Tsaker Hong Kong pursuant to an equity transfer agreement dated September 25, 2014 for a total cash consideration of approximately RMB88 million, which was legally and properly settled on December 29, 2014. The cash consideration was determined with reference to the valuation of the net assets of Tsaker Cangzhou as of August 31, 2014 by an independent PRC asset appraisal firm, being RMB117.08 million.

(5) Acquisition of Huayu Chemical Plant and its Merger with Tsaker Cangzhou by Absorption

As the land use rights of part of the land leased by our Group were owned by Huayu Chemical Plant, we therefore decided to acquire Huayu Chemical Plant. Pursuant to an equity transfer agreement dated October 9, 2014 entered into by Tsaker Cangzhou and the independent sole beneficial owner of Huayu Chemical Plant, Huayu Chemical Plant was acquired by Tsaker Cangzhou for a cash consideration of approximately RMB17.95 million, which was determined with reference to value of the net assets of Huayu Chemical Plant as of August 31, 2013, being approximately RMB17.95 million, and such cash consideration was legally and properly settled on October 20, 2014. Huayu Chemical Plant subsequently merged with Tsaker Cangzhou by absorption and was deregistered on December 30, 2014.

OUR HISTORY AND DEVELOPMENT

(6) Incorporation of our Company

On October 29, 2014, our Company was incorporated as an exempted limited liability company under the laws of the Cayman Islands with a share capital of US\$50,000 divided into 5,000,000 ordinary shares of par value of US\$0.01 each. On November 27, 2014, the one ordinary share allotted to the first subscriber was transferred to Cavalli as sole member of our Company.

(7) Transfer of equity interest in Tsaker Beijing to Tsaker Cangzhou

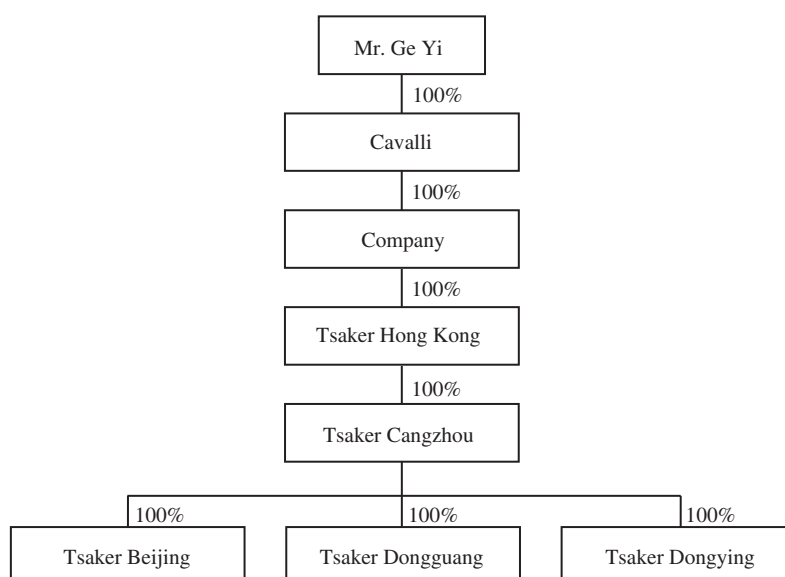
On November 6, 2014, Huage Cangzhou transferred all its equity interests in Tsaker Beijing to Tsaker Cangzhou pursuant to an equity transfer agreement dated October 31, 2014 for a total cash consideration of approximately RMB26.60 million, which was legally and properly settled on December 31, 2014. The cash consideration was determined with reference to the valuation of the net assets of Tsaker Beijing as of September 30, 2014 by an independent PRC asset appraisal firm, being approximately RMB26.51 million.

(8) Capitalization of Cavalli's loan to Tsaker Hong Kong and Transfer of its Shares to our Company

Pursuant to the written resolution of the sole shareholder of Tsaker Hong Kong dated December 4, 2014, the director of Tsaker Hong Kong was authorized to allot shares of up to HK\$34,164,000 and further pursuant to the written resolutions of the sole director of Tsaker Hong Kong dated December 4, 2014, 34,164,000 shares of Tsaker Hong Kong were allotted to Cavalli for capitalization of a shareholder's loan in the sum of HK34,164,000 due to Cavalli.

Pursuant to a share swap agreement dated December 9, 2014 entered into between our Company and Cavalli, Cavalli transferred 34,174,000 ordinary shares, representing 100% of the shareholding in Tsaker Hong Kong, to our Company, and as consideration 9,999 Shares were issued to Cavalli on December 17, 2014. The consideration was properly and legally settled on December 17, 2014.

Set out below was the shareholding structure of our Group immediately after this step 8:



OUR HISTORY AND DEVELOPMENT

(9) Issue of Shares of our Company and Pre-IPO Investment by Transfar

On December 24, 2014, our Company further issued and allotted 87,200 Shares to Cavalli for a cash consideration of US\$22,000,000. Cavalli funded the cash consideration from Mr. Ge Yi.

On December 30, 2014, our Company issued and allotted 2,800 ordinary Shares to Transfar for a cash consideration of US\$5,000,000. For further details on the terms of the investment by Transfar, see “— Pre-IPO Investment”.

(10) Capitalization Issue

On June 12, 2015, our Shareholders, by way of written resolution, approve the Capitalization Issue in respect of the issue of 374,900,000 Shares, as fully paid and by way of capitalizing such sum standing to the credit of the share premium of our Company, to our Shareholders whose names appear on the register of members of our Company on June 12, 2012 on a pro rata basis. For further details, please refer to “Appendix IV — Statutory and General Information — A. Further Information about our Company and our Subsidiaries — 3. Resolutions in Writing of the Shareholders of our Company”.

As advised by our PRC Legal Advisor, the transfers, acquisitions of equity interests in our subsidiaries established in the PRC as described above in our Reorganization process above have been legally completed according to applicable PRC laws and regulations and all necessary PRC governmental approvals for such transfers, acquisitions of equity interests which should be obtained by such subsidiaries in all material aspects have been obtained.

PRE-IPO INVESTMENT

A. Pre-IPO Investment by Transfar

In order to strengthen the relationship between our Group and Transfar, our Company and Transfar entered into a share subscription agreement (the “**Share Subscription Agreement**”) pursuant to which Transfar conditionally agreed to subscribe for 2,800 Shares (representing 2.8% of the shareholding in our Company at the time of completion of such pre-IPO investment) for a cash consideration of US\$5,000,000.

Details of the Pre-IPO Investment

Set forth below are the details of the pre-IPO investment:

Date of the Share Subscription Agreement	December 20, 2014
Number of Shares Issued	2,800
Amount of Consideration Paid	US\$5,000,000
Payment date of the Pre-IPO Investment	December 30, 2014
Completion Date of the Pre-IPO Investment	December 30, 2014

OUR HISTORY AND DEVELOPMENT

Total number of Shares held by Transfar after the Capitalization Issue	10,500,000 Shares
Cost per Share paid	Approximately US\$1,785.7 per Share before the Capitalization Issue (equivalent to HK\$13,928.6 per Share) Approximately US\$0.48 per Share after the Capitalization Issue (equivalent to HK\$3.71 per Share)
Discount to the IPO Price	22.1% to the Offer Price assuming the Offer Price of HK\$4.76, being the mid-point of the Offer Price range
Use of proceeds	We confirm that the proceeds of the pre-IPO investment have been fully used, among others, to increase the registered share capital as well as the general working capital of Tsaker Cangzhou
Strategic benefits to our Company	We believe that the pre-IPO investment strengthens our existing relationship with Transfar
Shareholding of Transfar in our Company immediately prior to the Global Offering	2.8%
Basis of Determining the Consideration Paid by Transfar	The consideration was determined with reference to the earnings and growth prospect of our Group and based on arm's length negotiation among the parties

Shareholder's Rights of Transfar

Pursuant to the Share Subscription Agreement, subject to applicable laws, the Listing Rules and rules promulgated by the Hong Kong Stock Exchange, Transfar was granted a number of shareholder's rights in relation to our Company. Set forth below is a summary of the principal shareholder's rights granted to Transfar under the Share Subscription Agreement, all of which will be terminated upon completion of the Global Offering:

Board Representative	The Board shall, subject to relevant applicable laws and regulations, appoint a qualified candidate nominated by Transfar as our non-executive Director (the " Transfar Nominee "). Such contractual right to nominate a director by Transfar shall cease immediately upon the Listing and the Transfar Nominee would be subject to the retirement and re-appointment requirements under the Articles of Association after Listing.
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OUR HISTORY AND DEVELOPMENT

Pursuant to the above, the Transfar Nominee (Xiao Yongzheng) has been appointed as our non-executive Director and it is expected that he will continue to act as our Director after Listing subject to the retirement and re-appointment requirements under the Articles of Association.

Matters requiring notification to Transfar

In the event that we effect or approve any of the following transactions on or after December 30, 2014 and prior to Listing, we shall notify Transfar immediately in writing provided that Transfar holds not less than 2% of the issued and outstanding share capital in our Company:

- (a) incurrence or creation of, or provision of guarantee for, any new or additional indebtedness which exceeds RMB50,000,000 by any member of our Group;
- (b) providing loans or guarantees to any person, firm, company or other entity with the loan amount or guaranteed amount exceeding RMB50,000,000 by any member of our Group; and
- (c) undertaking to make any investment in the form of cash, assets, properties or any other form with the investment amount exceeding RMB50,000,000 by any member of our Group, except for those transactions in the ordinary course of our business.

Put Option

In the event that an initial public offering and listing of the Shares on the Main Board of the Hong Kong Stock Exchange has not been consummated by December 31, 2015, Transfar shall, at any time on or before June 30, 2016, has such right (exercisable for a maximum of two times) to require our Company or such other person or entity as agreed by the parties hereto to purchase a portion of or all of the Shares owned or held directly or indirectly by Transfar (the “**Put Option**”) at a price (the “**Put Price**”) in cash calculated in accordance with the following formula:

$$\text{Put Price} = (\text{SP} \times \text{S} + \text{I}) - \text{D}$$

Where:

“SP” means the cost per Share paid;

“S” means the number of Shares to be sold by Transfar in connection with the exercise of the Put Option;

OUR HISTORY AND DEVELOPMENT

“I” means interest accrued at a simple rate of 18% per annum from December 30, 2014 till the date of the full payment of the Put Price (both dates inclusive) in respect of the amount which equals to the product of SP and S; and

“D” means the aggregate amount of dividends received by Transfar in respect of the Shares to be sold by it in connection with the exercise of the Put Option prior to the exercise of the Put Option by Transfar.

Transfar is only entitled to exercise the Put Option at any time between December 31, 2015 and June 30, 2016 (both days inclusive) (the “**Option Exercise Period**”) if the Shares have not been listed on the Main Board of the Hong Kong Stock Exchange by December 31, 2015 and continue to be unlisted during the Option Exercise Period. Accordingly, the Put Option is only exercisable if the Listing does not take place during the Option Exercise Period.

As Transfar will not be a Substantial Shareholder nor a connected person of our Company after Listing, the Shares held by it will be considered as part of the public float according to Rule 8.08 of the Listing Rules.

B. Pre-IPO Investment by Wider Pacific

Exchangeable bond investment by Wider Pacific

On March 6, 2015, Cavalli, Mr. Ge Yi and Wider Pacific entered into a subscription agreement for the subscription of the Exchangeable Bond (the “**Subscription Agreement**”). On March 10, 2015, Cavalli issued the Exchangeable Bond to Wider Pacific pursuant to the Subscription Agreement.

Pursuant to the Exchangeable Bond, Wider Pacific is entitled to exchange the Exchangeable Bond for certain number of Shares pursuant to the terms and conditions thereunder.

Details of the Pre-IPO Investment

Set forth below is a summary of the principal terms and conditions of the Subscription Agreement and the documents associated with the Exchangeable Bond (“**Wider Pacific Investment Documents**”):

<u>Name of Investor</u>	<u>Wider Pacific</u>
Instrument	Exchangeable bond
Principal Amount	US\$15,000,000
Issue Price	100% of the principal amount of the Exchangeable Bond

OUR HISTORY AND DEVELOPMENT

Payment Date	March 10, 2015 ^(Note)
Issue Date	March 10, 2015
Maturity Date	March 10, 2017 (the “ Maturity Date ”), subject to an extension for one year by mutual agreement between Cavalli and Wider Pacific (the “ Extended Maturity Date ”) based on the same terms and conditions
Interest Rate	The Exchangeable Bond shall bear interest on the principal amount for the time being outstanding from and including the issue date at the rate of 2% per annum.
Payment of Interest . . .	Interest is payable annually in arrears on the last day of each 12-month period (“ Interest Payment Date ”), provided that the first Interest Payment Date will be March 9, 2016 and the last Interest Payment Date will be the Maturity Date or the Extended Maturity Date or the date for an initial public offering of the Shares by our Company and listing of the Shares on the Main Board of the Hong Kong Stock Exchange, and such initial public offering and listing shall take place on or before two years from the completion date (the “ Qualified IPO ”).
Shareholding upon exchange in respect of the Exchangeable Bond	The number of Shares to be transferred by Cavalli to Wider Pacific upon exercise of the exchange rights (the “ Exchanged Shares ”) will be determined in the following manner:

$$C = \frac{A}{P} \times 100\%$$

where:

C = percentage of the Exchanged Shares to be transferred (on post-money basis);

A = the aggregate principal amount of the Exchangeable Bond to be exchanged; and

P = the amount of net profit after tax for the year ended December 31, 2014 on group consolidation basis audited under Hong Kong Financial Reporting Standards multiplied by 6.6

Note: The payment of principal amount was received by Cavalli on March 12, 2015.

OUR HISTORY AND DEVELOPMENT

The number of Exchanged Shares will be:

$$ES = N \times C\%$$

where:

ES = the number of Exchanged Shares to be transferred (on post-money basis); and

N = the total number of the issued shares of our Company immediately before the completion of the Qualified IPO (i.e. excluding the new shares of our Company to be issued to the public under the Qualified IPO).

Exchange Period . . . Wider Pacific shall have the right to exchange (the “**Exchange Right**”) the Exchangeable Bond into Exchanged Shares at any time up to the Maturity Date or the Extended Maturity Date.

In the event our Company completes a Qualified IPO on or before the Maturity Date or the Extended Maturity Date, the whole of the principal amount of the Exchangeable Bond outstanding shall be automatically exchanged into Exchanged Shares immediately before the completion of the Qualified IPO.

Rights of Wider Pacific Wider Pacific shall have the following rights prior to Listing, including:

- (a) rights to receive certain financial information, minutes of board meeting or shareholders’ meeting and to receive full access to all information and documents of our Group;
- (b) rights to receive reports and such other information on the progress of the application for the Qualified IPO;

OUR HISTORY AND DEVELOPMENT

- (c) our Company to appoint a person designated by Wider Pacific (the “**Investor’s Director**”) as a member of our Board. Upon completion of the Qualified IPO or the redemption of the Exchangeable Bond by Cavalli in full, the Investor’s Director will elect to resign from or remain as a Director of our Company. In the event that the Investor’s Director elects to remain as a Director of our Company, our Company shall promptly designate the Investor’s Director as a non-executive Director. The right to nominate a Director of our Company will lapse upon the completion of the Qualified IPO. Pursuant to the aforementioned, Investor’s Director (Mr. Fontaine Alain Vincent) has been appointed as our non-executive Director and it is expected that he will continue to act as our Director after Listing subject to the retirement and re-appointment requirements under the Articles of Association after Listing;
- (d) Cavalli and Mr. Ge Yi covenants and agrees to guarantee that our Group shall achieve net profit of not less than RMB171,000,000, RMB214,000,000, RMB267,000,000 and RMB334,000,000 for the four years ending December 31, 2017, respectively. In the event that the realized audited profit after tax of our Group on a consolidated basis falls short of the profit guarantees as set forth above, Cavalli shall, at the election of Wider Pacific, provide cash compensation to Wider Pacific equivalent to such shortfall multiplied by the shareholding of Wider Pacific in our Company as of December 31 of each respective year or transfer such number of Shares to Wider Pacific as calculated in the Wider Pacific Investment Documents;
- (e) prior to the completion of the Qualified IPO, none of the Shareholders (excluding Transfar) may, without the consent of Wider Pacific, create or permit to subsist any mortgage, charge, pledge, lien, encumbrance or other security interest whatsoever on or over or in respect of all or any of the Shares held by it or on which it has an interests and shall not otherwise encumber or dispose of any of its Shares or otherwise purport to deal with the beneficial or economic interest therein (including but not limited to its voting rights) or any right relating thereto except by a transfer in accordance with the Wider Pacific Investment Documents;
- (f) first right of refusal over transfer or disposal of any Shares by any Shareholders (excluding Transfar);
- (g) right of co-sale to participate in the transfer of Shares by any Shareholders (excluding Transfar) to third party at the same price and upon the same terms and conditions; and

OUR HISTORY AND DEVELOPMENT

- (h) our Company shall not carry out certain transactions outside its ordinary course of business, including the change of its principal business, acquiring any asset for a total price greater than RMB50 million and incurring indebtedness or assuming any financial obligation or liability of an amount exceeding RMB50 million, unless with the prior written approval of Wider Pacific.

All the special rights enjoyed by Wider Pacific under the Wider Pacific Investment Documents shall automatically terminate upon the Qualified IPO.

Redemption at
Maturity

An exit event means the completion of the Qualified IPO on or before Maturity Date or Extended Maturity Date or the sale of substantially all of the outstanding Shares and/or assets of our Company in a single transaction.

In the event that an exit event has not been completed before the Maturity Date, Wider Pacific in its sole discretion, by notice in writing to require Cavalli to redeem the whole (but not part) of the outstanding principal amount at the non-EOD redemption amount (the “**Non-EOD Redemption Amount**”) together with the interest accrued.

The Non-EOD Redemption Amount shall be calculated in the following manner:

$$\text{Non-EOD Redemption Amount} = P \times (1+15\%)^n$$

Where:

P = Principal amount of the Exchangeable Bond at the issue date;
and

n = the number of year from the issue date to the redemption date

Redemption on
Event of Default . .

Upon the occurrence of an event of default and at any time thereafter, Wider Pacific may in its sole discretion, by notice in writing require Cavalli to redeem the whole (but not part) of the outstanding principal amount at the EOD redemption amount (the “**EOD Redemption Amount**”) together with the interest accrued.

OUR HISTORY AND DEVELOPMENT

The EOD Redemption Amount shall be calculated in the following manner:

$$\text{EOD Redemption Amount} = P \times (1+23\%)^n$$

Where:

P = Principal amount of the Exchangeable Bond at the issue date;
and

n = the number of year from the issue date to the redemption date

An event of default means, among others, any of the following events:

- (a) Cavalli fails to pay when due any principal or other amount payable with respect to the Exchangeable Bond, whether at maturity or otherwise; or
- (b) Cavalli, our Company or any of its subsidiaries ceases or is disqualified to carry on its business or any substantial part thereof or change its business or Cavalli, our Company or any of its subsidiaries disposes of, or any governmental or other authority expropriates to dispose of all or any substantial part of its business or assets; or
- (c) default in the due observance or performance of any term, covenant, undertaking or agreement contained in the Subscription Agreement or any of the other transaction documents by any party thereunder other than Wider Pacific, and such default shall have continued unremedied for a period of thirty (30) days after notice of default shall have been given by Wider Pacific to Cavalli; or
- (d) an encumbrancer takes possession of, or a receiver or a manager or other similar officer is appointed for the whole or any substantial part of the undertaking, properties, assets or revenues of Cavalli, our Company or any of its subsidiaries, which has a material adverse effect on the operation and/or financial status of our Company and its subsidiaries; or
- (e) Cavalli, our Company or any of its subsidiaries becomes insolvent or is unable to pay its debts as they become due or applies for or consents to or suffers the appointment of any administrator, liquidator or receiver; or
- (f) an order is made or an effective resolution passed for the winding-up of Cavalli, our Company or any of its subsidiaries, except in the case of winding-up in the course of internal reorganization or voluntary winding up; or

OUR HISTORY AND DEVELOPMENT

- (g) a moratorium is agreed or declared in respect of any indebtedness of Cavalli, our Company or any of its subsidiaries or any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates all or a substantial part of the assets of Cavalli, our Company or any of its subsidiaries, which has a material adverse effect on the operation and/or financial status of Cavalli, our Company and its subsidiaries; or
- (h) failure of Cavalli, our Company or any of its subsidiaries to pay when due any principal of or interest or any other amount payable in respect of any indebtedness of Cavalli, our Company or any of its subsidiaries or any breach or default by Cavalli, our Company or any of its subsidiaries with respect to any other material term of an instrument of indebtedness if the effect of such breach or default is to cause, or to permit the holder or holders of such instrument to cause, the indebtedness represented by such instrument to become or be declared due and payable prior to its stated maturity which has a material adverse effect on the operation and/or financial status; or
- (i) the failure to fulfill any of the post-completion undertakings in the Subscription Agreement on or prior to the post-completion undertakings fulfilment date, or the failure to comply with the Subscription Agreement in relation to the Corporate Guarantee (PRC) (as defined below); or
- (j) any event or circumstance occurs which has or could be reasonably expected to have a material adverse effect.

Security

Arrangement

As a security for the Exchangeable Bond, (i) 25,000 Shares beneficially and legally owned by Cavalli were charged in favour of Wider Pacific pursuant to a share charge dated March 10, 2015 (the “**Share Charge**”); (ii) a deed of indemnity was entered into between Mr. Ge Yi as indemnifier in favour of Wider Pacific, pursuant to which Mr. Ge Yi agreed to fully indemnify Wider Pacific against losses and liabilities which Wider Pacific and/or any member of our Group suffer, sustain or incur as a result of or in connection with any taxation claim against any member of our Group and Wider Pacific, non-compliance or alleged non-compliance by any member of our Group and/or any loss or depreciation of any taxation relief by any member of our Group; (iii) a personal guarantee was provided by Mr. Ge Yi in favour of Wider Pacific to secure the due and punctual performance performance and observance by Cavalli of its obligations under the Wider Pacific Investment Documents (the “**Personal Guarantee**”); and (iv) a corporate guarantee to be provided by a PRC company controlled by Mr. Ge Yi upon Wider Pacific’s request in writing (the “**Corporate Guarantee (PRC)**”).

OUR HISTORY AND DEVELOPMENT

	The Share Charge, the Personal Guarantee and, if any, the Corporate Guarantee (PRC) will terminate upon the completion of the Qualified IPO.
Transferability	At any time prior to the Maturity Date or the Extended Maturity Date, Wider Pacific may freely assign and transfer the Exchangeable Bond to its related parties without the prior consent of Cavalli. Any transfer of the Exchangeable Bond other than to the related parties of Wider Pacific shall be subject to the provisions in the Wider Pacific Investment Documents.
Use of Proceeds	No proceeds from the issue of the Exchangeable Bond is received by our Group.
Strategic benefits to our Company	Our Directors believe that the presence of Wider Pacific as an investor in our Company will broaden our investor base so as to attract high quality investors and boost investor confidence in our Company.
Basis of Determining the Consideration	The consideration paid by Wider Pacific in exchange of our Shares was the principal amount of the Exchangeable Bond in the sum of US\$15,000,000 and was determined based on arm's length negotiation between the parties and by reference to the net asset value, earnings potential and growth prospects of our Group at the time of the investment.
Accounting Treatment of the Exchangeable Bond	Our Company is neither a party to the Subscription Agreement nor do we have any obligations thereunder. Upon exercise of the Exchange Right, Cavalli will transfer the relevant number of Shares held by it to Wider Pacific. Accordingly, the Exchangeable Bond does not have any accounting impact on our Company.

Exchange of the Exchangeable Bond

As of the Latest Practicable Date, the Exchangeable Bond has not been redeemed or exchanged into Shares of our Company. According to the terms of the Exchangeable Bond, the Exchangeable Bond will be exchanged into Shares upon exercise of its Exchange Right by Wider Pacific or subject to automatic exchange immediately before the completion of the Global Offering. The table below sets out details of the shareholding in our Company assuming that the Exchangeable Bond having been exchanged in full immediately before the completion of the Global Offering:

OUR HISTORY AND DEVELOPMENT

Number of Shares to be exchanged upon full exchange of the Exchangeable Bond	30,596,000 Shares
Cost per Share paid	Approximately US\$0.49 per Share (equivalent to HK\$3.82 per Share)
Discount to the IPO price	19.7% to the Offer Price assuming the Offer Price of HK\$4.76, being the mid-point of the Offer Price range
Shareholding of Wider Pacific in our Company immediately prior to the Global Offering	8.2%
Approximate percentage shareholding in our Company immediately upon Listing	6.1%

As Wider Pacific will not be a Substantial Shareholder nor a connected person of our Company after Listing, the Shares held by it will be considered as part of the public float according to Rule 8.08 of the Listing Rules.

The Sole Sponsor confirms that the pre-IPO investments detailed above are in compliance with applicable Hong Kong Stock Exchange guidance, namely, the interim guidance of the Hong Kong Stock Exchange HKEx-GL29-12 on pre-IPO investments dated October 13, 2010 (and updated on January 16, 2012), the Hong Kong Stock Exchange guidance letters HKEx-GL43-12 and HKEx-GL44-12.

Lock-up

The Share Subscription Agreement is silent as to whether the Shares held by Transfar will be subject to any lock-up arrangement after Listing. The Subscription Agreement with Wider Pacific does not contain any provision on lock-up arrangement after Listing.

Information regarding Transfar

Transfar is a limited liability company incorporated on January 17, 2011 under the laws of Hong Kong. Transfar is an indirect wholly-owned subsidiary of Transfar Group Company Limited (傳化集團有限公司) which as of the Latest Practicable Date was ultimately owned as to approximately 50.03%, 42.62% and 7.35% by Mr. Xu Guanju, Mr. Xu Guanbao and Mr. Xu Chuanhua, who respectively are younger son, elder son and father. To the best of our Directors' knowledge, each of Mr. Xu Guanju, Mr. Xu Guanbao and Mr. Xu Chuanhua are businessman and independent third parties. During the Track Record Period, one of our top five customers was a procurement branch of Transfar Group Company Limited (傳化集團有限公司).

OUR HISTORY AND DEVELOPMENT

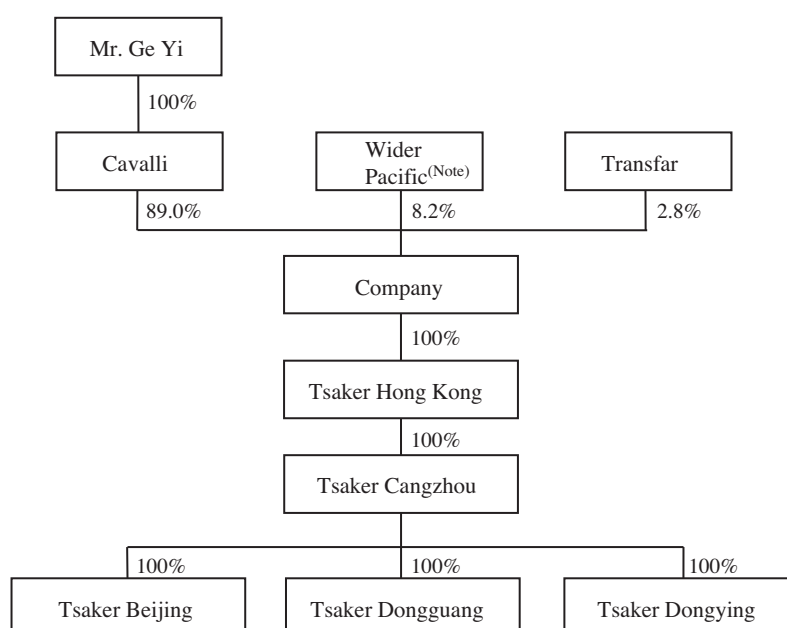
To the best knowledge and belief of our Directors, Transfar Group Company Limited (傳化集團有限公司) and its subsidiaries engage primarily in sale of chemical products, logistics, agricultural industry and investment while Transfar engages primarily in the international trading and investment in chemical products.

Information regarding Wider Pacific

Wider Pacific, a company incorporated under the laws of the BVI, is controlled by Ocean Equity Partners Fund L.P. (“**Ocean Equity**”) which is an exempted limited partnership registered in the Cayman Islands. Ocean Equity is principally engaged in the business of investing into private enterprises in the PRC. To the best knowledge and belief of our Directors, the partners of Ocean Equity are independent third parties.

OUR CORPORATE STRUCTURE AFTER THE REORGANIZATION AND IMMEDIATELY BEFORE LISTING

As a result of the Reorganization and immediately before Listing (assuming the Exchangeable Bond is fully exchanged), the shareholding structure of our Group will be as follows:

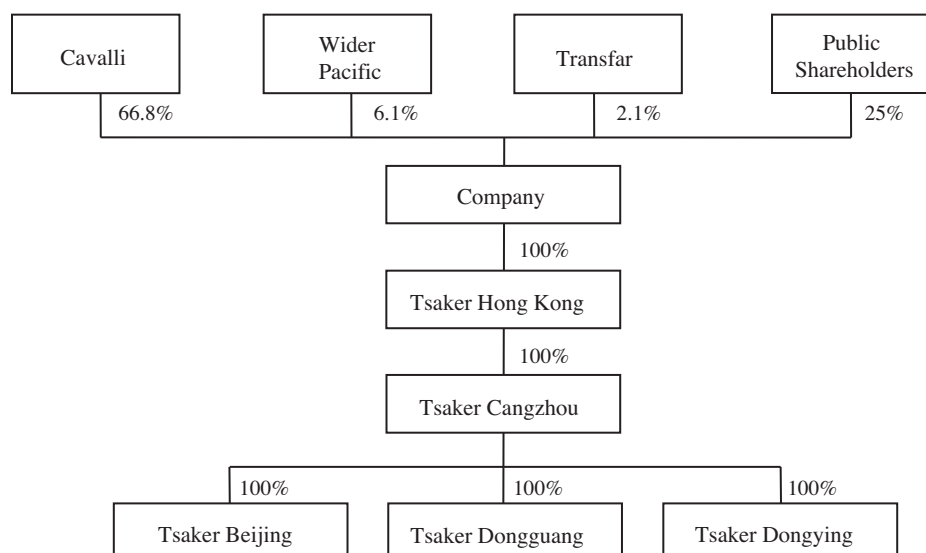


Note: Pursuant to the Exchangeable Bond, Wider Pacific is entitled to exchange the Exchangeable Bond into Shares immediately before the completion of the Global Offering. For details of the Exchangeable Bond, please refer to “— Pre-IPO Investment — B. Pre-IPO Investment by Wider Pacific” of this section.

OUR HISTORY AND DEVELOPMENT

OUR CORPORATE STRUCTURE IMMEDIATELY UPON COMPLETION OF THE GLOBAL OFFERING AND LISTING

Immediately upon completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised), the shareholding structure of our Group will be as follows:



CIRCULAR NO. 37

On July 4, 2014, the SAFE released the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Offshore Investment and Financing and Return Investment via Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (“**Circular No. 37**”) and abolished the Circular on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to engage in financing and return investment via offshore special purpose vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (“**Circular No. 75**”) (which came into effect on October 21, 2005). Pursuant to Circular No. 37, a PRC resident should apply to the SAFE for foreign exchange registration of overseas investments before it makes capital contribution to a special purpose vehicle (“**SPV**”) using his or her legitimate domestic or offshore assets or interests. SPVs mean offshore enterprises directly established or indirectly controlled by domestic residents for the purpose of investment and financing by utilizing the domestic or offshore assets or interests they legally hold. Following any significant change in a registered offshore SPV, such as capital increase, reduction, equity transfer or swap, consolidation or division involving domestic resident individuals, the domestic individuals shall amend the registration with the SAFE. Where a SPV intends to repatriate the funds raised after completion of the offshore financing to the PRC, it shall comply with relevant PRC regulations on foreign investment and foreign debt management. A foreign-invested enterprise established through return investment shall complete relevant foreign exchange registration formalities according to the prevailing foreign exchange administration regulations on foreign direct investment and truthfully disclose information on the actual controller of its shareholders. Where a domestic resident fails to go through relevant foreign exchange registration as required, fails to

OUR HISTORY AND DEVELOPMENT

truthfully disclose information on the actual controller of the enterprise involved in the return investment or otherwise makes false commitments, the foreign exchange control authority may order them to take remedial actions, issue a warning, and impose a fine of less than RMB300,000 on an institution or less than RMB50,000 on an individual.

Our PRC Legal Advisor has advised that Mr. Ge Yi, being the beneficial shareholder of our Group and who is a domestic resident of the PRC, has completed his foreign exchange registration of overseas investments with the local SAFE branch on August 19, 2014 in relation to his current shareholdings in our Group, as required under the SAFE Circular No. 37.

CIRCULAR NO. 7

Circular No. 7 issued by the State Administration of Taxation came into effect on February 3, 2015 stipulates that if a non-resident enterprise indirectly transfer its equity interest in the PRC resident enterprises and other properties by implementing arrangements such as transfer of shares in an overseas enterprise, without reasonable commercial purposes but to evade the enterprise income tax, the nature of this indirect transfer shall be re-defined and recognized as a direct transfer of equity interest in a PRC resident enterprise and other properties. For details, see “Regulatory Overview”.

We are advised by our tax consultant and our PRC Legal Advisor that the transfer of 100% shareholding in Tsaker Hong Kong to our Company in consideration of 9,999 Shares issued by our Company pursuant to the share swap agreement entered into between our Company and Cavalli (“Share Swap”) constituted “an indirect transfer of the PRC Taxable Properties” under Circular No. 7.

After consultation with our tax consultant and our PRC Legal Advisor, we are of the view that the Share Swap meets the conditions set out under Circular No. 7 and shall be considered as an indirect transfer of the PRC Taxable Properties with reasonable commercial purpose, since:

- (1) at the time of the Share Swap, Cavalli (as the transferor) held 100% interest in our Company (as the transferee);
- (2) as advised by our tax consultant, Cavalli and our Company were incorporated in the BVI and the Cayman Islands, respectively, and neither the BVI nor the Cayman Islands has signed any taxation treaties with the PRC. In the event that there is another indirect transfer subsequent to the Share Swap (i.e. our Company transfers its equity interest in Tsaker Hong Kong) or any similar potential subsequent indirect transfer, PRC income tax of 10% is applicable. Hence, the Share Swap does not reduce the PRC income tax of potential subsequent indirect transfer; and
- (3) the consideration for the transfer of 100% shareholding in Tsaker Hong Kong was settled by way of 9,999 shares newly issued by our Company.

OUR HISTORY AND DEVELOPMENT

As advised by our tax consultant and our PRC Legal Advisor, the Share Swap constitutes an indirect transfer of the PRC Taxable Properties with reasonable commercial purpose; accordingly, Cavalli does not have any obligation to pay the EIT under Circular No. 7, and therefore, we do not have any obligation to withhold and pay EIT on behalf of Cavalli under Circular No. 7. Nevertheless, we are also advised by our tax consultant and our PRC Legal Advisor that uncertainty remains with the interpretation and implementation of Circular No. 7 since it was only published in February 2015. For details, see “Risk Factors - Risks Relating to the PRC - The strengthened scrutiny over acquisition and disposition transactions by the PRC tax authorities may have an adverse impact on us or your disposition of our Shares”.

THE RULES ON THE MERGER AND ACQUISITION OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS IN THE PRC

On August 8, 2006, six PRC governmental and regulatory agencies, including MOFCOM and the China Securities Regulatory Commission (the “CSRC”), promulgated the Regulation on the Merger and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the “M&A Rules”) which became effective on September 8, 2006 and was revised on June 22, 2009. Pursuant to Article 11 of the M&A Rules, where a domestic individual person intends to take over his/her related domestic company in the name of an offshore company which he/she lawfully established or controls, the takeover shall be subject to the examination and approval of the MOFCOM. Where a foreign investor purchases the equity interest of a domestic foreign-invested enterprise or subscribe for the increased capital of a domestic foreign-invested enterprise, it shall be subject to the current laws, administrative regulations on foreign-invested enterprises and the relevant provisions on alteration in investors’ equity interest of foreign-invested enterprise. As advised by our PRC Legal Advisor, as (i) Tsaker Cangzhou was established as a sino-foreign enterprise before the promulgation and implementation of the M&A Rules and (ii) the acquisition of the 100% equity interests in Tsaker Cangzhou by Tsaker Hong Kong was the change in equity interests of an established foreign invested enterprise, our restructuring and reorganization corporate actions were not subject to the M&A Rules. We are not required to obtain approval from the CSRC, MOFCOM or other relevant PRC authorities for Listing.

OVERVIEW

We are the world's largest producer of a number of fine chemicals that function as critical dye and pigment intermediates, according to Frost & Sullivan. Our production of DSD Acid, a dye intermediate, ranked first in the world and accounted for approximately 57.4% of the world's market share by production volume in 2014. We also ranked first in the world for the production of DMSS, a pigment intermediate, and accounted for approximately 27.4% of the world's market share by production volume in 2014. We also ranked second in the world for the production of another pigment intermediate, DMAS, which accounted for approximately 21.7% of the world's market share by production volume in 2014. The global dye and pigment intermediates market comprises many chemicals, among which DSD Acid, DMSS and DMAS accounted for 4.9%, 0.5% and 0.4%, respectively, of the global production volume in 2014, according to Frost & Sullivan.

Dye intermediates are essential derivatives of petroleum products that after further processing would transform into finished dyes. DSD Acid and other dye intermediates we produce are the core dye intermediates, without comparable substitute, for the production of OBA, a chemical that is commonly used to brighten or whiten paper and textile. OBA is also the core ingredient, without comparable substitute, for the production of dyes for paper and textile, and fluorescent whitening agents for plastics and consumer goods. You are most likely to find OBA in your everyday use of paper, textile, detergents and cosmetics.

Pigment intermediates are essential derivatives of petroleum products manufactured through a series of chemical reactions using upstream materials like benzene, toluene and other aromatic hydrocarbons, and are important raw materials for the production of pigments, which are materials that change the color of reflected or transmitted light as a result of wavelength-selective absorption. DMSS, DATA and other pigment intermediates we produce are building blocks to produce high-grade paint pigments for building and automobile applications, photosensitive polymer, light color stabilizers, pesticides and bactericide, plastics, pharmaceuticals and food additives. DSD Acid, DMSS and DMAS are three integral and unique segments of the dye and pigment intermediates market. Each of them plays an important role in its respective downstream applications, namely, OBA, quinacridone pigments and edible yellow pigments, according to Frost & Sullivan.

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During the Track Record Period, we generated revenue from two business segments. The following table sets forth details of revenue derived from each business segment in the Track Record Period:

	For the year ended December 31,					
	2012		2013		2014	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in millions, except percentage)</i>					
DSD Acid and other dye intermediates						
DSD Acid	585.9	70.6	649.5	75.2	685.6	76.4
Other dye intermediates ⁽¹⁾	15.8	1.9	21.9	2.5	26.9	3.0
Sub-total	601.7	72.5	671.4	77.7	712.5	79.4
DMSS and other pigment intermediates						
DMSS and DATA	161.7	19.5	125.0	14.5	122.4	13.6
Other pigment intermediates ⁽²⁾	66.8	8.0	67.6	7.8	62.6	7.0
Sub-total	228.5	27.5	192.6	22.3	185.0	20.6
Total	830.2	100	864.0	100	897.5	100

Notes:

1. Other dye intermediates include NTS and DNTS, which are intermediate products produced from PNT before further processed into DSD Acid.
2. Other pigment intermediates include DMS, DMAS, DIPS, CDMA and TCCBM.

We have leased our Dongao Production Plant from Dongao Chemicals since January 2015 and have commenced the production of PNT, ONT, MNT and OT since February 2015. Currently, our Dongao Production Plant has an annual production capacity of 40,000 tonnes of mononitrotoluene. We plan to expand the annual production capacity of our Dongao Production Plant to 80,000 tonnes of mononitrotoluene by the end of 2015 by leasing certain Additional Assets from Dongao Chemicals. We would lease such Additional Assets subject to the then prevailing market conditions, management decision and compliance with the Listing Rules. Due to their chemical makeup, nitrification of toluene simultaneously produces mononitrotoluene consisting of approximately 35% PNT, 60% ONT and 5% MNT. PNT is a key raw material for the production of DSD Acid. We expect that by the end of 2015, through the leasing of our Dongao Production Plant and the Additional Assets, our annual production capacity of mononitrotoluene would reach 80,000 tonnes, including approximately 28,000 tonnes of PNT, so that a reliable supply of approximately 85% of our internal demand of PNT would be met and we would be less dependent on external PNT suppliers from whom we used to externally purchase. Leveraging on our being both the largest DSD Acid producer and the largest purchaser of PNT in the world in 2014, we believe we will be able to replicate our success in the DSD Acid market in the ONT/OT market.

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Our major production facilities are located in Dongguang, Hebei Province. We are preparing to construct a new production plant in Dongying, Shandong Province. Our planned designed annual production capacities, as of the end of 2015, for DSD Acid, DMSS and mononitrotoluene (consisting of PNT, ONT and MNT) are estimated to be approximately 55,000 tonnes, 4,500 tonnes, and 80,000 tonnes, respectively (upon leasing the Additional Assets). We also have a research and development center in Beijing, which is expected to commence operation in the second half of 2015 and engage in the research and development of new products and production processes for our products.

We believe we have achieved our leading position in the dye and pigment intermediate market through years of dedicated improvements and upgrades on various production processes and selected development of certain technologies, including a number of patents and know-how that allow us to increase yield, maintain quality and lower production costs. We pride ourselves for our ability to consistently produce quality products that allowed us to expand to our current scale of production and gained an unparalleled position in the market for our principal products. We believe our research and development capability has enabled us to maintain our industry-leading position in key production technologies for the manufacture of DSD Acid and DMSS, which, in turn, reinforces our product quality.

We believe near two decades of operating history and consistent production of our quality chemical products have firmly established us within the dye and pigment intermediates industry and allowed us to be more competitive than other domestic and foreign chemical producers. We have established a strong customer base and have become the key supplier of our major customers, including overseas customers such as a leading company in integrated solutions for dyeing and printing, one of the world's largest chemical companies and a leading Japanese chemical company, as well as domestic customers such as the procurement branch of Transfar Group Company Limited (傳化集團有限公司), an indirect holding company of Transfar (one of our Pre-IPO Investors). Our major customers have been with us for approximately 8 years on average. In 2012, 2013 and 2014, approximately 51.2%, 49.1% and 52.7% of our revenues were derived from overseas countries.

Dye and pigments have a large number of applications, ranging from paints, ink, coating, plastic, textile and construction. We believe we are well positioned to capture the opportunity that the rapid economic growth of the PRC has presented due to our leading position in the dye and pigment intermediates industry as our products constitute important inputs for many industries. In view of the general improvement in the living standards and economic conditions around the world, we also believe there is an enormous potential in growing use of paper and textile in the global market, which will lead to an overall increase in the demand for our products. We believe our leading position would also allow us to sustain or expand our business in the event of industry consolidation.

Due to the sensitive nature of human vision along the color spectrum for the look and feel of the consumer products, the characteristics of dye and pigment intermediates can directly affect the color of the dye and pigment as applied, which in turn directly affect the commercial viability of the end products of our customers. As a result, product quality and consistency are generally more important than competitive pricing for many of our customers, according to Frost & Sullivan. Our leading position in, among others, DSD Acid and DMSS markets allows us to set industry standard on the quality and specifications of such chemical products and have them be adopted as industry benchmark, which, in turn, also reinforces our large market share.

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We value our corporate social responsibilities and have been, and intend to remain, committed to environmental, health and safety protection in all of our business activities. As of the Latest Practicable Date, we have all permits, licenses and approvals relating to environmental and safety production in all material respects. In addition, during the Track Record Period, we have obtained and maintained *Quality Management System ISO9001:2008*, *Environmental Management System ISO14001:2004* and *Occupational Health Safety Management System GB/T28001-2011* for our management system.

According to Frost & Sullivan, there will be an increasing demand for downstream products of dye and pigment intermediates for application in paper, textile, plastic and consumer products due to increase in disposable income, general improvement in living standards and economic conditions around the PRC, which will, in turn, lead to a continuing increase in demand for dye and pigment intermediates. We believe that, given our leading market position, large scale operation and production capacity, especially in DSD Acid and DMSS, we are well positioned to capture such demand growth.

In 2012, 2013 and 2014, our revenue was RMB830.2 million, RMB864.0 million and RMB897.5 million, representing a gross profit of RMB236.0 million, RMB257.0 million and RMB342.2 million and a gross profit margin of 28.4%, 29.8% and 38.1%, respectively. Our net profit was RMB128.7 million, RMB133.0 million and RMB171.5 million in 2012 and 2013 and 2014, representing a net profit margin of 15.5%, 15.4% and 19.1%, respectively.

COMPETITIVE STRENGTHS

World's largest producer of DSD Acid and DMSS that allows for production at a lower cost than our competitors

World's largest producer of DSD Acid and largest purchaser of PNT. In 2014, world's production of DSD Acid was approximately 52,300 tonnes, of which we produced 30,001 tonnes, or approximately 57.4%, while the second largest producer only produced 7,165 tonnes, or approximately 13.7%, according to Frost & Sullivan. In the same period, we were also the world's largest producer of DMSS, producing approximately 1,435 tonnes, or approximately 27.4% of the world's 5,240 tonnes production, according to Frost & Sullivan. We were also the world's largest purchaser of PNT, an upstream chemical for the production of DSD Acid, according to Frost & Sullivan. The world's production of PNT was approximately 118,600 tonnes in 2014, of which we purchased 24,362 tonnes, or approximately 21.7%, as a raw material.

Strong bargaining power due to competition among upstream suppliers. Production for our upstream raw materials for the most part are relatively simpler than our own production and there are many suppliers for most of our raw materials. Due to the ease to find substitute suppliers, our upstream suppliers often face stiff competition for our business. As a result, our position at the dye and pigment intermediates industry and the corresponding large demand for raw materials provide us with better bargaining power against our upstream raw material suppliers to request for discounts. In addition, we have become vertically integrated and begun self-producing PNT since February 2015. We believe this will allow us to secure a reliable supply of PNT, be less dependent on third-party PNT suppliers and become even more competitive in the market place.

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Efficient production process. We believe our cost advantage against our competitors is further widened by the upgrades made in our production process in particular, the improvement in the rate of reaction of raw materials, on which our research and development efforts have been focused during the Track Record Period. We believe near two decades of operating history and consistent production of quality products have firmly established us within the dye and pigment intermediates industry and allowed us to be more competitive than other domestic and foreign chemical producers.

Significant economies of scale. Our leading position in DSD Acid and DMSS markets has resulted in economies of scale that cannot be easily replicated by our competitors. A new entrant, or an existing producer looking to expand into our market, might not have sufficient demand for their products to reach our economies of scale. Without reaching our economies of scale they will face, or continue to face, a cost disadvantage for not able to purchase raw materials in bulk or spread overhead costs to a larger volume of products. Other barriers to entry include high initial start-up costs, significant investment requirements to improve production facilities to meet customers' requirements and the increasingly stringent environmental regulations for chemical production. As a result, we believe our economies of scale and entrenched production base have created significant barriers to entry and can ensure our profitability for the foreseeable future.

Dedicated research and development efforts to maintain consistent product quality while reducing costs

Leading by a distance. We believe the result of our continuous dedication to fine-tune and upgrade our production processes has made us the world leader in the supply of our principal products. We have been able to develop our own production facilities, and employ certain self-developed production technologies and capabilities. We also focus on product quality, consistency, manufacturing efficiency, safety and environmental responsibility and we believe our manufacturing processes distinguish us from other competitors.

Consistency of our products. As a producer of dye and pigment intermediates, an important measure in the quality of our products is their consistency. Consistency allows our downstream customers to produce dyes and pigments as well as consumer products with accurate color tone that is critical to the manufacturers of end-products to establish product identification and execute differentiated sales and marketing efforts. We have ensured the quality of raw materials supplied by our suppliers, refined and upgraded our production processes along the lines of automated system and continuous reaction processes to ensure quality, consistency and efficiency of our production processes.

Upgraded production process. This includes developing production processes with a thorough understanding of our downstream customers' manufacturing processes and quality requirements to ensure that we continue to have the capability to produce products that match our customers' production specifications to produce the required end-products. We have dedicated our production processes to producing products with greater consistency and lower production costs. As of December 31, 2014, we have obtained seven patents relating to our production processes as well as gained substantial know-how with respect to general chemical production processes that we have not disclosed during the patent application processes to ensure the protection of our trade secrets. Our continuous dedication to our research and development capabilities allows us to improve the

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efficiency of our production processes from time to time to save energy, lower costs and improve the quality of our products. We believe the continuous upgrades of our production processes gave us and will help us maintain a competitive edge over other manufacturers in the industry that do not do so.

Setting industry standards. Furthermore, we also benefit from being the largest producer in the world for DSD Acid and DMSS in 2014. We contributed to the amendment of the standard of DSD Acid published by the Ministry of Industry and Information Technology (“MIIT”) in 2012 and the drafting of the standard of DMSS by MIIT in 2014. From May 2009 to May 2014, Mr. Duan Weidong, our executive Director and Vice-President (Manufacturing Operations), served as a member of the National Technical Committee 134 on Dyestuff of Standardization Administration of China (全國染料標準化技術委員會) that regulates and determines industry standards relating to dye and pigment intermediates in the PRC. Given the consistency and the performance of our products and the fact that our products are often adopted as industry standards, our downstream customers may find it difficult to switch to other suppliers. As a result, our competitors may be forced to raise the quality and consistency of their products to our level or risk losing customers. As we fine-tuned and upgraded our production processes in the course of our operating history, we believe we have gained market share from other producers with products of lower quality and consistency.

Long-term relationship and cooperation with key customers

Strong customer base and cooperation with key customers. We have built strong, long-standing relationships with our major customers, established a strong customer base and have become the key supplier to our major customers, which we consider to be part of our most valuable competitive strength. We have passed a number of qualification and certification processes required by our customers to establish our stable customer base, including overseas customers such as a global color and specialty chemicals company, a German chemical producer and a Japanese chemical company, as well as domestic customers such as the procurement branch of Transfar Group Company Limited (傳化集團有限公司). We have had relationships with our major customers for approximately eight years on average. We believe these long-term relationships enable us to establish and maintain market leadership in the dye and pigment intermediates industry. To further enhance our business relationship with our customers, our sales team pays visits to our major customers from time to time to conduct customer surveys to understand their evolving needs and obtain feedback on the quality of our products. In addition, we also provide after-sales services to our customers.

Customers are key players in their respective markets. Our major customers also hold pivotal position in each of their respective markets. One of our major customers, a global color and specialty chemicals company, is a recognized leading company in integrated solutions for dyeing and printing. Another one of our major customers, a German chemical producer, is one of the world’s largest chemical companies, the dispersions and pigments business unit of which provides a wide range of additives, binders and pigments. Another one of our major customers, a leading Japanese chemical company, is also one of the leading suppliers of dye and pigment in the world.

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Enhanced focus on environmental, health and safety protection

Environmental protection measures to ensure compliance of local environmental standards. We focus on environmental, health and safety protection. Since the establishment of Huage Dye in 1997, the assets of which were purchased by Tsaker Dongguang, we have maintained our production plants in Dongguang, Hebei Province, the PRC. As we became a fast-growing and, later, a leading producer of dye and pigment intermediates, we have developed production processes that comply with all applicable national and local standards in environmental, health and safety protection in all material respects. We also believe in implementing and maintaining our advanced development of our environmental, health and safety protection measures to be a competitive strength. Producers that do not meet the local environmental, health and safety protection standards may incur losses and fines imposed by the local government. During the Track Record Period, we were subject to inspections organized by the local government from time to time and there were no material incidents caused by our historical non-compliance of such environmental, health and safety regulations. During the Track Record Period, we believe we have not lost any order from our customers due to environmental, health and safety concerns. As of the Latest Practicable Date, we had not received any notifications or warnings and had not been subject to any fines or penalties in relation to any breach of any applicable environmental, health and safety laws or regulations that could have a material adverse effect on our operation. We believe that our awareness of the environmental, health and safety issues and dedication to their protection from an early stage make us a leader in this area.

Integrating environmental protection as a part of our operating philosophy. Our technological improvements were made with a view towards complying or strengthening our environmental, health and safety protection measures. Producers that are unable to meet the environmental, health and safety standards of the local government and the downstream customers would incur a higher cost for fines and remediation and might not be competitive in the long run. We believe that our lack of any material environmental, health and safety incidents, while immeasurable as an expense, also provides a significant cost advantage to us. We believe our products can continue to maintain or gain market shares if our competitors found it difficult in complying with the increasingly stringent implementation of environmental policies by the PRC government.

A stable management team with significant industry experience and low turnover

Significant experience. Our management team consists of knowledgeable and experienced industry experts with proven track record in the dye and pigment intermediates industry. Our senior management personnel have an average of over 10 years of experience, including a few executive Directors with around 20 years of industry experience.

Individual accomplishment. Our Chairman, Chief Executive Officer and executive Director, Mr. Ge Yi, completed his studies in chemical engineering with Tianjin University and has a strong background in chemistry. He also obtained a master's degree in international business management for China from Middlesex University. Mr. Ge Yi has his unique insight on business and management as applied to our Group and our market. Since Mr. Ge Yi has been with us since his graduation, he has a thorough understanding in our business, management, customers and products. He also initiated numerous reforms and innovations and has led us to our current leading position in, among others, the DSD Acid and DMSS markets. Ms. Jin Ping, our executive Director and Vice-President (Research &

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Development in Technology), who joined us in 2006, is a petrochemical engineer and has dedicated herself to managing our research and development efforts, in particular, upgrading our production processes. She also established and has led our research and development team on various projects that lead to greater efficiency in our production processes. Mr. Shi Qiang, our Chief Engineer, has almost 30 years of experience in the chemical industry including more than 10 years with us. Mr. Shi is a senior engineer and an energy manager and has advised on various aspects of our corporate and strategic development, especially in areas of production and technical development. Ms. Dong Zhongmei, our executive Director and Vice-President (Sales & Procurement), also has almost 20 years of experience helping us with various marketing efforts in the chemical industry.

Diversified management team. Among our 117-person management team, approximately 65% are less than 40 years old, 25% are women, and 45% have a bachelor degree or above. Among those who have a bachelor's degree or above, 70% have a degree in disciplines other than chemistry or chemical engineering. We cherish diversity in our management team as we welcome different viewpoints that could help us improve our decision-making process and achieve success.

High retention rate. We believe that the successful implementation of our business and growth strategies depends on our ability to attract and retain experienced, motivated and well-trained employees at all levels. Building on our technological edge, management experience, sound internal control system, accountability and environmental consideration, we believe we are primed to achieve further growth and to take advantage of significant market opportunities in the future. As of December 31, 2014, approximately 35% of our employees with a rank of manager or above have been with us for more than 15 years, 10% of these employees have been with us for 10 to 15 years and 10% of these employees have been with us for 5 to 10 years. We believe that this low turnover rate represents satisfaction of senior management for the way we run our business and confidence in our corporate vision, culture and outlook.

DEVELOPMENT STRATEGIES

Our objective is to continue to attain profitable growth by continuing our investment in developing new products, maintaining existing long-term customers, expanding our production capacity and lower production costs.

In order to achieve this, we have put the following strategies in place:

Vertically integrated to produce PNT and enter into ONT/OT market.

Lease the Donggao Production Plant. We have leased our Donggao Production Plant from Donggao Chemicals since January 2015 and have commenced the production of PNT, ONT, MNT and OT since February 2015. This newly constructed Donggao Production Plant is located in Shandong Province and is geographically close to our Dongguang Production Plants in Hebei Province and our Dongying Production Plant in Shandong Province. Assuming that our Donggao Production Plant reaches an annual designed production capacity of 80,000 tonnes of PNT, ONT and MNT from current production capacity of 40,000 tonnes by the end of 2015, upon us leasing the Additional Assets to complete our capacity expansion, we are expected to become one of the three largest mononitrotoluene producers in the world, according to Frost & Sullivan.

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Jointly produce PNT, ONT and MNT. Due to their chemical makeup, nitrification of toluene simultaneously produces products consisting of approximately 35% PNT, 60% ONT and 5% MNT. In other words, with every one tonne of PNT produced, approximately two tonnes of ONT will also be produced. As a result, most producers of PNT and ONT are collaterally restricted in their production capacity by the sales of one product or another. In other words, if a producer cannot sell more than one tonne of PNT, it will have less incentive to produce more than two tonnes of ONT for sale; and, vice versa, if a producer cannot sell more than two tonnes of ONT, it will have less incentive to produce more than one tonne of PNT for sale.

Maintain reliable supply of PNT. PNT is a key raw material for the production of DSD Acid. During the Track Record Period, the purchase price for PNT constituted a significant portion of our raw material purchase price for the production of DSD Acid on average. Prior to the leasing of our Dongao Production Plant, we sourced our PNT from a number of suppliers to ensure sufficient quantity and we would not be dependent on any of our suppliers. We expect that by the end of 2015 the annual designed production capacity of PNT of our Dongao Production Plant and the Additional Assets can meet approximately 85% of our internal demand if we also lease the Additional Assets.

Stabilized combined margin of PNT and ONT. While PNT and ONT are produced jointly and on a fixed ratio on the supply side, their sales prices are subject to different factors and market forces on the demand side, where the principal downstream application for PNT is the production of DSD Acid and the principal downstream application for ONT is the production of herbicides. Although the prices of these two products are subject to independent factors and market forces, their margins may tend to have offsetting effect to each other, and stabilize the overall long term margin of the mononitrotoluene producers according to Frost & Sullivan. For example, in the beginning of 2015, the market price of PNT has declined to near or below its production cost. Nevertheless, mononitrotoluene producers may recuperate their losses on PNT when they sell ONT at a higher margin, although prices of PNT may fluctuate from time to time and may rise above its production cost in the future. As a result of the price drop of PNT over the past few years (from RMB10,300 per tonne in 2011 to RMB5,400 per tonne in 2014), had we self-produced PNT, the unit cost of our self-produced PNT would have been approximately RMB5,300 per tonne, which is higher than the market price of PNT (ranging between RMB4,000 and RMB4,500 per tonne in June 2015). In view of the rebound of PNT price from the beginning of 2015, it is expected that there will be a moderate increase in PNT's market price in the future as a result of a likely gradual recovery of crude oil price, according to Frost & Sullivan. Moreover, we anticipate that we can increase our overall gross profit from the sales of ONT (to produce one tonne of PNT, approximately two tonnes of ONT is produced simultaneously, the selling price of ONT was between RMB7,400 and RMB7,700 per tonne in June 2015 while its production unit cost is the same as PNT of approximately RMB6,000 per tonne), which can offset this notional loss we may incur by self-producing PNT. Coupled with our belief that our leading position in DSD Acid market may squeeze out smaller mononitrotoluene producers after our entry into the mononitrotoluene market, which will have a positive impact on the market prices of mononitrotoluene, we believe that our production of mononitrotoluene (PNT, ONT and MNT) will achieve our objective to maximize our long-term profitability.

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Replicate our success in the DSD Acid market to the ONT/OT market. According to Frost & Sullivan, we were the largest purchaser of PNT in the world in 2014. Given the collateral relationship of PNT and ONT, when the annual production capacity of mononitrotoluene of our Dongao Production Plant reaches 80,000 tonnes, we believe we would have certain impact on competitive landscape of the ONT/OT market. As PNT and ONT are produced jointly, mononitrotoluene producers who have lost potential sales volume of PNT to us will have to take PNT purchase orders from other buyers or be forced to reduce their overall production, including their production of ONT. We believe that the heightened competitive environment may squeeze out smaller mononitrotoluene producers. As a result, the industry may experience a phase of consolidation, and we aim to come out as a winner. Leveraging on us being both the largest DSD Acid producer and the largest purchaser of PNT in the world in 2014, we believe we will be able to replicate our success in the DSD Acid market to the ONT/OT market.

Capitalize our resources to capture a large market share in the ONT/OT market. We intend to capitalize resources of Dongao Chemicals to capture a large market share in the ONT/OT market, including in-depth knowledge of products and operation of the production plants from its staff, sales network, customer base of domestic herbicide manufacturers and customer relationships. In this regard, we have engaged former staff of Dongao Chemicals to assist us. We aim to increase service coverage in anticipation of the increased repeating sales to the same customers and to focus on acquiring and maintaining new customers.

Growth Drivers of ONT and OT

The global consumption volume of ONT is expected to rise from 182,600 tonnes in 2014 to 240,900 tonnes in 2019, representing a CAGR of 5.7%, according to Frost & Sullivan. ONT and OT are key intermediates for production of agricultural chemicals, especially herbicides. Demand for ONT and OT in the next few years is expected to be supported by the following drivers:

- **Rising demand for herbicides:** Since an increasing number of individual farms are expected to be replaced by large-scale modern farms, the usage of agricultural chemicals is expected to have a sustained increase. Frost & Sullivan estimates that the growth rate at global agricultural chemicals industry from 2015 to 2019 to be approximately 5%. As ONT and OT are mainly consumed in agricultural chemicals industry, in particular herbicides, the rising demand for herbicides is expected to pull up the consumption of ONT and OT. Particularly, since the PRC has the largest population in the world and is also one of the largest agricultural countries, the demand for agricultural chemicals such as herbicides is expected to rise given the increasing production volume of crops.
- **Industry consolidation and modernization:** Given the collateral relationship between PNT and ONT, if a producer cannot sell more than one tonne of PNT, it will have little incentive to produce more than two tonnes of ONT for sale and vice and versa. Accordingly, ONT producers need to ensure they have proper sales channels for their PNT products, or their financials may be adversely impacted. Therefore, leading players that have sustainable sales channels for ONT, OT and PNT or those utilize PNT for further production are expected to maintain their leading positions and smaller producers may fail to sustain their businesses, leading to further consolidation of the ONT/OT industry, benefitting existing

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leading players that plan to strengthen their market positions through merger and acquisition. The accumulated experience, research and development and production technologies of these leading players would also continue to improve the production efficiency and technology level of the industry.

- Steady growth of other downstream applications: ONT can also be applied in other industries such as the dye and pigment industry and pharmaceutical industry. With rising disposable income and increasing attention to health, consumption of drugs is expected to rise steadily, thereby increasing the demand for ONT.

As of the Latest Practicable Date, we have already entered into sales framework agreements with a number of ONT/OT customers for approximately 13,600 tonnes of ONT and OT in aggregate in 2015.

Increase production capacity for existing products and organically develop new products.

In view of the rising market demand for the variety and functionality of downstream products, and with an objective to maximize our long-term profitability, we intend to strengthen our leading position in the market by (i) increasing the production capacities for our existing products; (ii) upgrading our production lines for utilization of the hydrogenation process for our existing DSD Acid production; and (iii) organically developing new products.

We are preparing for the construction of a new production plant in Dongying, Shandong Province, the PRC, which will house the expanded production capacities for some of our existing products, such as DSD Acid, DATA and CDMA, as well as the production lines of certain new products including 2B Acid and 4B Acid. We are producing PNT, ONT, MNT and OT at our Dongao Production Plant which we have leased from Dongao Chemicals. We completed the sample testing of the hydrogenation process during CDMA production in April 2014. We have also commenced the sample testing of 2B Acid and 4B Acid production in December 2014 and January 2015, respectively. CDMA is a raw material for yellow and red color pigments as well as azoic dyes. Both 2B Acid and 4B Acid are important raw materials of red pigments used in printing ink.

We anticipate that our designed annual production capacity of DSD Acid will increase from 35,000 tonnes in 2014 to approximately 55,000 tonnes by the end of 2015 after the construction of Phase 1 of our Dongying Production Plant is completed. The increase in production capacity of DSD Acid in our Dongying Production Plant has taken into account (i) that part of the production lines in our South Donguang Production Plant will be temporarily shut down for upgrade to improve the utilization of the hydrogenation process for our existing DSD Acid production during 2016 and 2017; and (ii) our management's strategic objective to satisfy a growing long-term demand for DSD Acid resulting from the growth of the industry. We will also continue to assess and effectively respond to the changes in market condition in terms of product pricing and customers' demand by optimising our product mix. For details of the expansion and upgrade plan, please refer to "— Production Plants — Our Expansion Plans — Construction of Dongying Production Plant".

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Our leading market position allows us to achieve economies of scale with regard to production and procurement.

The growth of our products will be supported by the following drivers:

- DSD Acid — (i) steadily rising demand: DSD Acid is mainly used for the production of OBA. 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. It is projected by Frost & Sullivan that market consumption volume of DSD Acid in the world will increase at a CAGR of 5.7% from approximately 52,300 tonnes in 2014 to 69,000 tonnes in 2019; (ii) higher demand for household and sanitary paper: consumption of household and sanitary paper is expected to maintain a relatively high growth rate as a result of rising living standards; (iii) technological and process improvements: allowing leading DSD Acid producers to increase yields, control cost and make the DSD Acid production to be more environmentally friendly; and (iv) government supporting measures: measures such as the 12th Five-Year Plan for Petroleum and Chemical Industry in Hebei Province (《河北省石油和化學工業“十二五”專項發展規劃》) provide support to the industry and encourage DSD Acid producers to be more environmentally friendly, as a result, producers with inferior production technologies and environmental compliances are expected to shut down in the future;
- DMSS and DATA — one of their major downstream applications is vehicle-painting, especially for premium vehicles. In the PRC, for example, premium vehicles, represented by joint-venture brand vehicles, have experienced a healthy growth in recent years. The PRC has also become one of the largest markets for automotive industry with a strong demand for automotive components. All of these are expected to increase the demand for paints on auto bodies. The global consumption volume of DMSS is expected to rise from 5,200 tonnes in 2014 to 6,600 tonnes in 2019, representing a CAGR of 4.9%, according to Frost & Sullivan;
- CDMA — a major application of it is to produce pigment yellow 83, which is widely used for the colouring of plastic materials, represented by PVC. PVCs, in turn, are widely used in infrastructure and automotive industry, such as sewerage pipes, windows and door frames that are expected to generate a stable demand for CDMA. The global consumption volume of CDMA is expected to rise from 6,100 tonnes in 2014 to 7,200 tonnes in 2019, representing a CAGR of 3.4%, according to Frost & Sullivan;
- 2B Acid and 4B Acid — their typical application is to produce pigments red 48 and 57, which are used in the colouring in printing ink, coating and colouring of plastic and rubber. Demand growth is expected to be moderate and steady. The global consumption volume of 2B Acid and 4B Acid is expected to rise from 9,500 tonnes and 31,000 tonnes, respectively, in 2014 to 11,330 tonnes and 36,830 tonnes, respectively, in 2019, representing a CAGR of 3.6% and 3.5%, according to Frost & Sullivan; and

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- NMP — NMP is mainly used in lithium battery manufacturing and high polymer material industries. Lithium batteries are mainly used in consumer electronics and electric vehicles. Increasing popularity of consumer electronics such as mobile phones, tablets and computers is expected to generate high demand growth for NMP. The global consumption volume of NMP in 2014 was approximately 210,000 tonnes and the annual growth of NMP is estimated to be around 8% to 10% in the coming years, according to Frost & Sullivan.

Our expansion plans and planned increase in production capacities have been made after taking into account the growth potential in those markets and the likelihood of the various drivers and factors that fuel the demand for those products. In general, our expansion plans aim to cater for such growing market demand in the long term, for example 5 to 10 years, as we find it impracticable to expand our production capacities on a piecemeal basis. This is despite the fact that utilization rates of our existing production facilities in 2014 had declined as compared to 2013.

The decline of utilization rates of production of DSD Acid, DMSS and DATA in 2014 was due to ceasing production as a result of governmental energy control, sale of upstream intermediate products before being further processed into our end products and decrease in production due to upgrade of certain production processes. For details, see “— Production Plants — Utilization Rate”.

Further, the utilization rates of our production lines of key products such as DSD Acid and DATA range from 80% to 98% for the years ended December 31, 2012 and 2013, which are relatively high and if not for the aforementioned reasons, they would have remained at similar level in 2014.

According to Frost & Sullivan, there will be an increasing demand for downstream products of dye and pigment intermediates for application in household paper, textile, plastic and consumer products due to an increase in disposable income, general improvement in living standards and economic conditions in the world, which will, in turn, lead to a continuing increase in demand for dye and pigment intermediates. We believe that, given our leading position and large-scale operation, especially in DSD Acid and DMSS markets, we are well positioned to capture such demand growth. Given the generally steady and stable demand for our products worldwide in the past, we believe that there will be a continuous and rising demand for our products in the future which will create sustainable income stream and cashflow.

A substantial amount of investment in our expansion plans is to be spent on acquisition of land, expanding capacities for our key products such as DSD Acid and DATA and upgrade of production lines, which is in line with our long-term goal of demonstrating continuous dedication to producing consistent quality products to our customers. In addition, our expansion plans will be executed prudently since the expansion plans of the various products are to be carried out in phases, and their implementation may be adjusted in accordance with the market demand and conditions.

Our planned capital expenditures in 2015 and 2016 are approximately RMB293.2 million and RMB276.6 million, respectively, which primarily relate to the construction of our Dongying Production Plant. Such capital expenditures will be funded with cash from operating activities, bank borrowings and proceeds from the Global Offering. The expected additional depreciation charges in connection with our Dongying Production Plant amount to RMB1.9 million and RMB24.5 million,

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respectively, in 2015 and 2016. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months. In addition, our Dongying Production Plant expansion plan will be implemented in phases and can be adjusted in accordance with the market demand and conditions.

We have been operating with a healthy growth and running our business profitably, and we have been generating positive net operating cashflows during the Track Record Period. Taking into account of the above, despite our anticipated capital expenditures in connection with our Dongying Production Plant expansion plan and our net current liabilities, we are satisfied that we will have available sufficient working capital for our present requirements, that is, 12 months following the date of this prospectus.

Having considered the factors above, our Directors are of the view that our expansion plans are reasonable and has been thoroughly considered to proactively capturing the market growth opportunities arising from the driving factors above which would benefit us and our Shareholders.

Our Directors believe that our expansion and upgrade plans for our Dongying Production Plant and Dongguang Production Plants could bring us the following benefits:

- (a) our operational risks can be minimised by having two independent production plants producing one of our key products, DSD Acid;
- (b) the expanded capacities will be used for satisfying the current increasing demand and help us capture the long-term demand growth in the dye and pigment intermediates industry;
- (c) our Dongying Production Plant is expected to be built with higher quality standard with more advanced manufacturing equipment, while the upgrade of the Dongguang Production Plant with further automation is expected to result in cost savings through maximizing production efficiency; and
- (d) the increase in our scale of operation could also further bring us benefits from economies of scale.

Given the strategic rationales and benefits as discussed above, we believe that our Dongying Production Plant expansion plan will bring positive impact to our operations. We estimate that there would likely be an increase in revenue and gross profit. However, our gross profit margin is expected to decrease in the short term due to the relatively lower margin of new products compared to that of DSD Acid. There will be increased depreciation charge from our Dongying Production Plant. The net profit margin will be affected accordingly. Our Directors' aim to increase the gross profit margin of the new products in the long run is in line with our future strategies that would also have a correspondingly positive impact on our net profit margin.

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Invest in research and development to finetune production process and expand product range.

A history of research and development. Throughout our operating history, we have been able to continuously upgrade and improve our production processes to achieve higher yield, consistent quality, efficient consumption of utilities and lower production costs. We have been able to maintain our leading position in commercial production of these production processes.

In-house development capability. We believe our leading position in the markets of our major products has attracted industry experts to join us and enabled them to be highly productive.

Continue to innovate. We will continue to improve our production efficiency by re-assessing our production processes for areas of improvement from time to time, as well as by implementing new technologies when economically feasible. We also intend to reduce production costs by continually keeping abreast of the latest technological developments and seek new and more cost-effective production processes. We aim to further reduce production costs per unit through economies of scale by increasing production capacity. We will continue to invest in research and development and upgrade our production facilities.

Accumulated know-how. Leveraging our capabilities and experience in our research and development department, we have developed certain key production technologies and capabilities.

- For our DSD Acid production, we implemented certain continuous sulfonation and condensation processes to achieve further automation and reduce the consumption of the reactants to achieve energy saving.
- For our DMAS production, we altered the traditional batch reactor process to a new continuous reaction process where the reaction takes place in a flowing tube, which resulted in a reduction of transient reactants and increased the reliability of free radical reaction. Tubular reactors help us achieve further automation and improved yield with higher level of safety and energy saving.
- We developed several hydrogenation precious metal catalysts and a metal recovery process with high efficiency. By mastering the process of catalyst preparation and recycling, we improved our competitive strengths by producing chemicals that comply with the national industrial policy standards through a cleaner production process.
- We developed a more efficient use of water, steam and other materials and energy saving production processes by optimizing the design of the production process to reduce the overall cost of our products. This includes the development of a new hydrogenation processes for the CDMA production that have completed both pilot testing and sample production.

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Expand through selected acquisition with the goal to improve our technology, supplement our product offering and create greater economies of scale.

Selected areas, selected targets. We plan to pursue acquisition opportunities that can add value or create synergy to our business, technology, products and applications. We believe any such additions would be for the purpose of increasing and diversifying our product portfolio through acquiring new technology or production plant for complementary products or adjacent markets and enhance our profitability by driving additional revenue lines. For example, we believe our strategy of being vertically integrated to allow us to self-produce PNT and be better positioned at countering any lack of supply or fluctuation on price of PNT will help us stabilize our goal of achieving a steady, long-term growth. We may utilize the same strategy to pursue opportunities with downstream players such as producers of 2-methyl-6-ethylaniline (MEA), a downstream product of ONT/OT and a critical herbicide ingredient, or other chemical product manufacturers. We intend to follow a disciplined approach to acquisition with a view towards ensuring future value creation and sustaining our goal of long-term profit and growth.

In identifying suitable acquisition targets, we will take into account factors including their geographical locations, product portfolio and potential applications, technology and knowhow, revenues, customer base, whether they complement to our operations and our financial capability. As of the Latest Practicable Date, we have not identified any acquisition targets.

OUR PRODUCTS AND PRODUCTION PROCESSES

During the Track Record Period, we principally produced DSD Acid, DMSS and DATA as well as other fine chemicals in small amount including NTS, DNTS, DMS, DMAS, DIPS, CDMA and TCCBM. In February 2015, we commenced the production of PNT, ONT, MNT, OT and NMP. We also plan to produce 2B Acid and 4B Acid in future.

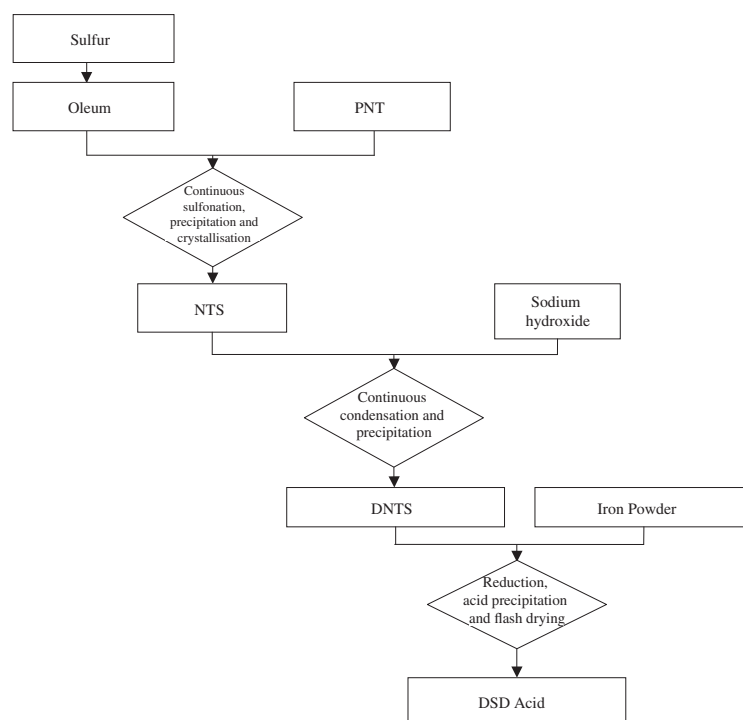
Set out below is the brief introduction of our principal products and their production processes.

DSD Acid

<i>Product Category</i>	:	DSD Acid and other dye intermediates
<i>Name</i>	:	4,4'-diaminostilbene-2,2'-disulfonic acid
<i>Formula</i>	:	$C_{14}H_{14}N_2O_6S_2$
<i>CAS Number</i>	:	81-11-8
<i>Synonym</i>	:	DSD acid
<i>Principal Raw Materials</i>	:	PNT, sodium hydroxide, iron powder and sulfur
<i>Principal By-products</i>	:	Sodium sulfate
<i>Characteristics</i>	:	Yellow color paste or light yellow powder
<i>Applications</i>	:	Intermediate of dyes and fluorescent whitening agents

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Major Production Processes of DSD Acid



DMSS

<i>Product Category</i>	:	DMSS and other pigment intermediates
<i>Name</i>	:	Dimethyl 1,4-cyclohexanedione-2,5-dicarboxylate
<i>Formula</i>	:	$C_{10}H_{12}O_6$
<i>CAS Number</i>	:	6289-46-9
<i>Synonym</i>	:	DMSS and dimethyl succinyl succinate
<i>Principal Raw Materials</i>	:	Sodium hydroxide, DMS, methanol
<i>Principal By-products</i>	:	Nil
<i>Characteristics</i>	:	White or off-white powder
<i>Applications</i>	:	Quinacridone pigments, photosensitive polymer, etc.

DATA

<i>Product Category</i>	:	DMSS and other pigment intermediates
<i>Name</i>	:	2,5-dianilinoterephthalic acid
<i>Formula</i>	:	$C_{20}H_{16}N_2O_4$
<i>CAS Number</i>	:	10109-95-2
<i>Synonym</i>	:	DATA

BUSINESS

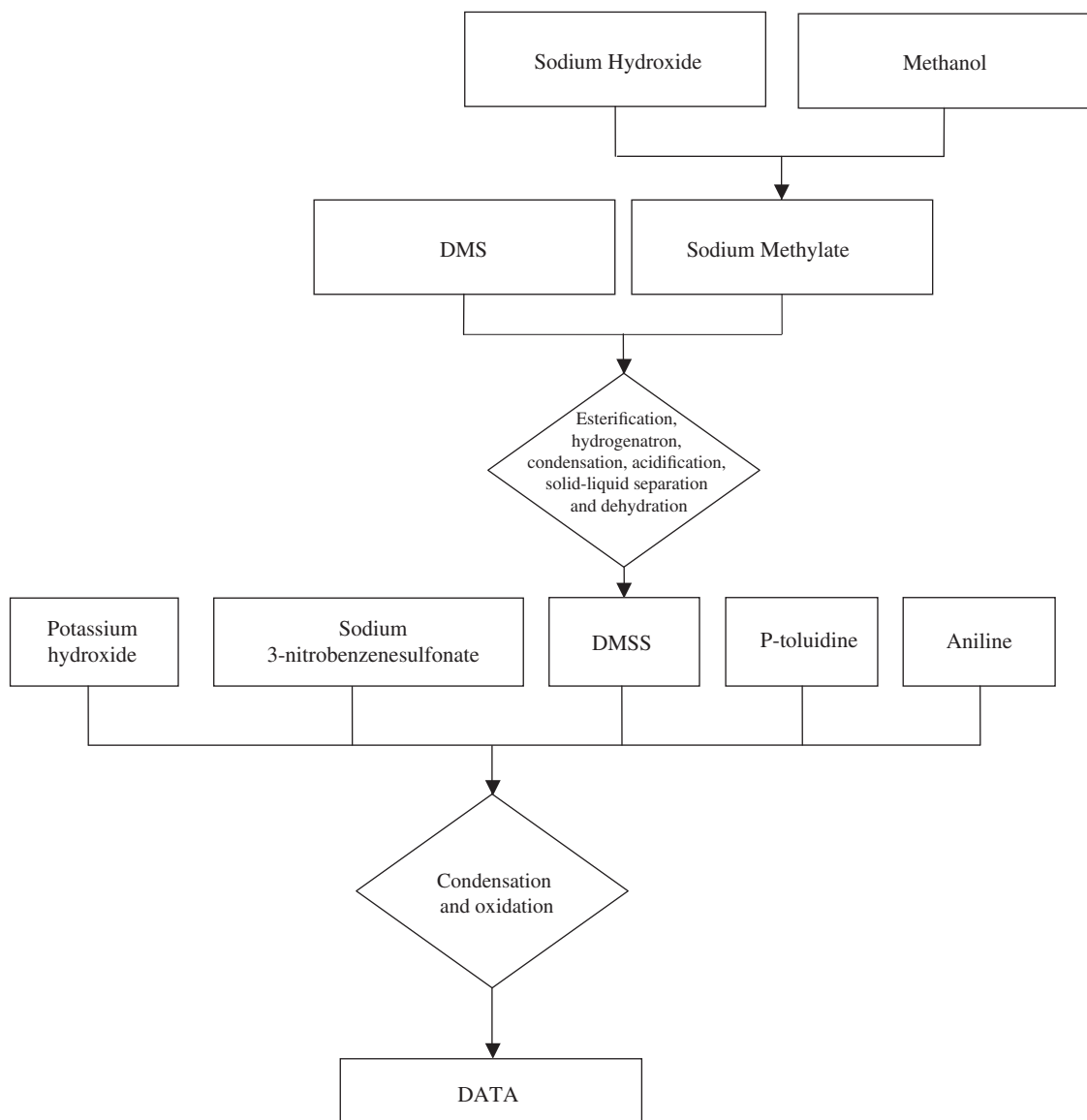
Principal Raw Materials : DMSS, p-toluidine, aniline, potassium hydroxide and sodium 3-nitrobenzenesulfonate

Principal By-products : Potassium sulfate and sodium sulfate

Characteristics : Dark red powder

Applications : Intermediate of quinacridone pigments

Major Production Processes of DMSS and DATA

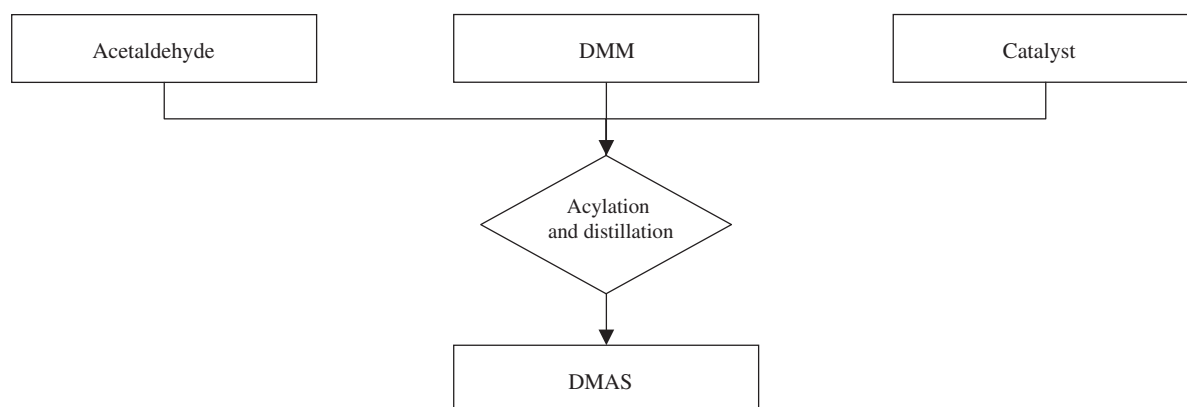


BUSINESS

DMAS

<i>Product Category</i>	:	DMSS and other pigment intermediates
<i>Name</i>	:	Dimethyl acetylsuccinate
<i>Formula</i>	:	$C_8H_{12}O_5$
<i>CAS Number</i>	:	10420-33-4
<i>Synonym</i>	:	DMAS
<i>Principal Raw Materials</i>	:	DMM, acetaldehyde and catalyst
<i>Principal By-products</i>	:	Nil
<i>Characteristics</i>	:	Transparent liquid or white crystal
<i>Applications</i>	:	Intermediates of food yellow pigments, agricultural chemicals, other food additives, etc.

Major Production Processes of DMAS

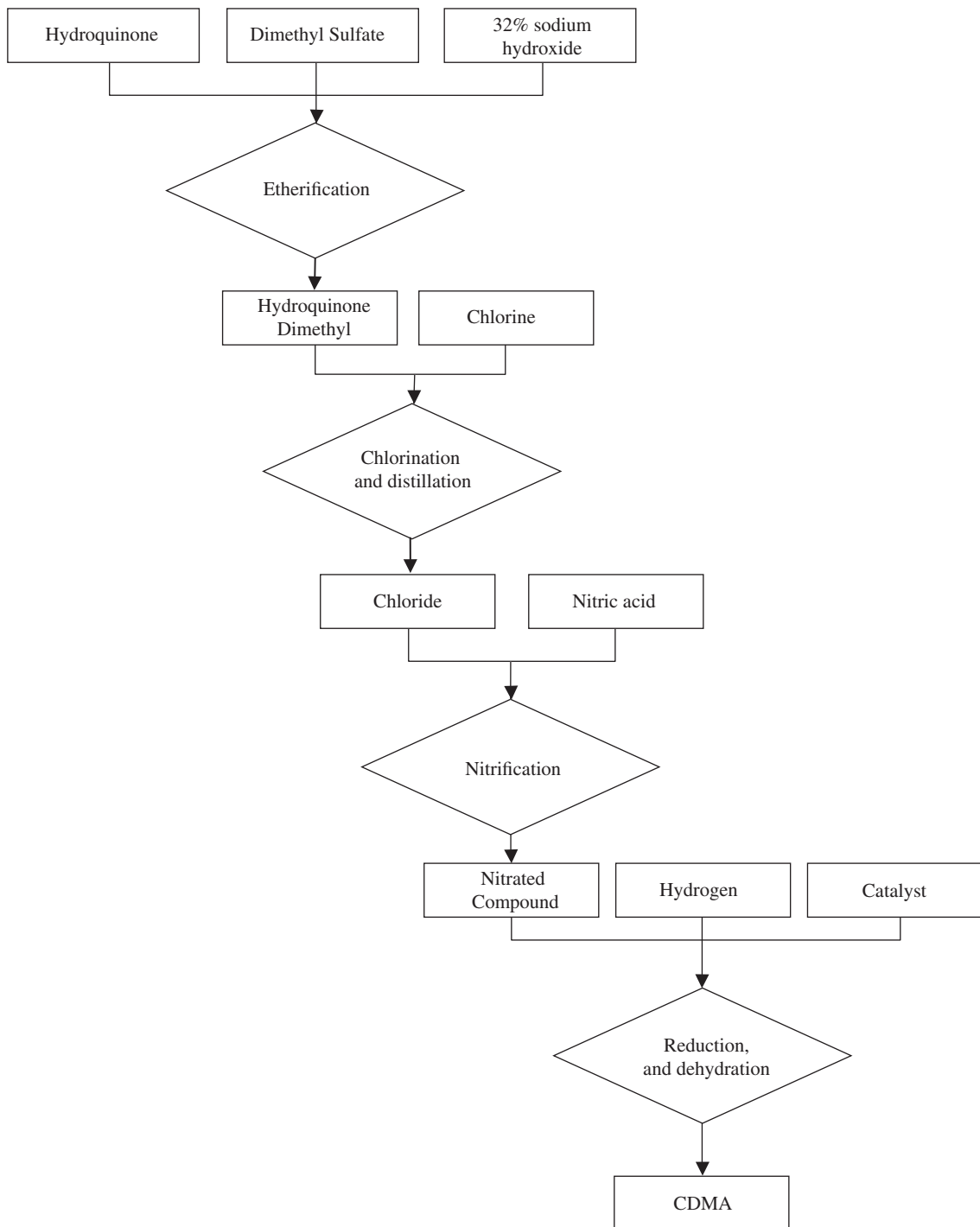


CDMA

<i>Product Category</i>	:	DMSS and other pigment intermediates
<i>Name</i>	:	4-Chloro-2,5-dimethoxyaniline
<i>Formula</i>	:	$C_8H_{10}ClNO_2$
<i>CAS Number</i>	:	6358-64-1
<i>Synonym</i>	:	CDMA
<i>Principal Raw Materials</i>	:	hydroquinone, 32% sodium hydroxide, dimethyl sulfate, chlorine, nitric acid, hydrogen and catalyst
<i>Principal By-products</i>	:	Sodium sulfate
<i>Characteristics</i>	:	White or off-white powder
<i>Applications</i>	:	intermediate of yellow and red pigments and azoic dyes

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Major Production Processes of CDMA

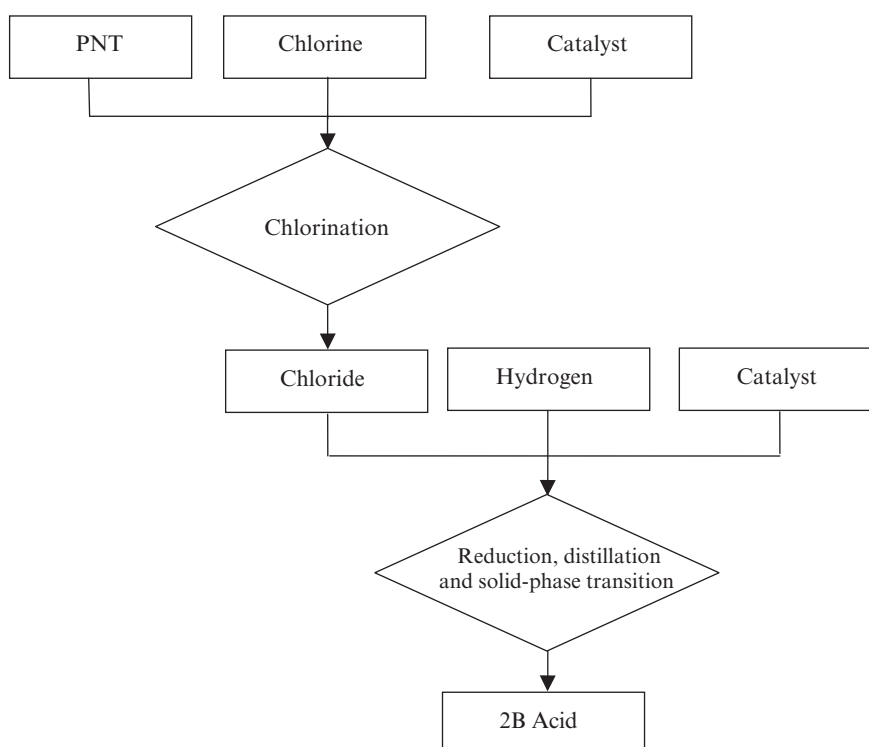


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2B Acid

<i>Product Category</i>	:	DMSS and other pigment intermediates
<i>Name</i>	:	4-amino-2-chlorotoluene-5-sulfonic acid
<i>Formula</i>	:	$C_7H_8ClNO_3S$
<i>CAS Number</i>	:	88-51-7
<i>Synonym</i>	:	2B Acid, 2-amino-4-chloro-5-methylbenzenesulfonic acid
<i>Principal Raw Materials</i>	:	PNT, chlorine, catalyst and hydrogen
<i>Principal By-products</i>	:	Nil
<i>Characteristics</i>	:	White, ivory or rosy red crystalline solid
<i>Applications</i>	:	Intermediate of organic pigment
<i>Research and Development Status</i>	:	Pilot testing completed in December 2013, sample testing commenced in December 2014

Major Production Processes of 2B Acid

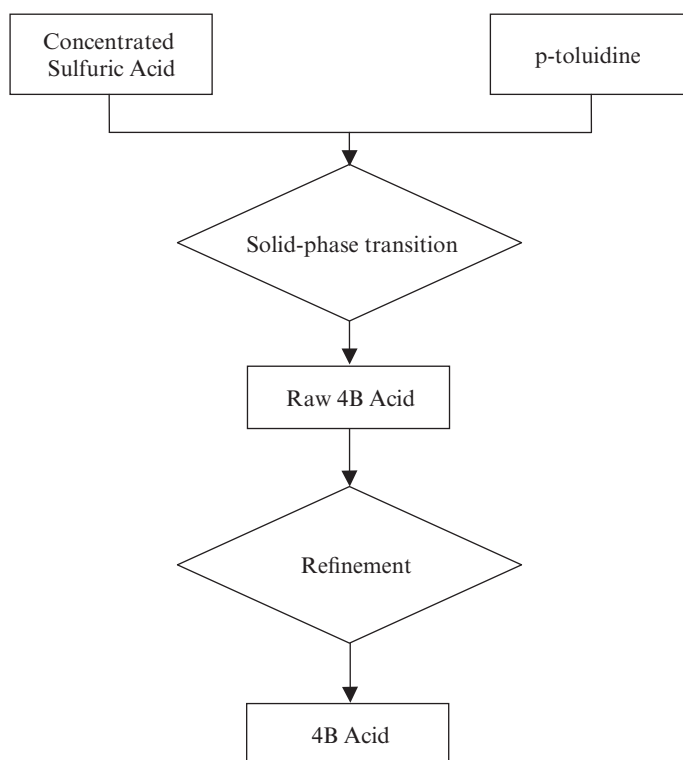


BUSINESS

4B Acid

<i>Product Category</i>	:	DMSS and other pigment intermediates
<i>Name</i>	:	4-aminotoluene-3-sulfonic acid
<i>Formula</i>	:	$C_7H_9NO_3S$
<i>CAS Number</i>	:	88-44-8
<i>Synonym</i>	:	4B Acid
<i>Principal Raw Materials</i>	:	Concentrated sulfuric acid, p-toluidine
<i>Principal By-products</i>	:	Nil
<i>Characteristics</i>	:	White or cream-coloured powder
<i>Applications</i>	:	Dye intermediate, organic pigment intermediates
<i>Research and Development Status</i>	:	Pilot testing completed in April 2014, sample testing commenced in January 2015

Major Production Processes of 4B Acid



BUSINESS

PNT (for internal consumption)

<i>Product Category</i>	:	Mononitrotoluene
<i>Name</i>	:	4-nitrotoluene or para-nitrotoluene
<i>Formula</i>	:	$C_7H_7NO_2$
<i>CAS Number</i>	:	99-99-0
<i>Synonym</i>	:	PNT
<i>Principal Raw Materials</i>	:	Toulene, nitric acid and sulfuric acid
<i>Principa By-products</i>	:	Nil
<i>Characteristics</i>	:	Pale yellow crystalline solid
<i>Applications</i>	:	Raw materials for dye intermediates and pigment intermediates, which will be utilised internally as a raw material for DSD Acid production

ONT

<i>Product Category</i>	:	Mononitrotoluene
<i>Name</i>	:	2-nitrotoluene or ortho-nitrotoluene
<i>Formula</i>	:	$C_7H_7NO_2$
<i>CAS Number</i>	:	88-72-2
<i>Synonym</i>	:	ONT
<i>Principal Raw Materials</i>	:	Toulene, nitric acid and sulfuric acid
<i>Principal By-products</i>	:	Nil
<i>Characteristics</i>	:	Pale yellow liquid
<i>Applications</i>	:	Agricultural chemical intermediates, pharmaceutical intermediates, dye and pigment intermediates

BUSINESS

MNT

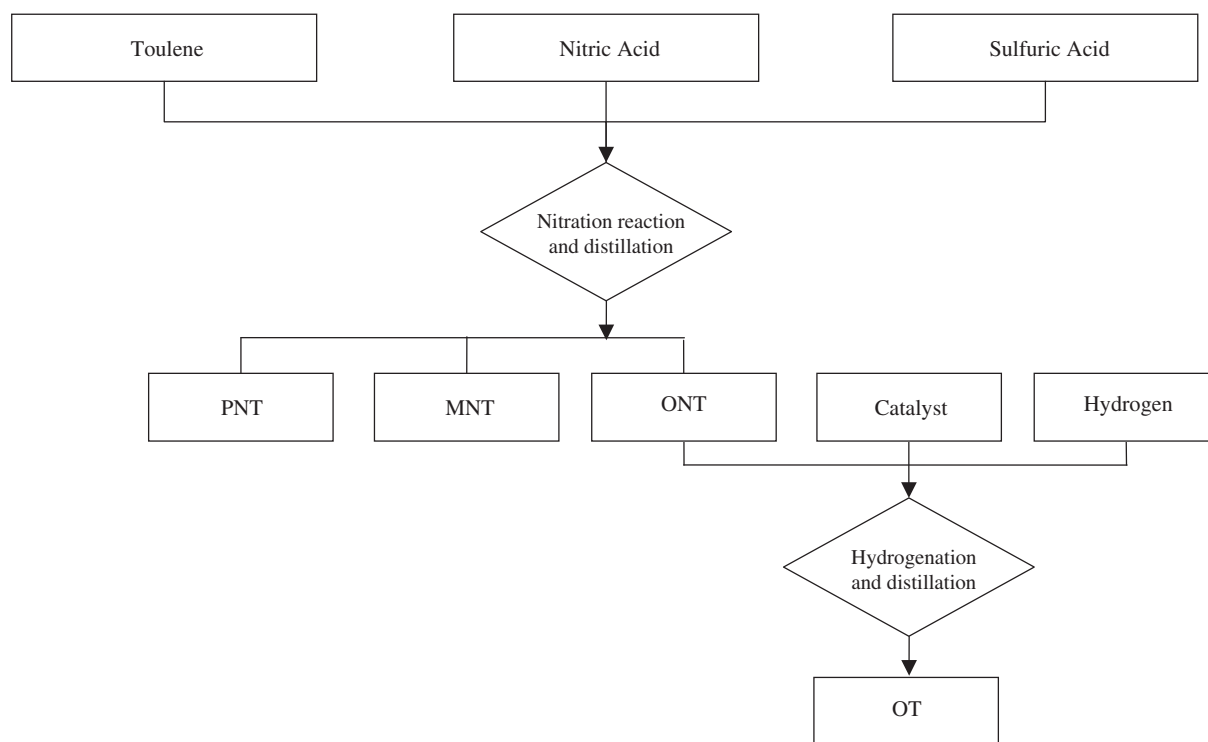
<i>Product Category</i>	:	Mononitrotoluene
<i>Name</i>	:	3-nitrotoluene or meta-nitrotoluene
<i>Formula</i>	:	C ₇ H ₇ NO ₂
<i>CAS Number</i>	:	99-08-1
<i>Synonym</i>	:	MNT
<i>Principal Raw Materials</i>	:	Toulene, nitric acid and sulfuric acid
<i>Principal By-products</i>	:	Nil
<i>Characteristics</i>	:	Pale yellow liquid or crystal
<i>Applications</i>	:	Agricultural chemical intermediates, pharmaceutical intermediates, dye and pigment intermediates

OT

<i>Product Category</i>	:	Toluidine
<i>Name</i>	:	Ortho-toluidine
<i>Formula</i>	:	C ₇ H ₉ N
<i>CAS Number</i>	:	95-53-4
<i>Synonyms</i>	:	OT
<i>Principal Raw Materials</i>	:	ONT, catalyst, hydrogen
<i>Principal By-products</i>	:	Nil
<i>Characteristics</i>	:	Pale yellow or colorless liquid
<i>Applications</i>	:	Dye and pigment intermediates, agricultural chemical intermediates

BUSINESS

Major Production Processes of PNT, ONT, MNT and OT

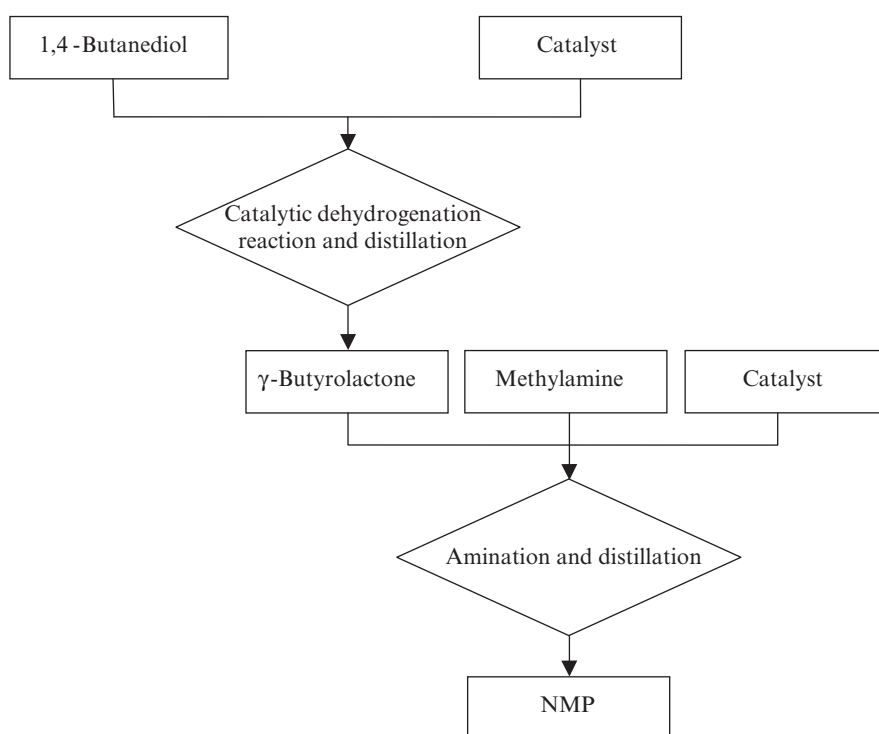


NMP

<i>Product Category</i>	:	1,4-butanediol downstream products
<i>Name</i>	:	N-methyl-2-pyrrolidone
<i>Formula</i>	:	C ₅ H ₉ NO
<i>CAS Number</i>	:	872-50-4
<i>Synonym</i>	:	NMP
<i>Principal Raw Materials</i>	:	γ-Butyrolactone, catalyst, methylamine
<i>Principal By-products</i>	:	Hydrogen and water
<i>Characteristics</i>	:	Colorless or pale yellow liquid
<i>Applications</i>	:	solvent, dispersant, intermediates of herbicide, etc.

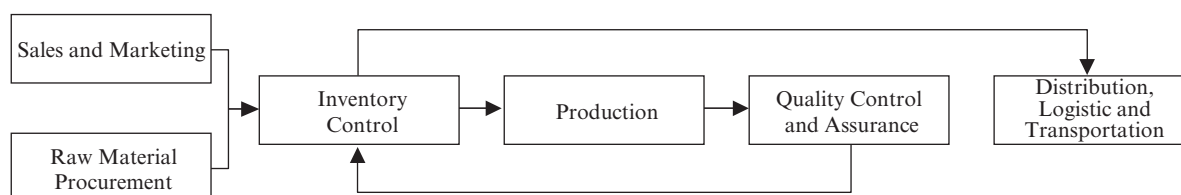
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Major Production Processes of NMP



OUR BUSINESS MODEL

The following chart illustrates our business model:



PRODUCTION PLANTS

Our sales, procurement and production departments work closely together to manage our production planning. We prepare production plans at the beginning of each year according to market demand and historical sales and production records, adjusted to take into account orders on hand at the time, production capacity and current inventory levels, as well as maintenance and repair needs from production facilities.

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As of the Latest Practicable Date, we had two production plants in operation in Hebei Province, the PRC, and one production plant that is currently under preparation for construction, in Shandong Province, the PRC. We have also leased a production plant in Shandong Province, the PRC.

The table below sets forth details of our plants as of the Latest Practicable Date.

<u>Operating Subsidiary</u>	<u>Location of Manufacturing Facilities</u>	<u>Land Area (approximate sq.m.)</u>	<u>Aggregate GFA (approximate sq.m.)</u>	<u>Main Products</u>
<i>South Dongguang Production Plant</i>				
Tsaker Dongguang . . .	Dongguang, Hebei Province, the PRC	340,000	52,000	DSD Acid and other dye intermediates ⁽³⁾
<i>North Dongguang Production Plant</i>				
Tsaker Cangzhou . . .	Dongguang, Hebei Province, the PRC	99,000	16,000	DMSS and other pigment intermediates ⁽⁴⁾
<i>Dongao Production Plant⁽¹⁾</i>				
Tsaker Dongying. . . .	Dongying, Shandong Province, the PRC	201,000	12,000	PNT, ONT, MNT, OT and NMP
<i>Dongying Production Plant⁽²⁾</i>				
Tsaker Dongying. . . .	Dongying, Shandong Province, the PRC	330,000	N/A	DSD Acid, DATA, CDMA 2B Acid and 4B Acid

Notes:

- (1) We have leased our Dongao Production Plant since January 2015.
- (2) Our Dongying Production Plant is currently under preparation for construction. Tsaker Dongying has received the consent of construction investment from the relevant government authority pursuant to a construction investment agreement dated September 11, 2014. For details, see “— Production Plants — Our Expansion Plans — Construction of Dongying Production Plant”.
- (3) Other dye intermediates include NTS and DNTS.
- (4) Other pigment intermediates include DMS, DATA, DMAS, DIPS, CDMA and TCCBM.

Utilization Rate

The table below sets forth the designed annual production capacity, actual production volume and the utilization rate of the production lines of our major products, the aggregate revenue generated by which contribute to approximately 90% of our revenue in each of the financial years during the Track Record Period. The designed annual production capacity is calculated based on 330 working days per year with 24 working hours per day while the utilization rate is calculated by dividing the

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actual production volume for the relevant year by the designed annual production capacity. However, we seldom fully utilize our production capacity as we continue to upgrade our production processes and would suspend production to install upgraded equipment.

	As of and for the year ended December 31,		
	2012	2013	2014 ⁽²⁾
	<i>(tonnes, except for percentage)</i>		
DSD Acid			
Designed annual production capacity	35,000 ⁽¹⁾	35,000	35,000
Actual production volume ⁽²⁾	27,884	31,213	30,001
Utilization rate ⁽³⁾	79.7%	89.2%	85.7%
DMSS			
Designed annual production capacity	4,500	4,500	4,500
Actual production volume ⁽⁴⁾	2,403	2,132	1,435
Utilization rate ⁽⁵⁾	53.4%	47.4%	31.9%
DATA			
Designed annual production capacity	1,000	1,000	1,000
Actual production volume ⁽⁶⁾	848	983	715
Utilization rate	84.8%	98.3%	71.5%

Notes:

- (1) We had applied to the relevant authorities to expand the production capacity of DSD Acid to 35,000 tonnes in 2011 and such expansion and the upgrading of production plants took place in different phases throughout 2012. Hence, the designed production capacity of DSD Acid of 35,000 tonnes in 2012 reflects the same as of December 31, 2012.
- (2) In 2013, we continued to ramp up our production volume. In 2014, we decreased our production from time to time as part of our inventory management. For approximately two weeks towards the end of 2014, we were subject to governmental energy control, as a result of which our plants were not in production during this period.
- (3) We also sold DNTS and NTS, intermediate products produced during DSD Acid production, during the Track Record Period before they are further processed into DSD Acid, and as such lowered our utilization rate of production of DSD Acid.
- (4) During the Track Record Period, we decreased production from time to time to upgrade certain production processes. DMSS is an intermediate product produced in the early stages of DATA production that could be sold before they are further processed into DATA.
- (5) During the production process of DMSS, an intermediate product, DMS, may be taken from the production line and be sold by us before being further processed into DMSS, and as such lowered our utilization rate for production of DMSS.
- (6) In 2014, we decreased production in June to upgrade certain production processes.

In order to maintain our production plants in proper order, from time to time our production lines would be out of service for maintenance and repairs for our production facilities and equipments from time to time. During the Track Record Period, we did not experience material damage or prolonged suspension of production plants due to any material accidents or production facilities or equipments failure.

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Our Expansion Plans

Upgrade of Dongguang Production Plants

We believe the result of our continuous dedication to fine-tune and upgrade our production processes has made us the world leader in the supply of our principal products. Hence, we intend to upgrade the production lines housed in our Dongguang Production Plants for the utilization of hydrogenation process of the DSD Acid production and the further automation of production of our existing products, principally including DSD Acid, DMSS and DATA. This can help us maintain a competitive edge over other manufacturers in the industry that fail to catch up. As of the Latest Practicable Date, we held land use rights for our Dongguang Production Plants and we have also obtained all material licenses, permits and approvals required under the status of the construction projects that we were undertaking as of the Latest Practicable Date in connection with the upgrading of our Dongguang Production Plants.

Construction of Dongying Production Plant

We also intend to strengthen our leading position in the DSD Acid market and expand our product portfolio to capture the growth of the dye and pigment intermediate industry by expanding our production capacities of DSD Acid, DATA and CDMA and building new production lines for the production of various pigment intermediates, including CDMA, 2B Acid and 4B Acid. For details of our development strategy, see “— Development Strategies — Increase production capacity for existing products and organically develop new products”. Our Dongying Production Plant is expected to have a land area of approximately 330,000 sq. m. and an aggregate GFA of approximately 330,000 sq. m. The estimated total investment in the construction of our Dongying Production Plant is RMB595.7 million. We believe a larger capacity would enable us to continue producing DSD Acid to meet market demand while part of the production lines in the Dongguang Production Plants will be shut down temporarily for a period of time for upgrade during 2016 and 2017 and help us satisfy a growing long term demand for our products and the growth of the industry in general. Our economies of scale would also be improved. The table below sets forth details of the upgrade of our Dongguang Production Plants and the construction plan of our Dongying Production Plant, our key on-going expansion project:

Details of Upgrade/ Construction	Products and additional designed capacity	Expected time frame for construction	Expected commencement date of operation	Estimated investment (RMB in millions)	Source of funds (approximately)
Upgrade of Dongguang Production Plants					
Upgrade of production lines for further automation of existing products	—	3rd quarter of 2014 to 4th quarter of 2015	N/A	50.9	100% by own funds
				(Comprised RMB33.5 million in construction of buildings, RMB15.8 million in purchase of equipment, RMB1.6 million in others)	

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Details of Upgrade/ Construction	Products and additional designed capacity	Expected time frame for construction	Expected commencement date of operation	Estimated investment (RMB in millions)	Source of funds (approximately)
Upgrade of production lines for the utilization of hydrogenation process of the DSD Acid production	—	1st quarter of 2016 to 2nd quarter of 2017	N/A	45.0 (Comprised RMB10.0 million in construction of buildings, RMB35.0 million in purchase of equipment)	100% by own funds
Acquisition of land use rights and Construction of Dongying Production Plant					
Acquisition of land use rights	—	—	—	35 (which had been paid in May 2015)	100% by own funds
Construction of office complex, and others	—	3rd quarter in 2015 ⁽¹⁾ to 2nd quarter of 2016	End of 2nd quarter in 2016	132.2	62.2% by own funds and 37.8% by proceeds from the Global Offering
Phase 1 of Dongying Production Plant					
New production line for DSD Acid	20,000 tonnes of DSD Acid	3rd quarter of 2014 ⁽¹⁾ to 4th quarter of 2015	4th quarter of 2015	238.9 (Comprised RMB119.3 million in purchase of equipment, RMB119.6 million in construction of buildings)	18.9% by own funds, 25.1% by borrowing and 56.0% by proceeds from the Global Offering
Phase 2 of Dongying Production Plant					
New production line for CDMA	3,000 tonnes of CDMA	3rd quarter of 2015 to 2nd quarter of 2016	2nd quarter of 2016	98.8 (Comprised RMB50.9 million in construction of buildings, RMB47.9 million in purchase of equipment)	49.4% by own funds, 20.3% by borrowing and 30.4% by proceeds from the Global Offering
New production line for DATA	1,500 tonnes of DATA	4th quarter in 2015 to 2nd quarter in 2016	End of 2nd quarter in 2016	39.8 (Comprised RMB19.3 million in construction of buildings, RMB20.5 million in purchase of equipment)	100% by own funds
Phase 3 of Dongying Production Plant					
New production line for 2B Acid	3,000 tonnes of 2B Acid	3rd quarter of 2016 to 2nd quarter of 2017	2nd quarter of 2017	27 (Comprised RMB6.4 million in construction of buildings RMB20.6 million in purchase of equipment)	100% by own funds

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Details of Upgrade/ Construction	Products and additional designed capacity	Expected time frame for construction	Expected commencement date of operation	Estimated investment	Source of funds
				<i>(RMB in millions)</i>	<i>(approximately)</i>
New production line for 4B Acid	7,000 tonnes of 4B Acid	3rd quarter of 2016 to 2nd quarter of 2017	2nd quarter of 2017	24	100% by own funds
				(Comprised RMB5.6 million in construction of buildings RMB18.4 in purchase of equipment)	
		Total estimated investment for construction of Dongying Production Plant		595.7	

Note:

- (1) Our Dongying Production Plant is under preparation for construction.

For a description of our intended application of proceeds from the Global Offering, please see the section headed “Future Plans and Use of Proceeds”.

We believe each phase of the construction of our Dongying Production Plant will start to generate profit generally within three months after they commence commercial production, while the investment payback period will be approximately six years. Such calculations are made on the assumptions, among others, that there will be no adverse changes in the market demand for the respective products, the cost of their respective raw materials and the general economic conditions.

Lease of Donggao Production Plant

On September 11, 2014, Huage Holdings acquired, from an independent third party, the entire equity interest of Donggao Chemicals, which produces mononitrotoluene (consisting of PNT, ONT and MNT) as well as OT and NMP. Before the sale of Donggao Chemicals to Huage Holdings, Donggao Chemicals was in the process of constructing certain new mononitrotoluene production plants and NMP production plants, which later became our Donggao Production Plant. To the best of our Directors’ knowledge, Donggao Chemicals has demolished its old production plants, which were carved out from Donggao Chemicals before Donggao Chemicals was sold to Huage Holding, and the old production plants were no longer in production.

Chemicals produced by our Donggao Production Plant include the following:

- PNT, a pale yellow crystalline solid that is mainly used as a key raw material for the production of DSD Acid.
- ONT, which is produced through the same production process of PNT and a key intermediate of agricultural chemicals, in particular herbicides.

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- OT, the major downstream product of ONT, which is primarily applied as an intermediate for agricultural chemicals such as herbicides.
- MNT, a pale yellow liquid that is applied in agricultural chemical intermediates, pharmaceutical intermediates, dye and pigment intermediates.
- NMP, a colorless liquid that is primarily applied in the clean energy industry, including lithium battery manufacturing, and high polymer material industry.

In order to maintain a stable supply of PNT and to enter into the markets of ONT, MNT, OT and NMP, we have leased our Dongao Production Plant from Dongao Chemicals since January 2015 (the “**Assets Leasing Agreement**”) and has commenced the production of these products since February 2015. Instead of acquiring our Dongao Production Plant, we leased our Dongao Production Plant because we believe this arrangement enables us to capture the advantage of vertical integration and also to enter into the markets of ONT/OT, MNT and NMP without an initial capital expenditure and investment, and hence, reduce the risk on capital expenditure commitment. For details on the reason of leasing and our operational independence, see “Relationship with our Controlling Shareholders — Independence from our Controlling Shareholders — Operational Independence”.

Our Dongao Production Plant has a current annual production capacity of 40,000 tonnes of mononitrotoluene consisting of approximately 14,000 tonnes of PNT, 24,000 tonnes of ONT and 2,000 tonnes of MNT, respectively, and is expected to reach 80,000 tonnes of mononitrotoluene, consisting of approximately 28,000 tonnes of PNT, 48,000 tonnes of ONT and 4,000 tonnes of MNT, respectively, by the end of 2015. As of March 31, 2015 and based on the unaudited management accounts of Dongao Chemicals, our Dongao Production Plant had fixed assets of RMB172.3 million and the aggregate annual depreciation to be charged against these fixed assets is expected to be RMB11.0 million. Upon leasing the Additional Assets to complete the capacity expansion of our Dongao Production Plant, we expect the 28,000 tonnes of PNT produced by our Dongao Production Plant will be fully utilized internally for our production of DSD Acid, while ONT and OT (both of which are expected to be our major products), together with MNT and NMP, will be sold externally to manufacturers of herbicides. The annual production capacity of NMP is expected to reach 6,000 tonnes by the end of 2015. The capital expenditure to be spent on the construction of Additional Assets will be borne by Huage Holdings. According to the interviews conducted by our PRC Legal Advisor and the Sole Sponsor’s PRC legal advisor with the Dongying Environmental Protection Bureau and its Hekou Branch, and Dongying Administration of Work Safety and its Hekou Branch, and to the best of our Directors’ knowledge, the leased Dongao Production Plant had no material non-compliance with the applicable PRC laws and regulations on environmental protection and safety from the commencement date of the Assets Leasing Agreement and up to the Latest Practicable Date.

For the production of PNT, ONT, MNT, OT and NMP, we intend to leverage from Dongao Chemicals’ resources, including in-depth knowledge of products and operations of the production plants from its staff, sales network, customer base of domestic herbicide manufacturers and customer relationships. In this regard, we have engaged former staff of Dongao Chemicals to assist us. As of the Latest Practicable Date, we have already entered into sales framework agreements with a number of customers of approximately 13,600 tonnes of ONT and OT in aggregate in 2015.

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In view of the rising demand for herbicides and the growing ONT/OT market, high demand growth of NMP and our plan to maintain a reliable supply of PNT, we believe that by entering into the ONT/OT, MNT and NMP markets and leveraging on our leading position in the DSD Acid market and that we are the largest PNT purchaser in the world, we will be able to replicate our success in the DSD Acid market to the ONT/OT market and maximize our long-term profitability. From February 2015 to April 2015, the utilization rates of the production of PNT, ONT, MNT, OT and NMP was not high as it was in a start-up stage. We expect the utilization rates will be increased significantly by the end of 2015 which will thereafter make positive contribution to our Group. For risks associated with our Dongao Production Plant's operation, see "Risk Factors — Risks Relating to Our Business — The production cost and profit margin of DSD Acid and our overall gross profit margin might be negatively affected by our operation in Dongao Production Plant, namely the production of PNT, ONT, MNT, OT and NMP".

Pursuant to the Assets Leasing Agreement, we have the right to give notice to Dongao Chemicals if we intend to continue the lease of the Dongao Production Plant upon expiry of the Assets Leasing Agreement at the then prevailing market rental determined with reference to an asset valuation by a certified asset valuer. Additionally, we have the first right of refusal on the leasing of the Additional Assets, and any further agreement in such connection shall be entered into between the parties at the then prevailing market rental determined with reference to an asset valuation by a certified asset valuer.

Furthermore, pursuant to the Assets Leasing Agreement, we have an option to purchase our Dongao Production Plant and the Additional Assets from Dongao Chemicals at a prevailing market price to be negotiated and determined with reference to an asset valuation by a certified asset valuer. We also have the right of first refusal to acquire our Dongao Production Plant and the Additional Assets in the event that Dongao Chemicals opts to sell such assets to a third party at the price to be offered to such third party. For details of the lease arrangement of our Dongao Production Plant, see "Continuing Connected Transactions — Non-exempt Continuing Connected Transactions — Continuing connected transactions which are subject to the reporting, annual review and announcement requirements but exempt from the circular and the independent Shareholders' approval requirements — (2) Assets Leasing Agreement".

As advised by our PRC Legal Advisor, the Assets Leasing Agreement is valid, legally binding and enforceable against Dongao Chemicals.

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Set forth below is a summary of the expected production capacity of our principal products and new products in the end of 2015, 2016 and 2017 as a result of the leasing of our Dongao Production Plant and the Additional Assets and the construction of our Dongying Production Plant:

Products	Expected capacity at the end of 2015	Expected capacity at the end of 2016	Expected capacity at the end of 2017
	<i>(tonnes)</i>	<i>(tonnes)</i>	<i>(tonnes)</i>
DSD Acid ⁽¹⁾	55,000	43,333	55,000
DMSS	4,500	4,500	4,500
DATA	1,000	2,500	2,500
CDMA	—	3,000	3,000
2B Acid	—	—	3,000
4B Acid	—	—	7,000
PNT	28,000	28,000	28,000
ONT	48,000	48,000	48,000
MNT	4,000	4,000	4,000
NMP	6,000	6,000	6,000

Note:

- (1) As a result of the upgrade of South Dongguang Production Plant in 2016, we expect that certain production lines of DSD Acid will be temporarily suspended, resulting in a lower production capacity of DSD Acid in 2016.

Equipment

We purchased manufacturing equipment mainly from suppliers in the PRC. The key equipment we use for our production are different types of reaction vessels, tubes and chemical containers. To meet the requirement of production processes for our products, we rely on our in-house experts to design relevant equipment, who will also work together with equipment suppliers to manufacture, assemble and install such equipment according to the installation plan developed by our in-house research and development team to realize our designed production processes. We generally fine-tune the purchased equipment during the sample testing period to ensure the equipment could meet our requirement in relation to production efficiency and product quality. We also rely on our in-house experts and technicians to provide on-site maintenance to our equipment. We select suppliers of equipment through a bidding process. During the Track Record Period, we have not experienced any material delay in sourcing, delivery or installation of our equipment. As of the Latest Practicable Date, other than our Dongao Production Plant, which we leased from Dongao Chemicals, we owned all the key manufacturing equipment utilized in our production and did not have plan for material replacement of key equipment. In connection with the upgrade of our Dongguang Production Plant and the construction of our Dongying Production Plant, we estimate that we will invest approximately RMB277.5 million in equipment.

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SALES, MARKETING AND CUSTOMERS

Sales

We sell our products to both PRC domestic and international customers. In 2012, 2013 and 2014, 51.2%, 49.1% and 52.7% of our revenue, respectively, were shipped to foreign customers.

Set forth below is a breakdown of our revenue by geographical locations:

	For the year ended December 31,		
	2012	2013	2014
	<i>(RMB in millions)</i>		
PRC.....	405.5	439.9	424.1
India.....	107.4	120.5	120.5
Germany.....	85.4	64.9	83.0
US.....	41.6	60.4	76.1
Indonesia.....	50.3	62.1	52.0
Others.....	<u>140.0</u>	<u>116.2</u>	<u>141.8</u>
Total	<u>830.2</u>	<u>864.0</u>	<u>897.5</u>

For details, see “note 4 to Appendix I — Accountants’ Report”.

Our major customers are generally established players in the industry. We participate in chemical industry exhibitions to disseminate product information while capturing market intelligence, and we also obtain market and customer information and referrals through word of mouth. Our sales personnel visits our major customers from time to time for market intelligence and to provide any after-sales services.

- DSD Acid and other dye intermediates are typically sold to manufacturers of OBA.
- DMSS and DATA as well as other pigment intermediates are typically sold to manufacturers of pigments, including manufacturers of pigment red 122 and pigment red 19.
- PNT has been reserved as a raw material for internal production of DSD Acid and other dye intermediates since its production that commenced in February 2015.
- ONT and OT have been sold to manufacturers of MEA, an herbicide ingredient, since its production that commenced in February 2015.

We generally sell to our major customers directly without utilizing sales agents, although we have engaged China Chem as our sales intermediary for a portion of our sales activities. Some of our customers also engage agents to assist in their procurement. We also provide processing services to customers to manufacture DSD Acid and charges processing fees which account for about 1.7% to 5.4% of our total revenue during the Track Record Period.

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Our customers are principally downstream manufacturers of chemical products. Occasionally, we also sell to certain traders who may order our products in bulk for distribution. In 2012, 2013 and 2014, we sold RMB59.2 million, RMB68.9 million and RMB80.3 million, or approximately 7.1%, 8.0% or 8.9%, of our revenue, respectively, to traders.

During the Track Record Period, we primarily sold our products through our sales team to manufacturers who utilize our products for further production. In 2012, 2013 and 2014, 92.9%, 92.0% and 91.1% of our revenue, respectively, was sourced from manufacturers of downstream industries. During the Track Record Period, we generally enter into non-legally binding framework agreements with our pigment intermediate customers on an arm's length basis. From 2015 onwards, we enter into non-legally binding framework agreements with our customers in general, whether they purchase dye or pigment intermediates from us. These framework agreements generally include specifications of products, annual forecast of volume and requirements and delivery terms, but the sales volume and prices of individual orders are left to specific purchase orders. We generally give customers warranty terms of up to 10 days from the date of delivery, when the risk of ownership get transferred to the relevant customers.

As the production of PNT, ONT, MNT and OT has commenced, we believe we will have competitive advantages in the ONT/OT market because we expect to produce a stable supply of ONT given that we have a stable demand for PNT. As a result, we may be able to compete at a competitive price on the sales of ONT, OT and MNT as our Dongao Production Plant and the Additional Assets, if we lease the same, would already have its PNT production fully satisfied by our internal demand from our production of DSD Acid.

Except for certain specific arrangements with China Chem, we generally offer our customers credit terms ranging from 30 to 90 days. Payments are settled by bank acceptances, letters of credit or telegraphic transfer. We assess the credibility of our customer and their order volume in deciding the appropriate credit terms to be offered. For new customers, we may require upfront payment before delivery. We believe the payment terms we granted to customers are in line with the general industry practice.

We engage independent third party transportation service providers to deliver our products by road or sea transportation. We generally arrange for delivery of our products to the designated destination for our domestic customers. For our international customers, we are generally responsible for bearing the transportation costs for the delivery of our products to the designated seaport. Any shipping charges and insurance costs, if required, are included in the purchase price which is borne by those customers.

Our customers typically have evaluation and verification procedures in place to select qualified suppliers. These customers conduct checks from time to time on products provided by approved suppliers and any failure could lead to suspension or termination of such qualification. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any rejection of or material delay in obtaining or renewing approval or qualification to sell our products to our major customers.

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We did not have any long-term sales commitment for the sale of any of our products during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any disputes with our major customers or return of goods in relation to the quality of our products that had a material and adverse impact on our business.

Pricing

The prices of our products are determined based on arm's length negotiation with our domestic and international customers. The factors that affect the negotiations with our customers and consequently, determine our products' prices, include general economic condition, prevailing market price, our production costs, including cost of raw materials, labor and manufacturing overheads, purchase volume and market supply and demand for the same or competing products.

PNT is a key raw material for the production of DSD Acid. Since PNT is produced from toluene, which is a bulk chemical from crude oil, the purchase price of PNT, to a certain extent, relates to the fluctuation of the international crude oil price. Notwithstanding the effect of the fluctuation in international crude oil price, the seasonal demand, or a lack of demand, for ONT have also collaterally affected the supply of PNT and its price. The price of DSD Acid is also affected by its supply and demand condition.

The price of DMSS, on the other hand, is affected by the competition in the industry and its supply in the market, while the prices of other pigment intermediates, such as DMAS, are sensitive to the fluctuation of the prices of their raw materials.

In cases where the prices of our principal raw materials increase, in view of our leading market position and bargaining power, we believe we can generally pass the increased costs on to our customers.

The following table sets forth the weighted average selling prices per tonne of our dye and pigment intermediates for the periods indicated.

	For the year ended December 31,		
	2012	2013	2014
	<i>(RMB in thousands per tonne)</i>		
Weighted Average Selling Price			
DSD Acid and other dye intermediates ⁽¹⁾	19.9	19.3	21.3
DMSS and other pigment intermediates ⁽²⁾	37.1	35.8	34.2

Notes:

- (1) Weighted average selling price of DSD Acid and other dye intermediates is derived by dividing the total revenue of dye intermediates for the period by tonnes sold during the period. Our dye intermediate product portfolio include DSD Acid, NTS and DNTS.

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- (2) Weighted average selling price of DMSS and other pigment intermediates is derived by dividing the total revenue of pigment intermediates for the period by tonnes sold during the period. Our pigment intermediate product portfolio include DMSS, DMAS, CDMA, DATA, DMS, DIPS and TCCBM.

Marketing

Our sales department is responsible for the marketing of our products. As of December 31, 2014 we had 16 sales staff who is dedicated to promoting our products to existing and potential customers. Our sales team is responsible for introducing our products and explaining the technical specifications and characteristics of our products to customers as well as collecting customers' requests and feedback on our products, according to which, we could develop new products or improve performance of existing products to meet customers' requirements. As a result, we request our sales manager and assistant sales managers to have adequate knowledge and understanding of the production processes, chemical ingredients and technical specifications and characteristics of all the chemical products in our product portfolio.

Our sales department conducts market research and analysis from time to time and liaise with existing and potential customers on their needs and expectations, which are taken into account when we formulate our production plan and sales strategies to produce products that meet such demands. We also promote our product through production exhibitions where we could introduce and explain the specifications and uses of our products to existing and potential customers. In terms of after-sales services, our sales staff visits our customers from time to time to gain insights into the customers' own product development, which, in turn, could affect their demand for our products. Customer feedback is also important to our formulation of production and sales strategies. If there is any negative feedback in relation to our product's quality and usage, we would arrange for our relevant personnel to attend to the customer's factory, analyze and seek to resolve the issues to the customers' satisfaction.

Apart from soliciting business orders, the key functions of our sales team is to understand customers' requirements regarding pricing and services and development trends in the market. We provide training to our sales staff on business knowledge including information on the application of our chemical products and skills to maintain customers' relationship.

We believe that marketing and promotion is important for our continued success and sustainable development. We focus on promoting sales of our products through attending chemical industry conferences, and in person meeting to nurture existing and acquire potential customers.

Industry conferences

We attend industry conferences to explore new potential customers and maintain relationships with existing customers. After identifying potential target customers during the industry conferences, our sales teams will follow up by phone calls or visiting the potential customers to understand their needs and seek business opportunities.

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Customer nurturing

We treasure the business relationship with our customers. Our sales team pays visits to our major customers from time to time to maintain good relationships with our customers and keep abreast of their needs.

We also keep abreast with the latest market development by subscribing to industry intelligence and paying customers visits.

Customer services

We are dedicated to providing quality customer services. We endeavor to supply our products to our customers in a timely manner. We have also provided after-sales services such as paying site visits to our major customers from time to time and conducted customer surveys in order to understand their evolving needs and resolve their concerns. We believe these visits also enabled us to gain an insight into the latest market trends and capture potential business opportunities.

Customers

Our products are mostly used by manufacturers of chemical products around the world. Since our inception, we have sold our products to customers in, among others, the PRC, India and Indonesia.

In 2012, 2013 and 2014, sales to our largest customer accounted for approximately 8.4%, 9.3% and 11.7%, respectively, of our revenue. For the same periods, sales to our five largest customers accounted for 34.2%, 37.3% and 40.9%, respectively, of our revenue.

During the Track Record Period and up to the Latest Practicable Date, our five largest customers, except Shine Chem and Sunchem, were independent third parties.

During the Track Record Period, we sold our DSD Acid to Sunchem and Shine Chem which in turn sold it to their customers in Taiwan and Italy. Shine Chem was a subsidiary of Cavalli that was principally engaged in offshore trading of chemical products and was deregistered on July 18, 2014. Sunchem is wholly-owned by Mr. Ge Yi, our executive Director, Chairman, Chief Executive Officer and one of our Controlling Shareholders. Such export arrangement has terminated since November 2014 subsequent to which we sold our products to these customers directly.

During the Track Record Period, the procurement branch of Transfar Group Company Limited was one of our five largest customers. Transfar Group Company Limited is an affiliate of Transfar, a pre-IPO investor of our Company since December 2014. For details, see “Our History and Development — Pre-IPO Investment — Information regarding Transfar”.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, none of our Directors or any of their respective associates, or any of our Shareholders who owned more than 5% of the issued share capital of our Company as of the Latest Practicable Date, held any interest in any of our five largest customers.

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We have implemented an internal credit policy to monitor the credit history of each customer. In determining the credit periods granted to the customers, we usually consider the payment history of such customers, the size of the customers, the sales volume, and the market reputation of the customers. The credit period we granted to customers generally ranges from about 30 days to about 90 days depending on the relevant customer's creditworthiness, payment method, pricing policy and size of sales orders. Our international customers usually settle their payments through telegraphic transfers or letters of credit, while local customers normally settle by cash or bills. Our sales staff is responsible for monitoring the customers' payment patterns. During the Track Record Period, we had not experienced any material difficulties in collecting payments from our customers. As of December 31, 2012, 2013 and 2014, our trade receivables amounted to approximately RMB117.6 million, RMB103.1 million and RMB115.1 million, respectively.

We believe that we have proved ourselves to be a reliable supplier of essential chemical products as evidenced by the long-term patronage with our major customers. On this basis, our relationship with major customers is stable and long-lasting because our customers generally have few incentives to replace us as we have consistently produced quality chemical products throughout our operating history. In particular, considering the quality requirements of raw materials used for the manufacturing of the chemical products, our customers generally do not procure and mix the same type of chemical products from different suppliers in the same manufacturing process. Moreover, we believe we are able to develop products that cater for different needs and requirements of our customers to nurture our relationship with our customers. We believe all the above mentioned factors would in turn improve our customers' demand for our products.

Anti-dumping Measures

On July 26, 2012, the Ministry of Commerce and Industry of India ("MCI") initiated anti-dumping investigations on DSD Acid imported from the PRC, including those manufactured and exported by us, to which we candidly answered such investigative inquiries. On November 22, 2013, MCI published its final findings and issued orders to institute anti-dumping duties of US\$460 per tonne of DSD Acid imported from the PRC to India by all PRC producers on Indian importers with the exception of Huage Dye, a member of our Group prior to Reorganization, in which case the anti-dumping duties is only US\$270 per tonne. The effective period for the duties is from January 23, 2014 to January 22, 2019.

In light of the lower anti-dumping duties imposed on Huage Dye, we exported DSD Acid to India through Huage Dye until November, 2014, although Huage Dye ceased to be a member of our Group after Reorganization in September 2013. Since November 2014, another subsidiary of our Group, Tsaker Dongguang, has been exporting DSD Acid to India. Hence, anti-dumping duty of US\$460 has been imposed to each tonne of our DSD Acid imported to India since November 2014. We have engaged independent legal advisors to initiate a review on the anti-dumping duties imposed on Tsaker Dongguang with a view to extending the anti-dumping duty applicable to the DSD Acid exported by Huage Dye to that exported by Tsaker Dongguang. Our independent legal advisors advised us that the result of such review is not available as of the Latest Practicable Date.

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In 2014, we exported approximately 4,500 tonnes of our DSD Acid to India, which is comparable to the volume of DSD Acid we exported to India in 2013. Our sales to India remained relatively stable in 2013 and 2014. In addition, we have not noted any material impact on our sales to India as a result of the increased anti-dumping duties since November 2014, as the increase in anti-dumping duties is not significant as compared to the selling price of our DSD Acid and we believe such increase has been absorbed by our customers. The anti-dumping duty absorbed by our Indian customers was estimated to be approximately US\$1.3 million in 2014. We believe the imposition of such anti-dumping duties will not have a material adverse effect on our business and prospects in India.

To the best of our knowledge, we are not aware that any of our products that were exported to countries other than India that have relevant anti-dumping and countervailing measures in place were among those products targeted by such relevant anti-dumping and countervailing measures in those other countries.

RAW MATERIAL PROCUREMENT AND SUPPLIERS

Raw Materials

It is our policy to purchase from large suppliers and due to our scaled production, we have a strong bargaining power with our raw material suppliers. However, in order to ensure the health of our supply chain, we may also purchase from smaller suppliers from time to time. We may also source the same raw material, including PNT and maleic anhydride, the principal raw materials of DSD Acid and DMSS, respectively, from multiple suppliers to help us overcome the limitation on the production capacity of the suppliers to maintain the health of alternative supply sources. We have some raw materials that are currently sourced from a single supplier. However, for these raw materials, we can generally find other substitute suppliers on short notice. We also inspect our suppliers from time to time to ensure they maintain a healthy business outlook.

Given different transportation options, we typically receive raw materials within 2 to 30 days after placing the orders. To guarantee quality, we assess our previous encounters with our key suppliers from time to time to identify any problems with our suppliers. Furthermore, in order to avoid significant impact of price fluctuations of raw material on our profit margins, our procurement department regularly analyses market price trends and make forecasts for our management's judgment on procurement arrangement.

Our procurement department consists of ten members as of December 31, 2014. The staff in our procurement department has an average of approximately four years of procurement experience and adequate technical knowledge about our products and the raw materials.

We purchase our raw materials from a number of domestic and international suppliers. We typically purchase raw materials based on our expected needs, taking into account any anticipated fluctuation in raw material prices, for instance, we purchased a larger volume of raw materials from time to time if we anticipate there will be an increase in the price of the raw materials in the near future. The purchase price of our raw materials generally follow market prices. Due to our large demand for raw materials, we often enjoy stronger bargaining power negotiating with our suppliers. We do not make long term purchase commitment or guarantee purchase quantities with our suppliers,

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but we generally enter into non-legally binding framework agreements with our major suppliers and inform them orally our annual forecast of purchases at the beginning of each year and issue purchase orders on a monthly basis. During the Track Record Period, we did not experience any major shortage of raw materials.

In addition to purchasing raw materials from suppliers, our Dongao Production Plant, which is expected to achieve an aggregate designed annual production capacity of approximately 28,000 tonnes of PNT by the end of 2015 subsequent to the completion of its capacity expansion plan, has commenced production in February 2015. We expect our production capacity of PNT can meet approximately 85% of our own internal demands by the end of 2015. Hence, we believe we can secure a reliable supply of PNT.

The cost of raw materials constituted the largest component of our cost of sales and, as such, fluctuations in the prices of our raw materials have a direct impact on our cost of sales. In 2012, 2013 and 2014, the cost of raw materials amounted to RMB472.1 million, RMB475.1 million and RMB384.4 million, representing approximately 79.5%, 78.3% and 69.2% of our costs of sales, respectively.

The principal raw material used to produce DSD Acid is PNT. In general, the cost of PNT accounts for approximately 30-40% of the total production cost of DSD Acid.

Suppliers

We choose our suppliers of raw materials mainly based on the price and quality of raw materials offered by different suppliers. We may orally provide our estimate of volume requirement for the year in the beginning of each calendar year, but we do not commit to purchase any set volume for the year. We issue purchase orders to our suppliers typically on a monthly basis that set out the quantities, prices and specifications of products purchase, delivery arrangement, credit terms and the quality examination procedures at arms' length negotiations between the parties based on normal commercial terms.

Except for certain specific arrangement with China Chem, our key suppliers generally allow us a credit period ranging between 7 to 30 days. However, for suppliers with whom we have established long-term relationships, we may be allowed to enjoy a credit period of up to 90 days after the date of delivery. The prices of raw materials are usually dictated by the market price less any volume discount and may fluctuate from time to time. Accordingly, our purchase price may fluctuate from month to month.

We acquire raw materials from large domestic suppliers in the PRC and from overseas suppliers, including the Lanxess group, a leading specialty chemical company. Except for PNT, most of the raw materials used in our production are widely available in the public markets, whereas the PNT market is concentrated that the five largest suppliers of PNT accounted for approximately 79.6% of the market share in terms of production volume in 2014, according to Frost & Sullivan.

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During the Track Record Period, we have been able to obtain raw materials from our suppliers on terms and quality acceptable to us and we have not experienced any material disruption to the supply of any raw materials required for our production or experience any difficulty in sourcing alternative suppliers for such raw materials. In addition, we believe that the relationship between us and our major suppliers has been and will continue to be good and stable. All of our domestic purchases are paid in Renminbi. All of our foreign purchases are paid in U.S. dollars.

Purchases attributable to our single largest supplier in 2012, 2013 and 2014 accounted for approximately 13.4%, 15.1% and 15.4% of our total purchases of raw materials, respectively. For the same periods, our five largest suppliers accounted for 48.0%, 49.2% and 45.2% of our total purchases in 2012, 2013 and 2014, respectively.

Among our suppliers during the Track Record Period, Yijia Iron Powder, one of our five largest suppliers during the Track Record Period, is a company primarily engaged in the production and sale of iron powder. Yijia Iron Powder had been wholly-owned by Huage Holdings since its establishment in May 2009 until its equity interest was transferred to Mr. Ge Jianyong, Mr. Ge Yi's uncle, in July 2013. Yijia Iron Powder had not been made a part of our Group because the production of iron powder has never been the core business of our Group and we intend to maintain flexibility to purchase from other suppliers. Our business with Yijia Iron Powder was conducted on normal commercial terms comparable with other iron powder suppliers. For details on our transaction with Yijia Iron Powder, see "Continuing Connected Transactions — Non-exempt continuing connected transactions — Continuing connected transaction which is subject to the reporting, annual review, announcement, circular and the independent Shareholders' approval requirements — (3) Framework Purchase Agreement on Iron Powder". While we believe there are other iron powder suppliers in the market that can offer reasonable business terms, we plan to continue to purchase iron powder from Yijia Iron Powder in view of the past transactions experience, lower transportation costs due to its proximity to our Dongguang Production Plants and so long as it continues to offer competitive terms to us.

During the Track Record Period, Donggao Chemicals, which became a direct subsidiary of Huage Holdings (which, in turn, was held as to 71.44% by Mr. Ge Yi and 28.56% by Mr. Ge Jianhua as of the Latest Practicable Date) on September 11, 2014, was one of our suppliers of PNT. We have leased our Donggao Production Plant in relation to the production of, among others, PNT from Donggao Chemicals in January 2015 and have commenced production of PNT since February 2015. For details, see "Continuing Connected Transactions — Non-exempt Continuing Connected Transactions — Continuing Connected Transactions which are subject to the reporting, annual review and announcement requirements but exempt from the circular and the independent Shareholders' approval requirements — (2) Assets Leasing Agreement".

Except as disclosed above, during the Track Record Period and up to the Latest Practicable Date, our five largest suppliers, other than Yijia Iron Powder and Donggao Chemicals, were independent third parties. Our top five suppliers have established business relationships with us for approximately seven years. During the Track Record Period and up to the Latest Practicable Date, none of our Directors or any of their respective associates, or any of our Shareholders who owned more than 5% of the issued share capital of our Company as of the Latest Practicable Date, held any interest in any of our five largest suppliers other than Yijia Iron Powder and Donggao Chemicals.

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ENTITIES THAT WERE BOTH CUSTOMERS AND SUPPLIERS

During the Track Record Period, we sold some of our products to, and purchased some of our raw materials from, the same entity from time to time. Set out below are the entities that were our major customers and also suppliers, or vice versa, during the Track Record Period.

Yijia Iron Powder. We purchased iron powder, a raw material of our production of DSD Acid, from Yijia Iron Powder, whose principal business is the processing and sales of iron powder. Our purchases from Yijia Iron Powder amounted to approximately RMB65.1 million, RMB73.3 million and RMB66.2 million, representing approximately 11.0%, 12.1% and 11.9% of our total cost of sales, in 2012, 2013 and 2014, respectively. During the Track Record Period, we sold iron sludge, scrap from DSD Acid production process, to Yijia Iron Powder, in order to reduce our resources to handle transportation and administrative work to seek buyers of iron sludge. We recorded other income and gains of RMB12.0 million and RMB11.1 million, respectively, in 2013 and 2014, representing 1.4% and 1.2% of the total revenue in 2013 and 2014, respectively. The sales of iron sludge to Yijia Iron Powder was terminated in January 2015. For details of our relationship with Yijia Iron Powder, see “— Raw Materials Procurement and Suppliers — Suppliers”.

Shine Chem. We sold our DSD Acid to Shine Chem which in turn sold it to its certain customers in Taiwan and Italy, and occasionally purchased PNT from Shine Chem. Our sales of DSD Acid to Shine Chem amounted to RMB46.9 million and RMB11.5 million in 2012 and 2013, representing 5.6% and 1.3% of our total revenue in 2012 and 2013, respectively. Our purchase of raw material through Shine Chem amounted to RMB6.8 million and RMB3.5 million in 2012 and 2013, representing 1.1% and 0.6% of our total cost of sales in 2012 and 2013, respectively. Gross profit from our sales to Shine Chem amounted to RMB11.4 million and RMB2.9 million in 2012 and 2013, respectively, with gross profit margin of 24.3% and 25.3% in 2012 and 2013, respectively. For details of our relationship with Shine Chem, see “— Sales, Marketing and Customers — Customers”. Our sales and purchase arrangements with Shine Chem have been terminated since 2013 after its function was transferred to Sunchem.

Sunchem. Sunchem took up Shine Chem’s function after its cessation of business with us. Our sales of DSD Acid to Sunchem amounted to RMB16.3 million and RMB55.9 million in 2013 and 2014, representing 1.9% and 6.2% of our revenue in 2013 and 2014, respectively. Our purchase of raw material through Sunchem amounted to RMB1.5 million in 2014, representing 0.3% of our total cost of sales in 2014. Gross profit from our sales to Sunchem amounted to RMB4.1 million and RMB24.8 million in 2013 and 2014, respectively, with gross profit margin of 25.1% and 44.3% in 2013 and 2014, respectively. For details of our relationship with Sunchem, see “— Sales, Marketing and Customers — Customers”. Our sales and purchase arrangements with Sunchem have been terminated since February 2015 as we intended to reduce transactions with connected parties of our Company.

Save as disclosed above, during the Track Record Period, there were no other entities that were both our major customer and supplier (or vice versa) and the amount we either sold to or purchased from them were significant to require disclosure.

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ARRANGEMENTS WITH CHINA CHEM

In the dye and pigment intermediates industry, selling final products or purchasing raw materials through intermediaries is a common practice. Large chemical companies usually have abundant client resources and rich experience and are likely to act as those intermediaries, according to Frost & Sullivan. We have established certain cooperation arrangements with China Chem since 1997 as such arrangements can generally improve our working capital and reduce our administrative work. China Chem is an indirect wholly-owned subsidiary of China National Offshore Oil Corporation, the controlling shareholder of the Hong Kong-listed CNOOC Limited (stock code: 883) and an independent third party. China Chem and its affiliates also has intermediary arrangement with other chemical companies in the PRC. During the Track Record Period, China Chem has acted as our intermediary for some of our sales, procurement and processing transactions pursuant to the following arrangements.

Sales Arrangements. China Chem has acted as our intermediary for sales of DSD Acid and NTS to certain foreign customers since 1997. We have not entered into any framework agreement with China Chem relating to this sales arrangement but, in general, China Chem is responsible for administrative work such as delivery arrangements and custom clearance. We, in contrast, are responsible for negotiating agreements and price and maintaining customer relationships. We will also bear the transportation cost and any insurance premium. In terms of payment, China Chem normally pays us within 15 days after the export of products sold to the end customers, while we usually extend 30 days to 90 days credit period to our other downstream customers. This arrangement is beneficial to us and also beneficial to China Chem because it improves our working capital and reduces administrative work that we have to handle; while, in return, China Chem charges us service fee and interest.

Procurement Arrangements. We have entered into certain purchase arrangements with China Chem since May 2013 pursuant to which China Chem has been acting as an intermediary for our purchases of PNT from certain domestic suppliers. Under this arrangement, China Chem is responsible for administrative work for payment arrangement. We, in contrast, are responsible for negotiating agreements and price, sourcing suppliers and arranging for delivery. In terms of payment, China Chem only requires payment within 60 days after payments have been made by China Chem to the relevant suppliers, while such domestic suppliers generally require payment in advance before delivery. China Chem charges us service fee and interest under this arrangement while we enjoy an improvement in our working capital.

Processing Arrangements. We had processing arrangements with China Chem from time to time during the Track Record Period. Under this arrangement, one of our major customers (“**Customer A**”) requested us to process PNT supplied by them into DSD Acid, in order to secure the supply of DSD Acid from us. As our intermediary, China Chem would source PNT from Customer A. We would then process such PNT from China Chem into DSD Acid. China Chem would then sell the DSD Acid back to Customer A. In essence, Customer A is actually our end customer who requests us to provide such processing service in consideration of a processing fee payable by Customer A to us through China Chem. The processing fee is essentially the price of DSD Acid sold by China Chem to Customer A after deducting (i) the costs of PNT supplied by Customer A and (ii) service fee and interest payable

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by us to China Chem for acting as our intermediary. In addition, we also entered into similar processing arrangement with China Chem in which China Chem sourced PNT from one of our suppliers and sold DSD Acid processed by us to our other customers. Such arrangement had ceased in 2014.

For the above arrangements, before delivery of our products to our customers, the title and risk belong to us in accordance with the terms set out in the relevant agreements, while upon delivery of such products to our customers, the title and risk will pass directly to our customers. Throughout the entire arrangement, China Chem does not bear any risk or reward, other than the service fee and interest which they receive from us. Therefore, throughout the entire process, we view the indirect customers involved as our actual customers. Similarly, we view the indirect suppliers involved are our actual suppliers.

During the Track Record Period, China Chem generally charged us relevant fee of around or less than 3% of relevant sales (for processing arrangement, the sales value of DSD Acid processed by us) and purchase amount.

The following table sets forth details of revenue and costs related to the various arrangements with China Chem during the Track Record Period:

	For the year ended December 31,		
	2012	2013	2014
	<i>(RMB in millions)</i>		
<i>Arrangements with China Chem</i>			
Revenue generated from the sales arrangements	129.3	174.7	181.8
Revenue generated from the processing arrangements	6.0	9.8	42.8
Purchase through the procurement arrangements	<u>—</u>	<u>119.8</u>	<u>139.9</u>

The above arrangements with China Chem will continue after Listing as such arrangements are beneficial to us, and China Chem intends to continue the above cooperation arrangements.

Even if the above cooperation arrangements discontinue, we are capable of handling the relevant administrative work directly, in particular the custom clearance procedures, and obtaining facilities from banks if needed. Taking into account the size of our operations, available banking facilities and cashflows, we consider our operation and financial performance would not be materially and adversely affected, if the cooperation arrangements with China Chem discontinue.

UTILITY

Electricity and water are the principal utilities used in our production process. Our Dongguang Production Plants have access to electricity from regional power grids and our power generating unit and water from underground water while electricity and water have been supplied to our Dongao Production Plant by, respectively, regional power grids and a local utility company.

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Electricity

We utilize a significant amount of power for running our production plants. Electricity is supplied to us from regional power grids at government-mandated rates. During the Track Record Period, we have experienced occasions of power shortages caused by power supply limits imposed by the local government. However, we did not encounter any material interruption in our supply of electricity.

As of the Latest Practicable Date, our power generating unit, which is located in Dongguang, Hebei Province, the PRC, has commenced trial operation. Our power generating unit has an approved capacity of 6,000 kW and is expected to provide electricity exclusively to our Dongguang Production Plants and aim to replace approximately 50% of the electricity supplied to our Dongguang Production Plants of our power requirements in 2015 at its full peak capacity.

Our Dongguang Production Plants' access to both self-generated electricity and the electricity supplied by regional power grid in the future will give us the advantage of enjoying both low-cost coal power generation and large and stable electricity supply. If our power generating unit experiences any interruption or breakdown, our Dongguang Production Plants can rely on the electricity from the provincial power grid to minimize any interruption in its operations. Electricity has been supplied to our Dongao Production Plant by the regional power grids since its commencement of operations in February 2015. Going forth, we expect our Dongying Production Plant will have access to electricity supplied by the regional power grid.

In 2012, 2013 and 2014, we incurred expenditures on electricity of RMB30.8 million, RMB30.8 million and RMB28.4 million, respectively.

Water

Historically, we obtain our water supply for our Dongguang Production Plants from underground water. Hence, we have not incurred any expenditure on water consumption except water resources fee that cost RMB0.4 million, RMB0.7 million and RMB0.6 million for the year ended December 31, 2012, 2013 and 2014, respectively. We have purchased water from a local utility company for our Dongao Production Plant since its commencement of operations. Going forth, we expect to purchase water from local utility companies to supply water to our Dongying Production Plant. During the Track Record Period, we did not experience any material interruption in our supply of water.

INVENTORY CONTROL

Our inventories consist of raw materials, work-in-progress and finished goods, which we store in our own warehouses. We formulate annual plans for production, sales and procurement in conjunction with our purchasing and sales planning and maintain records of our inventory levels. This enables our production, procurement and sales departments to effectively monitor changes and levels of inventory on a timely basis. We adjust our production plan, raw materials purchase plan and sales plan accordingly based on such information to avoid accumulating excessive raw materials or creating obsolete inventories.

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Most of our customers enter into monthly purchase orders with us that specify their needs for the following month. We also have a large number of long-term customers which provide stable demand for our products. These long-term stable customers allow us to plan our production and sales in advance and enable us to effectively monitor and maintain regular inventory level.

We normally purchase raw materials based on our production and sales plan to ensure their “just-in-time” availability. Our inventories, both raw materials and finished goods, are utilized on a first-in, first-out basis. We have maintained well-established business relationships with our customers, especially those major customers that usually place their purchasing orders at stable quantities and at relatively regular time intervals that enable us to conduct production planning in advance without the need of maintaining a higher buffer of inventory level. We also conduct physical checks on our inventories. We perform monthly counts and reconciliations of raw materials and finished goods, as well as year-end physical counts of all raw materials, work-in-progress and finished goods. We carry out physical stock counts to monitor our inventories, including inventory level and age of inventory. Regular spot checking and an overall stock count is carried out to identify damaged or obsolete inventory on an annual basis. We also design our warehouses with fire safety, toxicity leakage prevention and other environmental, health and safety measures in mind. It is our policy to make allowance for inventory valuation and obsolescence losses if damaged or obsolete inventory is identified. During the Track Record Period, we had not identified any material level of damages or obsolete inventory.

LOGISTICS AND TRANSPORTATION

Our production plants are located in Hebei Province, the PRC, and Shandong Province, the PRC, with convenient access to national railway transportation network and highway network.

We mainly rely on railway and highway to receive raw materials, some of our imported raw materials are delivered at the Port of Tianjin, where we arrange transportation to our production plants through rail or highway.

We deliver our products in solid or liquid form to our customers. The cost of delivery services, if required, is generally included in the purchase price that we charge to our customers. Some of our customers take delivery of our products at our production plants or make their own transportation arrangements. Otherwise, we arrange independent third party transportation service providers to deliver our products to the designated destination. For sales to international customers, we generally deliver goods to designated ports for shipment.

QUALITY CONTROL AND ASSURANCE

The provision of consistent and satisfactory quality of products is one of the key factors attributable to our success. We have adopted a quality control system covering our production processes to monitor the quality of our production and to ensure that our products meet our customers’ specifications and requirements. On December 30, 2006, we first obtained *ISO9001:2000* quality system certification for the design development and production of dye and pigment intermediates from Beijing Zhong Hua Combination Certification Co., Ltd., a certification body in the petrochemical industry approved by the Certification and Accreditation Administration of the PRC and we have

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successfully renewed such certification (being revised by ISO to *ISO9001:2008*, as amended from time to time), which is valid until November 29, 2015. ISO9001 is a set of standards and guidelines relating to quality management systems, which is an international standard that sets out requirements for a quality management system. ISO9001 is maintained by International Organization for Standardization, and is administered by accreditation and certification bodies. Our certification to ISO9001 standard indicates that we have established a systematic approach to quality management, which serves to provide an objective standard against which third parties can assess the quality of our management process.

We adopt a quality assurance scheme throughout our production process to ensure the quality of our products. Our quality control and assurance team participates in the research and development of new product or new production processes. As of December 31, 2014, our quality control and assurance department consists of 91 members, among them 53 graduated from specialized secondary school, technical school or higher education institution. The staff in our quality control and assurance department has an average of approximately six years of experience within our Group. We inspect the raw materials we received, work-in-progress and final products. We ensure that we can accurately and reliably monitor the production process and ensure each batch of production corresponds to customers' specifications. We calibrate, test and manage various types of testing equipment, train and ensure proper usage and maintenance of testing equipment and maintain a good environment for the detection of defective products. Our quality control and assurance department assists in pilot testing and sample testing of our new production lines, gather quantitative data for the relevant departments. Our quality control and assurance department also assists research and development department in completing new product development, new technology development and new product testing.

It is our policy to purchase raw materials from qualified and reputable suppliers. Upon arrival of the raw materials, our quality control and assurance department conducts inspection and testing on a sampling basis to ensure the quality of the raw materials meets our required quality. If the raw materials supplied to us do not meet our requirements and standards, they will be returned to our suppliers. All of the finished products are tested on a sampling basis. If any of the finished products fail the testing, the quality control and assurance department will report to our management promptly. We had not record any sales return due to quality defects during the Track Record Period up to the Latest Practicable Date and we also had not received any complaints from our customers regarding the quality of our products.

We have implemented a series of internal policies to ensure thorough and strict quality control during the various stages of production, from raw material purchase, production process to inventory storage. Sample testing of raw materials, work-in-progress and finished goods is conducted to ensure that their quality meets our required standard. Each of our production plants has a team of personnel who are responsible for monitoring the parameters of equipment, stability of materials, reporting any irregularities and making adjustments accordingly during the production process.

We provide internal and external training programs to our quality control and assurance personnel in order to standardize the quality control procedures. Such training programs include quality control in the production process. Attendees are usually required to sit for a test after the training.

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We have installed a centralized control system to monitor the specifications of the production process. The production staff examines the specifications of production process through the monitors, which show information including temperature and pressure to control the quality of the finished products and to ensure system safety. The quality control and assurance department also performs sampling test on semi-finished products to achieve stable products quality and to avoid sub-standard products being sold to customers.

LICENSES AND PERMITS

We operate in a highly regulated industry. According to the relevant PRC laws and regulations, we need to obtain and maintain different licenses and permits in relation to manufacturing and sales of our products, which mainly include safety production permit and sewage discharge permit. We are also required to renew such licenses and permits from time to time. During the Track Record Period, we have not experienced any delay in approval or renewal of our license that resulted in material adverse effect to our operations.

ENVIRONMENT, HEALTH AND SAFETY

Overview

We value corporate social responsibilities and have been, and intend to continue to be, committed to observing environmental protection and safety regulations in all of our business activities to ensure our operations are in compliance with those regulations. We have established environment, health and safety, or EHS, management systems and procedures to ensure compliance with relevant laws and regulations. In particular, we have established the safety and environmental department consisting of nine staff members as of December 31, 2014 who take charge of the preparation and implementation of our environment, health and safety related rules and regulations in our daily operations, which covers various aspects of our operations, including production, storage and transportation of our products and raw materials, prevention of pollution, training and protection of employee's health.

During the Track Record Period and up to the Latest Practicable Date, we have obtained *Quality Management System ISO9001*, *Environmental Management System ISO14001* and *Occupational Health Safety Management System GB/T28001-2011* for our management systems.

Environment Protection

We have been, and intend to continue to be, committed to improve environmental protection in all of our business activities. Our operations, such as the production of DSD Acid, generate toxic wastewater and involve chemicals that are highly corrosive such as sulfuric acid, which could potentially be harmful to the environment and health of local residents and our employees in case of improper handling, we therefore strictly comply with national, industrial and local environmental standards. The standards to which we adhere include aerial pollutant emission, wastewater processing and solid waste discharges. For further information on the applicable environmental protection laws, regulations and discharge or emission standards, see "Regulatory Overview — Legal Supervision over Environmental Protection in the PRC".

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We have focused our research and development efforts and developed our management system with a view to minimize any negative impact on the environment. In terms of research and development efforts, many of our technological improvements were made with a view towards complying or strengthening our environmental, health and safety protection measures. We implemented certain continuous sulfonation and condensation processes for our DSD Acid production, which was developed with the Tianjin University, to achieve further automation and reduce the consumption of the reactants to achieve energy saving. We have obtained *Environmental Management System ISO14001*, which is an international certificate of assurance that (i) we have minimized our operation's negative effect on the environment, (ii) our compliance with applicable laws, regulations and certain other environmentally oriented requirements, and (iii) our continuance improvement in this aspect.

We currently hold several PRC waste discharge permits and actively manage water pollution and air pollution according to the relevant PRC laws and regulations.

During the relevant period stated below, the level of key pollutants that Huage Dye / Tsaker Dongguang and Tsaker Cangzhou discharged and the regulatory permitted level of such discharges were as follows:

Huage Dye / Tsaker Dongguang

	2011/2012		2012/2013		2013/2014		2014/2015	
	<i>Permitted Discharge (tonne/year)⁽¹⁾</i>	<i>Actual Discharge (tonne/year)⁽²⁾</i>	<i>Permitted Discharge (tonne/year)⁽¹⁾</i>	<i>Actual Discharge (tonne/year)⁽²⁾</i>	<i>Permitted Discharge (tonne/year)⁽¹⁾</i>	<i>Actual Discharge (tonne/year)⁽²⁾</i>	<i>Permitted Discharge (tonne/year)⁽¹⁾</i>	<i>Actual Discharge (tonne/year)⁽²⁾</i>
COD	23	22.7	23	16	16.4	15.8	16.4	15.51
Ammonia Nitrogen . .	—	—	7.82	3.5	3.52	2.46	3.5	3.5
SO ₂	152	150	152	140	148.7	145.2	148	83.8
NO _x	—	—	140	80.4	200	81.2	200	109.8

Notes:

- (1) The permitted discharge volume is based on the waste discharge permits (排放污染物許可證) obtained by Huage Dye in May 2011 (for the period from May 2011 to May 2012) and June 2012 (for the period from June 2012 to June 2013) and Tsaker Dongguang in June 2013 (for the period from June 2013 to June 2014) and May 2014 (for the period from May 2014 to May 2015).
- (2) The actual discharge volume of each key pollutant, which is extracted from each of the monitoring reports of the relevant period issued by the Environmental Monitoring Centre of Hebei Province or Dongguang County (as the case may be), is derived by multiplying the discharge volume of the relevant pollutant at the time of inspection by the actual time of operation in the relevant period.
- (3) The waste discharge permit of Huage Dye in May 2011 did not include permitted ammonia nitrogen and NO_x levels.

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Tsaker Cangzhou

	2011/2012		2012/2013		2013/2014		2014/2015	
	<i>Permitted Discharge</i> (tonne/year) ⁽¹⁾	<i>Actual Discharge</i> (tonne/year) ⁽²⁾	<i>Permitted Discharge</i> (tonne/year) ⁽¹⁾	<i>Actual Discharge</i> (tonne/year) ⁽²⁾	<i>Permitted Discharge</i> (tonne/year) ⁽¹⁾	<i>Actual Discharge</i> (tonne/year) ⁽²⁾	<i>Permitted Discharge</i> (tonne/year) ⁽¹⁾	<i>Actual Discharge</i> (tonne/year) ⁽²⁾
COD	0.17	Minimal	1.128	Minimal	3.2	Minimal	3.2	Minimal
Ammonia Nitrogen	0.014	Minimal	0.044	Minimal	0.2	Minimal	0.2	Minimal
SO ₂	2.6	2.374	13.66	2.016	20	10.73	20	10.9
NO _x	—	1.16	8	1.104	6.7	6.7	6.7	6.243

Notes:

- (1) The permitted discharge volume is based on waste discharge permits (排放污染物許可證) obtained by Tsaker Cangzhou in August 2011 (for the period from August 2011 to August 2012); August 2012 (for the period from August 2012 to August 2013); August 2013 (for the period from August 2013 to August 2014); and July 2014 (for the period from July 2014 to July 2015).
- (2) The actual discharge volume of each key pollutant, which is extracted from each of the monitoring reports of the relevant period issued by the Environmental Monitoring Centre of Dongguang County, is derived by multiplying the discharge volume of the relevant pollutant at the time of inspection by the actual time of operation in the relevant period.
- (3) The waste discharge permit of Tsaker Cangzhou in August 2011 did not include permitted NO_x levels.

We are advised by our PRC Legal Advisor that, according to the interview conducted by our PRC Legal Advisor with the Environmental Bureau of Dongguang County (東光縣環保局) (“DEB”) regarding the environmental compliance of Tsaker Cangzhou, Tsaker Dongguang and Huage Dye and the interviews with the Environmental Bureau of Dongying and the Environmental Bureau of Hekou District regarding the environmental compliance of Tsaker Dongying and Dongao Chemicals, the inspection of relevant licenses and permits, and to the knowledge of our PRC Legal Advisor after inquiries with us, they are of the view that we have complied with the environmental laws and regulations of the PRC during the Track Record Period and up to the Latest Practicable Date in all material respects. As of the Latest Practicable Date, we are not aware of any notices from any relevant government authorities that any of our South Dongguang Production Plant or North Dongguang Production Plant had breached Grade 2 Standard set out in PRC pollutant emission standard (《大氣污染物綜合排放標準》) (GB16297-1996) and Category 2, Interval II requirements set out in air particle emission for boiler generation (《鍋爐大氣污染物排放標準》) (GB13271-2001). The wastewater that our production plants discharged also complies with Grade 3 Standard set out in the Integrated Wastewater Discharge Standard (《污水綜合排放標準》) (GB8978-1996).

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In order to decrease the discharge of potentially polluted water, we have installed wastewater conservation, recycling and treatment processes in each of our chemical production plants. We utilize evaporation, oxidation, filtration and other wastewater treatment processes to ensure our compliance. Some of our more specific processes include the following:

- Wastewater produced from the condensation reaction stage of the production of DSD Acid undergoes four evaporation processes from which DNTS is recovered, then the filtrate and the wastewater produced from the production of DMSS, DIPS and TCCBM undergoes secondary evaporation processes to extract sodium sulfate. Thereafter, water is recycled while sodium sulfate is sold to third parties.
- Wastewater produced during the DSD Acid reduction stage is oxidized and filtered before discharging. The filter cake, principally consisted of ferric iron, is dissolved by sulfuric acid and the solvent continue to be recycled for the oxidation process.
- Wastewater produced from the reaction stage of the DATA production undergoes evaporation and separation processes to extract sulfate. Sulfate is then sold to third parties. The water from condensation continues to undergo biological treatments until it can be handed to municipal sewage treatment plant for discharging.
- Tap water used as coolant may experience build up of chloride, while the amount of the buildup is insignificant, it is treated to ensure its quality meets the relevant discharge standard. It will then be handed to municipal sewage treatment plant for discharging.
- Underground water used in softening processes for boiler may also experience build up of salt, which can, nevertheless, be used to cool down ashes and water the surfaces of coal storage to control dust emission. Such water would not be discharged.

In terms of our key solid waste:

- By-products of DSD Acid production processes are principally iron sludge, which is temporarily stored in our warehouse before they are sold to, among others, Yijia Iron Powder. Yijia Iron Powder then on-sold such iron sludge to third parties for further processing downstream into steel, and sodium sulfate, which is sold to sodium silicate plants for further processing for eventual sodium based applications. We ceased to sell iron sludge to Yijia Iron Powder since January 2015.
- Coal dust from coal power generation are temporarily stored in our warehouse before they are sold as construction materials for use in concrete bricks.
- Carbon-based sludge, DMSS residues and other hazardous waste are disposed to containers, which are stored temporarily in the hazardous waste warehouse. Such waste are then disposed by qualified hazardous waste treatment companies that we engage after the completion of certain transfer procedures with the local Environmental Protection Bureau.

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In order to effectively monitor the measures that we adopt to minimize the impact on the environment caused by our operation, pollution control equipments such as monitoring devices installed at our power generating unit, have been installed at our production facilities and operated to control and record the level of the emission of gas pollutants, wastewater and solid waste. We have also developed a series of internal policies and programs for environmental risk prevention to ensure compliance with requirements of applicable national, industrial and local standards laws, regulations and policies, including reporting the emission level of gas pollutants, wastewater and solid waste to our safety and environmental department and evaluating such emission levels on a regularly basis. In case if we notice any deviation from applicable emission standards, we will investigate the reasons and will take rectification measures accordingly. Furthermore, our discharge of wastewater and solid waste and emission of gas pollutant is also subject to the monitoring by the local environmental monitoring center. During the Track Record Period, the discharge of each key pollutant remained within its respective prescribed regulatory limits.

In view of the current treatment of hazardous waste, our efforts in making technological improvements towards strengthening our environmental, health and safety protection measures and having measures in place to reduce the discharge of potentially polluted water and monitor the emission level of gas pollutants, wastewater and solid waste, we believe that our business operation does not have a material adverse impact on the environment.

As of the Latest Practicable Date, we had not received any notifications or warnings and had not been subject to any fines or penalties in relation to any breach of any applicable environmental laws or regulations that could have a material adverse effect on our production. Except as otherwise disclosed in the non-compliance incidents disclosed under the section headed “— Legal Proceedings and Compliance” and the PRC legal opinion issued by our PRC Legal Advisor as of the Latest Practicable Date, we have received all permits, licenses and approvals relating to environmental protection and safety production in all material respects.

Taking into account of the foregoing factors, including, among others, our measures regarding the treatment of waste, discussion with our management and due diligence work performed by the Sole Sponsor including interviews with relevant PRC authorities, in light of the current relevant PRC laws and regulations, the Sole Sponsor is of the view that our waste discharge measures are sufficient and effective.

In 2012, 2013 and 2014, our expenses dedicated to environmental protection mainly consisted of cost on disposal of hazardous scrap and sewage treatment of RMB22.3 million, RMB27.3 million and RMB27.2 million, respectively. For the year ending December 31, 2015, we anticipate our expenses on environmental protection will amount to RMB33.0 million.

Negative Publicity and Allegations Directed against Hua Chemical Company

There were certain negative media coverage on our operations and the potential impact on the environment and health conditions of the residents near our production plants, in particular, a publication (the “**Publication**”) contained certain allegations against a DSD Acid manufacturer located in Dongguang County, Hebei Province identified as “Hua Chemical Company”. We believe the allegations in the Publication were most likely made against us, on the basis that there are no other

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companies producing DSD Acid in Dongguang County (although there are other chemical producers in Dongguang County), notwithstanding that none of the members of our Group bears the name of “Hua Chemical Company”, nor any of our Directors or any of their respective close associates or any member of our Group has any interest in a company named “Hua Chemical Company”.

Our Directors are of the view and the Sole Sponsor concurs that the allegations in the Publication are false, unfounded and groundless. We note that the Publication (i) contained allegations which were general in nature and did not clearly identify the period of time concerned and the time which the field observation was conducted; (ii) was written based on alleged interviews with villagers residing near the factory of Hua Chemical Company and included allegations of such villagers without factual basis or scientific research; (iii) failed to cite authoritative source of references, for instance, government announcements or reports, news articles of official media or court judgments; and (iv) was unable to state the complete statistical results of the alleged survey being conducted amongst villagers and was silent on the sample size. To the extent any of the allegations made against our Group as stated below relates to the interviews conducted by our PRC Legal Advisor with local environmental authorities, the DCC and the Security Bureau, our PRC Legal Advisor, within its legal expertise, concurs with the views of our Directors in connection with such statements. As of the Latest Practicable Date, we have not received any notifications or warnings and had not been subject to any fines or penalties in relation to any breach of any applicable environmental laws or regulations, and we have received all permits, licenses and approvals relating to environmental protection and safety production in all material respects. Furthermore, our PRC Legal Advisor is of the view that, based on the interviews conducted by our PRC Legal Advisor with the relevant competent local environmental authorities as described in the paragraph headed “Environment, Health and Safety” above and to its knowledge after inquiries with us, we have complied with the environmental laws and regulations of the PRC during the Track Record Period and up to the Latest Practicable Date in all material respects.

Set forth below is a summary of the allegations in the Publication and our corresponding responses:

Allegations of direct discharge of wastewater and water pollution. The Publication alleged that Hua Chemical Company had not built sewage treatment facilities until 2005. Furthermore, such facilities only operated during the time of inspections organized by environmental protection agency or their correspondents and that the factory secretly discharged wastewater directly on rainy days or at night. The Publication also alleged that water in the river and ponds as well as underground water near the factory of Hua Chemical Company was contaminated. However, contrary to this allegation, our Group had, in fact, invested in wastewater treatment facilities since the establishment of the production plants and such facilities operated substantially at all times when our Dongguang Production Plants were in production. Our wastewater treatment facility was in operation during its onsite inspections by the Hebei Environmental Bureau (河北省環境保護局) (“HEB”) in July 2007, October 2007 and December 2007, according to an investigation report (“HEB 2007 Report”) issued by the HEB. Devices have also been installed to monitor the content of pollutants in the sewage that we discharged, including the pH value and the chemical oxygen demand (COD) content. The COD online monitoring device facilitated day-to-day supervision and inspection of the COD content in the discharged wastewater. Furthermore, results recorded by such monitoring devices showed that our Group were in compliance with the discharge standards, according to a report issued by the the HEB in October 2008 (“HEB 2008 Report”). As disclosed under the paragraph headed “Environment,

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Health and Safety”, the discharge of each of the specified key pollutants by Huage Dye, Tsaker Dongguang and Tsaker Cangzhou was within its respective prescribed regulatory limits during the specified periods. In addition, in response to an allegation of wastewater dumping made against us, the DEB issued a report (“**DEB 2013 Report**”) in November 2013 clarifying that such wastewater did not, in fact, come from us. To the best of our Directors’ knowledge, the HEB 2007 Report, HEB 2008 Report and DEB 2013 Report (collectively, the “**EB Reports**”) resulted from further investigations carried out by the HEB and the DEB in response to certain public allegations in relation to the environmental impact of our operations. As a result, the EB Reports specifically noted no material negative findings concerning the environmental impact of our operations. Since the issuance of the EB Reports, there had been no further material negative news directed against us. Save for other routine inspection reports, neither the HEB nor the DEB had issued any further specific investigation reports in relation to the environmental impact of our operations. As of the Latest Practicable Date, we were not aware of any notices issued by relevant government authorities indicating that any of our Dongguang Production Plants was in breach of any applicable discharge or emission standards. For details, see “— Environmental Protection”. Our Directors are of the view, and the Sole Sponsor concurs, that as there may be various factors affecting the quality of river, pond and underground water, including sedimentation, erosion, pesticides, decayed materials and litter, it cannot be concluded that there was a definitive causal relationship between the quality of river, pond and underground water and any environmental impact resulting from our operations.

Allegations of adverse effect on crops and livestock. The Publication alleged that the polluted river endangered crops and livestock and that crops died after being watered with the river water polluted by Hua Chemical Company and that Hua Chemical Company was ordered to make compensation of RMB70,000. Contrary to the allegations, wheat fields in the villages located near our Dongguang Production Plants grew well, according to the HEB 2007 Report. The Dongguang County Agricultural Bureau (東光縣農業局) did not note any crop failure or receive any complaint on this, according to the HEB 2007 Report. Furthermore, we have not compensated local residents for any pollution that we might have caused. On the contrary, we made contributions to the local community in response to a local charity campaign “Wells in Hundred Villages” (百村民心井) in 2000 organized by the Dongguang County Communist Party Committee of the Dongguang Government to alleviate poverty by constructing deep wells to relieve the shortage of fresh water sources in the local area.

Allegations of adverse effect on health conditions of local residents. The Publication alleged that the cancer incidences in Dongguang County were high and the number of femoral necrosis cases in Dongguang County were higher than that of surrounding counties. Contrary to these allegations, no health abnormalities (such as cancer, loss of hair, stomachache) of residents residing in the villages located near our Dongguang Production Plants were noted during the investigation conducted by the Disease Control Centre of the Dongguang County (東光縣疾控中心) (“**DCC**”); according to the HEB 2007 Report, the result of which was further supported by the findings of the DCC and other government authorities issued in September 2014.

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Allegations of conflicts with local residents due to pollution caused. The Publication alleged that there were several conflicts between local residents and Hua Chemical Company caused by the residents' attempt to prevent pollution. Contrary to the allegations, in or around 1998, there were conflicts between our Group and certain local residents who tried to get business for construction of our facilities from us. The main entrance of our Dongguang Production Plants was damaged by such local residents after we rejected their request (the “**Conflict**”), which was confirmed by the Dongguang Public Security Bureau (東光縣公安局) (“**Security Bureau**”) during an interview conducted by the Sole Sponsor and our PRC Legal Advisor.

Allegations that DSD Acid contains toxic contaminants. The Publication alleged that the raw materials of DSD Acid are highly corrosive and DSD Acid usually contains toxic contaminants such as formaldehyde, benzene and heavy metals. Although our operations, such as the production of DSD Acid, generate toxic wastewater and involve chemicals that are highly corrosive such as sulfuric acid, which could potentially be harmful to the environment and health of local residents and our employees in case of improper handling, DSD Acid does not contain the three contaminants identified in the Publication, according to Frost & Sullivan.

Nevertheless, our reputation and business may be adversely affected by negative media coverage containing similar allegations. For details, see “Risk Factors — Risks Relating to Our Business — Our reputation could be adversely affected by negative publicity, whether or not expressly directed against us”.

Safety and Health

All of our production plants and employees are required to adhere to the principles of safety code outlined by our safety and environmental department. In addition, we have implemented safe infrastructure and safety policies to ensure safety of our employees and properties, to prevent or minimize community exposure to hazardous materials, and to avoid exacerbation of natural hazards, such as floods. In addition, we first obtained *Occupational Health Safety Management System GB/T28001-2011* on January 8, 2008 for our design development, production and relevant management activities of dye and pigment intermediates and have renewed such certification, which will be valid until November 6, 2016. During the Track Record Period and up to the Latest Practicable Date, there has not been any serious injury or fatality at any of our production facilities.

RESEARCH AND DEVELOPMENT

Our research and development department is divided into two levels, a team conducting research and development activities in Beijing, which will be moved and centralized in a research and development center in Beijing that is expected to commence operation in the second half of 2015 and research and development divisions that are located at our various production plants. Our research and development center will be mainly responsible for developing new products and production processes, find energy saving technology applications and to upgrade existing products and production technology.

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We have made capital investment to improve our research and development capability in order to establish ourselves as a leader in chemical production technologies used in the markets in which we operate and to comply with the national environmental and safety standards. We have established a research and development platform that include: (i) organizing and training our research and development team, (ii) implementing appropriate incentives, and (iii) standardizing research and development processes and project evaluation system.

We primarily focus our research and development efforts on more efficient production processes. This include: (i) development of new experimental processes, (ii) further automation of the existing production processes for continuous reaction, (iii) design of a new reactor for a particular reaction to achieve high efficiency and save energy, and (iv) introduction of new technology and new equipment.

We believe that research and development is critical to our strategy to become a leader in product innovation in the specialty chemicals industry. We are committed to develop new products and processes, as well as improve existing products and processes, including identifying cost-efficient way, to create the packages delivering performances that meet our customers' expectations. Our research and development efforts focus on process know-how and leverages the expertise of our research and development team. As of December 31, 2014, our research and development department consists of 58 members and most of them have a bachelor degree or above. The research and development team is led by Ms. Jin Ping, our executive Director, Vice-President (Research & Development in Technology) and a petrochemical engineer, who has approximately 17 years of experience in research and development and chemical industry.

In 2012, 2013 and 2014, our expenses in relation to our research and development activities amounted to RMB18.2 million, RMB12.8 million and RMB19.4 million, respectively, which primarily include salaries for our key research and development staff and procurement costs for materials used in our laboratory for experiments.

Specific Research and Development Projects

Set forth below are some of our research and development projects that have been utilised in our production processes.

Implementation of Continuous Reaction Process. We conducted research with the Tianjin University on the traditional production processes, which were carried out using continuous reactors. Based on the characteristics of the relevant reaction, we developed certain continuous processes so that chemical reactions can be carried out in a continuous manner. Specifically for the production of DSD Acid, we implemented the continuous sulfonation and condensation processes that helped us achieve a higher level of automation and reduced the consumption of the reactants to achieve further energy saving.

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Development of New Tubular Reactors. Through the research and development of the tubular reactors, we improved the DMAS production process by altering the traditional batch reactor processes to a new continuous reaction process where the reaction takes place in a flowing tube. The implementation of tubular reactor reduced the amount of transient reactants so that the reliability of free radical reaction increased and helped us achieve further automatic control and improved yield of the reaction with higher level of safety and energy saving.

Development of New Hydrogenation Catalyst. Through a series of research on the hydrogenation processes, we developed several hydrogenation precious metal catalysts and a metal recovery processes with high efficiency, which means we have a thorough understanding of the process of catalyst preparation and recycling, and thereby improved our competitive strengths by producing products that comply with the national industrial policy standard through a cleaner production process.

Efficient Use of Utilities and Materials. We developed a more efficient use of water, steam and other materials and energy saving production processes by optimizing the design of the production processes to reduce the overall cost of the our products. This includes the development of a new hydrogenation process for the CDMA production that went through both pilot testing and sample production. The hydrogenation process for the CDMA production causes less pollution and the quality of the resulting products has been confirmed and accepted by our downstream customers. We intend to build a 3,000-tonne facility for CDMA production based on this process. We have commenced the sample testing of 2B Acid and 4B Acid in December 2014 and January 2015, respectively. We completed the pilot testing of the hydrogenation process of the DSD Acid production August 2013 and, we will develop a precious metal catalyst production process and utilize a new package of recycling technology.

Research Collaboration with the Tianjin University

We believe establishing research collaboration with tertiary institutions is beneficial to our operations as it would enable us to have access to the latest technology and chemical knowledge from the academia. Hence, we have collaborated with various institutions, in particular, the School of Chemical Engineering and Technology of the Tianjin University (the “**Tianjin University**”) since 1995 and we have successfully developed several technologies including the oxidation of DSD Acid, preparation of DMSS and the condensation and recycle of DMS. In particular, the oxidation of DSD Acid was awarded Second Class Tianjin Science and Technology Award (天津市科技進步二等獎) by Tianjin Municipal People’s Government in 2005 and the preparation of DMSS was recognized as a hi-tech product of Hebei Province (河北省高新技術產品). Not only have these awards and recognitions demonstrate the viability of our collaboration program with the Tianjin University in conducting research and development, we also believe we can make use of such opportunity to meet graduate students and researchers as potential hires in the future.

We entered into a long-term research and development framework agreement with the Tianjin University pursuant to which the Tianjin University was engaged to conduct research and development on intermediates of dyes, pigments and pharmaceuticals and upgrades of production processes. The intellectual property right created in the course or research and development conducted pursuant to such framework agreement belong to both us and the Tianjin University. In addition, we also engage the Tianjin University to research on specific projects when necessary.

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INTELLECTUAL PROPERTY RIGHTS

We rely on a combination of trade secrets, patents and trademarks in order to protect the technological innovations developed by our research and development department and our goodwill.

Trade secrets

In manufacturing our products, we develop certain know-how, particularly with respect to the production processes. We believe that many elements of our production processes involve proprietary technologic know-how, technology or data that are not covered or cannot be covered by patents for risks of design around. We have established an information protection system (including operational protection measures and non-disclosure agreements with key employees), which is described below, to protect our proprietary rights. Please see the section headed “— Protection of intellectual property rights”.

Patents

In addition to the protection of trade secrets, we have applied for and have been granted patents in the PRC to protect new processes for the production of our products. As of the Latest Practicable Date, we owned seven patents in the PRC. For more information on the patents, please refer to the section headed “Appendix IV — Statutory and General Information” to this prospectus.

Trademarks

We currently use three trademarks in the PRC, all of which have been applied for registration. We have also registered these trademarks in Hong Kong. For details, see “Appendix IV — Statutory and General Information”.

Protection of intellectual property rights

The protection of our technologies, products and processes is essential for our businesses. In order to protect our trade secrets and other proprietary know-how, we take the following key measures: (i) all of our key research and development personnel are required to enter into non-disclosure and non-competition agreements with us; (ii) codes (instead of chemical names) are used in our operations manual to prevent disclosure of the chemical composition; (iii) all research and development results are sealed, and only a limited number of employees have access to information about the entire research and development process of a particular proprietary technology; (iv) certain technical know-how, chemical formulae and manufacturing procedures are also stored and password protected on computer hard drives belonging to the relevant research and development personnel as well as our information technology officer; and (v) for the production of products involving certain key technologies, we arrange for their production to be located at different sites to limit the number of personnel with access to and knowledge of the entire process. We have implemented procedures to ensure that only a very limited number of employees have access to information about the entire

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production process from input material to final product. Our non-disclosure agreements for our research and development staff provide that all of their inventions, and any other intellectual property relating to technology and trade secrets they develop during their employment with us solely belong to us.

We have not been subject to any infringement of our intellectual property rights or allegations of infringements by third parties during the Track Record Period, except infringements or allegations which do not have a material effect on us. We are, however, subject to risk in the protection of our intellectual property. Please also refer to the section headed “Risk Factors — Risks Relating to Our Business — The failure of our patents, trademarks and confidentiality agreements to protect our intellectual property may adversely affect our business”.

AWARDS

We have focused exclusively on manufacturing dye and pigment intermediates since our inception and have established a strong market reputation. In recognition of our successful business record, we have received various awards and honors in various categories and have been appointed as a member of certain prominent industry associations, including but not limited to:

- *Recognition of our technology.* Huage Dye and Tsaker Cangzhou were approved as a “High and New Technology Enterprise” (高新技術企業) by Hebei Provincial Department of Science and Technology, Hebei Provincial Department of Finance, Hebei Provincial Office of State Administration of Taxation and Hebei Local Taxation Bureau in November 2010 and July 2013, respectively. The current term of High-Tech Enterprise for Tsaker Cangzhou last until 2016.
- *Recognition of our brand.* We were recognized as the Hebei Dyes and Pigments Engineering Technology Research Centre (河北省染料與顏料工程技術研究中心) by Hebei Provincial Department of Science and Technology (河北省科技廳) in May 2011. We believe this demonstrates an official recognition of our advanced technology standard and our leading position in the dye and pigment industry.
- *Recognition of our effort in environmental protection.* We were awarded Outstanding Enterprise in Environmental Protection (環境保護優秀企業) and Hebei Environmental Protection Advanced Enterprise (河北省環境保護先進企業) by Environmental Protection magazine (《環境保護》雜誌社) and Hebei Provincial Department of Environmental Protection (河北省環境保護廳) in September 2009 and February 2005, respectively. We believe that the above awards reflect recognition for our maintenance of high environmental standards.
- *Membership in industry association.* We became a governing member in China Dyestuff Industry Association in August 2009. We believe that our membership in China Dyestuff Industry Association evidences our leading position in the dye and pigment intermediates industry.

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The following table sets forth a summary of the major awards and honors that we have received:

Type	Award / Accreditation	Month and year	Awarded by	Awarded to
Technology Brand	High and New Technology Enterprise (高新技術企業)	July 2013	Hebei Provincial Department of Science and Technology (河北省科學技術廳), Hebei Provincial Department of Finance (河北省財政廳), Hebei Provincial Office of State Administration of Taxation (河北省國家稅務局) and Hebei Local Taxation Bureau (河北省地方稅務局)	Tsaker Cangzhou
	Key High Technology Enterprise of the National Torch Programme (國家火炬 計劃重點高新技術企 業)	October 2012	Torch High Technology Industry Development Center, Ministry of Science and Technology (科技 部火炬高新技術產業開 發中心)	Huage Dye ⁽¹⁾
	Hebei Dyes and Pigments Engineering Technology Research Centre (河北省染料與 顏料工程技術研究中 心)	May 2011	Hebei Provincial Department of Science and Technology (河北省科學技術廳) and others	Huage Holdings ⁽¹⁾
	High and New Technology Enterprise (高新技術企業)	November 2010	Hebei Provincial Department of Science and Technology (河北省科學技術廳), Hebei Provincial Department of Finance (河北省財政廳), Hebei Provincial Office of State Administration of Taxation (河北省國家稅務局) and Hebei Local Taxation Bureau (河北省地方稅務局)	Huage Dye ⁽¹⁾

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Type	Award / Accreditation	Month and year	Awarded by	Awarded to
Honor	Leading Enterprise in Hebei Industrial Clusters (河北省產業集群龍頭企業)	October 2013	Hebei Bureau of Small and Medium Enterprises (河北省中小企業局)	Huage Holdings ⁽¹⁾
	100 Competitive Enterprises in Hebei (河北省百家優勢企業)	August 2013	Hebei Leadership Team on Implementation of Strategies of Industrial Province (河北省實施工業強省戰略領導小組)	Huage Holdings ⁽¹⁾
	100 Most Important Private Enterprises in Hebei (河北省百強民營企業)	April 2007	Hebei Provincial People's Government (河北省人民政府)	Huage Holdings ⁽¹⁾
	Hebei Accredited Enterprise Technology Centre (河北省認定企業技術中心)	October 2007	Hebei Development and Reform Commission (河北省發展和改革委員會), Hebei Provincial Department of Science and Technology (河北省財政廳), Hebei Local Taxation Bureau (河北省地方稅務局), and Shijiazhuang Customs District (石家莊海關)	Huage Holdings ⁽¹⁾
	Hebei May 1st Award (河北省五一獎狀)	April 2000	Hebei Federation of Trade Unions (河北省總工會)	Huage Dye ⁽¹⁾
Environmental Protection	“Eleventh Five-Year” National Petroleum and Chemical Industry Environmental Protection Advanced Unit (“十一五”全國石油和化學工業環境保護先進單位)	May 2011	China Petroleum and Chemical Industry Federation (中國石油和化學工業聯合會) and China Chemical Industry Environmental Protection Association (中國化工環保協會)	Huage Holdings ⁽¹⁾
	Outstanding Enterprise in Environmental Protection (環境保護優秀企業)	September 2009	Environmental Protection magazine (《環境保護》雜誌社)	Huage Holdings ⁽¹⁾

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Type	Award / Accreditation	Month and year	Awarded by	Awarded to
Membership in Associations	Member of Hebei High Technology Industry Association (河北省高新技術企業協會會員單位)	December 2013	Hebei High Technology Industry Association (河北省高新技術企業協會)	Tsaker Cangzhou
	Member of China Chemical Industry Environmental Protection Association (中國化工環保協會會員)	December 2012	China Chemical Industry Environmental Protection Association (中國化工環保協會)	Huage Dye ⁽¹⁾
	Governing Member of China Dyestuff Industry Association (中國染料工業協會理事單位)	September 2009	China Dyestuff Industry Association (中國染料工業協會)	Huage Holdings ⁽¹⁾
	Vice Chairman of Hebei Petroleum and Chemical Industry Association (河北省石油和化學工業協會副會長單位)	July 2009	Hebei Petroleum and Chemical Industry Association (河北省石油和化學工業協會)	Huage Holdings ⁽¹⁾
	Member Hebei Low-Carbon Industrial Transformation Association (河北省低碳產業技術改造協會會員)	February 2011	Hebei Low-Carbon Industrial Transformation Association (河北省低碳產業技術改造協會)	Huage Holdings ⁽¹⁾
	Governing Member of Hebei High Technology Industry Association (河北省高新技術產業協會理事單位)	2005	Hebei High Technology Industry Association (河北省高新技術產業協會)	Huage Holdings ⁽¹⁾

Note:

⁽¹⁾ Huage Dye and Huage Holdings were part of our Group prior to the Reorganization. For details, see “Our History and Development — Development of our Group”.

COMPETITION

According to Frost & Sullivan, DSD Acid and DMSS industries have been quite consolidated. There are no more than 20 DSD Acid and 10 DMSS manufacturers in the world and leading manufacturers have established leading positions. In 2014, we are the largest producer of DSD Acid and DMSS in terms of production volume. According to Frost & Sullivan, our main competitors for DSD Acid are an India chemical company and a domestic chemical company based in Jiangsu Province, the PRC and our main competitors for DMSS are a Dutch chemical company and a domestic chemical company based in Zhejiang Province, the PRC.

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EMPLOYEES AND LABOR RELATIONS

We believe that our long-term growth depends on the knowledge, experience and development of our employees. Our human resources department is in charge of the employee recruitment, training, compensation and performance appraisal. As of the Latest Practicable Date, we have established a labor union to represent our employees. The table below presents the number of our full-time employees as of the dates indicated.

	As of December 31,		
	2012	2013	2014
Procurement	8	9	10
Research and Development	54	62	58
Production (Technicians and Operators)	1,014	910	1,080
Sales	18	19	16
Quality Control and Assurance	77	77	91
Safety and Environmental	17	15	9
Others	104	119	236
Total	<u>1,292</u>	<u>1,211</u>	<u>1,500</u>

In addition to competitive salaries, we provide employees supplementary compensation benefits, such as free shift dormitories, free shuttle bus transportation, and food and beverage allowance. In addition, we value our employees and provide them with continuing education, in-service training and encourage their career development through accumulating on-the-job experience. For the employees of our subsidiaries that operate in the PRC, we are requested to make contributions to various government sponsored employee benefit funds, including social insurance fund, basic pension insurance fund and unemployment, maternity and work related insurance funds in accordance with applicable PRC laws and regulations. Please also see the section headed “— Legal Proceedings and Compliance”.

We believe that our current relations with our employees and the labor unions are good and are based on mutual support and respect. During the Track Record Period and up to the Latest Practicable Date, there have been no labor disputes or strikes at any of our production facilities.

PROPERTIES

Land Use Rights

Owned land

As of the Latest Practicable Date, we held land use rights for nine land parcels with an aggregate site area of approximately 768,000 sq.m., four of which are subject to encumbrances. As advised by our PRC Legal Advisor, we are entitled to legally occupy and use these nine parcels of land (including the four encumbered land) within the scope of use specified in the land use right certificate and in accordance with relevant PRC laws and regulations regarding the use of land.

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Leased Land

As of the Latest Practicable Date, we leased three parcels of land with an aggregate site area of approximately 201,000 sq.m. from Dongao Chemicals. As advised by our PRC Legal Advisor, we are entitled to legally occupy and use such parcel of land within the scope of use specified in the land lease agreements.

Buildings

We are headquartered in Flat 605, 6th Floor, Building A, Jiahui International Centre, No. 14 Jiqingli, Chaoyang District, Beijing, the PRC.

Owned Buildings

As of the Latest Practicable Date, we owned 100 buildings with an aggregate GFA of approximately 71,000 sq.m. and we held the valid title certificates for all these buildings. We use these buildings primarily for storage and production. As advised by our PRC Legal Advisor, we possess legal ownership of the properties for which we hold valid title certificates, which we are entitled to occupy and use. However, 81 of the 100 buildings (including one building in Beijing with a GFA of approximately 3,300 sq.m. which we have not obtained the land use rights certificate (the “**Beijing Property**”)) are subject to encumbrances, but we are entitled to occupy and use such encumbered buildings. Other rights on the encumbered building that we have are subject to the relevant mortgage agreements. We intend to utilize the Beijing Property as our research and development center which is expected to commence operation in the second half of 2015. Our Directors are of the view that the Beijing Property is not material to our operation as our business operations and production do not rely on it.

Leased Buildings

As of the Latest Practicable Date, we leased ten buildings in the PRC with an aggregate GFA of approximately 11,000 sq.m and Dongao Chemicals have obtained the building ownership certificates for those leased buildings. The leased properties in the PRC are primarily used for business operations.

In addition to the ten leased buildings, we also leased from Huage Holdings certain portion of the premises in Beijing, PRC with a GFA of approximately 3,300 sq.m. for use as our office. For details, see “Continuing Connected Transactions — Non-Exempt Continuing Connected Transactions — Continuing connected transactions which are subject to the reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders’ approval requirements — (1) Leasing of premises from Huage Holdings”.

As of December 31, 2014, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 5.01A of the Listing Rules to include in this prospectus any valuation report. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted

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from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

INSURANCE

We have purchased insurance for our properties, including equipment, buildings and inventories according to the relevant PRC laws and regulations. In addition, we will purchase director liability insurance for our Directors which will take effect upon Listing. We also maintain mandatory insurance policies covering liability for traffic accidents (including death and injury, medical expenses and property damage), and insurance policies covering motor vehicles. We are not insured against consequential damages, environmental damage, terrorist acts and war related events or for end product liability.

We believe that our insurance coverage is adequate and is in accordance with what is usual and common practice in the industry in the PRC, including with respect to the terms of and the coverage provided by such insurance. However, our policies are subject to standard deductibles, exclusions and limitations. Therefore, our insurance proceeds, if any, might not necessarily cover all losses incurred by us and we cannot assure you that we will not incur losses or suffer claims beyond the limits of, or outside the relevant coverage of, our insurance policies.

In 2012, 2013 and 2014, we paid approximately RMB51,000, RMB74,000 and RMB40,000, respectively, in insurance premiums.

No material insurance claims were made during the Track Record Period.

LEGAL PROCEEDINGS AND COMPLIANCE

As of the Latest Practicable Date, we are not aware of any litigation, arbitration or investigation against us or our Directors that would cause a material adverse effect to our business operations or financial results.

As advised by our PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, other than those disclosed in this prospectus and PRC legal opinion, we have obtained all material licenses, permits and certificates for our operations in the PRC.

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Historical Non-Compliance

Relevant entity(ies) of our Group	Description of non-compliance incidents and reasons of the non-compliance	Maximum penalty (if applicable), legal consequence, potential financial and operation impact on our Group and potential penalty	Status and remedial actions and enhanced internal control measures to prevent recurrence
Tsaker Cangzhou Tsaker Dongguang Tsaker Dongying	<p><i>Housing provident fund (“HPF”) and social security insurance fund (“SSIF”)</i></p> <p>Tsaker Cangzhou, Tsaker Dongguang and Tsaker Dongying had not set up their respective HPF accounts for making HPF contributions upon their respective establishment in September 2005, May 2013 and May 2014 within the stipulated time as required by the relevant PRC law, and Tsaker Dongying had not set up its SSIF account upon its establishment in May 2014 within the stipulated time as required by the relevant PRC law.</p> <p>Since their respective establishment date till January 2015, Tsaker Cangzhou and Tsaker Dongguang had not contributed HPF and had not paid SSIF contributions required under PRC law for certain employees due to various reasons, such as some of the employees enrolled directly to the New Rural Cooperative Medical Scheme (新農合保險), some employees voluntarily gave up to make SSIF contributions, some new employees had not made any contributions yet and also due to the implementation by the relevant local authorities in the PRC of the relevant regulations (“Underpaid Reasons”). The HPF and SSIF contributions that Tsaker Cangzhou and Tsaker Dongguang paid to the relevant local government authorities were calculated based on a base number required by such local government authorities.</p> <p>As of December 31, 2014, the outstanding amount of the SSIF and HPF contributions for our employees based on the above reasons, in aggregate, amounted to be approximately RMB12 million (“Outstanding Contributions”).</p>	<p><i>HPF contributions</i></p> <p>As advised by our PRC Legal Advisor, we may be required by the relevant housing provident fund administration authority to make the unpaid contribution, failing which such authority is entitled to apply to the court for mandatory enforcement.</p> <p><i>SSIF contributions</i></p> <p>For Tsaker Dongying which did not register for its SSIF account, relevant government authority shall order such to be rectified within a prescribed time, failing which such authority may impose a penalty of one time to three times of the SSIF contribution amount payable by Tsaker Dongying.</p> <p>As advised by our PRC Legal Advisor, for Tsaker Cangzhou and Tsaker Dongguang which did not fully pay the SSIF contributions, the relevant social security insurance administration authority may make us pay the unpaid contributions within a certain period of time and pay a penalty on the unpaid contributions in an amount equal to 0.05% per day of the unpaid contributions. Based on such advice, the maximum aggregate amount of such penalties would have been RMB2.2 million. A further fine of up to three times of the unpaid amount will be imposed if such contributions remained to be unpaid after the prescribed period. We undertake to pay the outstanding SSIF contributions within the prescribed period, if required by the relevant authority, therefore there will not be any penalty imposed on the unpaid contributions during this prescribed period.</p> <p>In respect of this non-compliance, as of December 31, 2014, we had made provisions of approximately RMB12 million for the Outstanding Contributions. Based on the confirmation received from and interview conducted with DSIB and the confirmation of our Company, our PRC Legal Advisor is of the view that the probability that Tsaker Cangzhou and Tsaker Dongguang will be imposed penalty for such historical social insurance non-compliance is relatively low. In view of the foregoing view of our PRC Legal Advisor and after consultation with our accountants, we did not make any provisions in respect of such maximum penalty, which the Directors believe is reasonable and well grounded.</p>	<p>In January 2015, relevant HPF accounts have been registered and we have made relevant contributions since then. Tsaker Dongying had set up its SSIF account on November 19, 2014.</p> <p>We had not been charged for this non-compliance incident. In view of such non-compliance, Tsaker Cangzhou and Tsaker Dongguang have commenced paying all the required HPF contributions in accordance with local policies since January 2015 and will make the required contributions going forward. Regarding the unpaid SSIF contributions due to the Underpaid Reasons, to the extent practicable, we have liaised with such employees with a view to rectify the non-compliance.</p> <p><i>HPF contributions</i></p> <p>According to our PRC Legal Advisor, considering that (1) as confirmed by our Group, Tsaker Cangzhou, Tsaker Dongguang and Tsaker Dongying have not been ordered by the competent department of HPF to register their contribution of HPF within a time limit since their inception; (2) Tsaker Cangzhou, Tsaker Dongguang and Tsaker Dongying have registered their contribution of HPF, and the probability that Tsaker Cangzhou, Tsaker Dongguang and Tsaker Dongying will be fined by the competent department of HPF due to previous failure to register is relatively low.</p>

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Relevant entity(ies) of our Group	Description of non-compliance incidents and reasons of the non-compliance	Maximum penalty (if applicable), legal consequence, potential financial and operation impact on our Group and potential penalty	Status and remedial actions and enhanced internal control measures to prevent recurrence
			<p>According to our PRC Legal Advisor, considering that (i) we obtained confirmation from Dongguang County Housing Provident Fund Center (東光公積金中心) (“HPF Center”), a competent authority, confirming that Tsaker Cangzhou and Tsaker Dongguang were not in contravention of any HPF related laws as of the respective date of such confirmations, and following an interview conducted by our PRC Legal Advisor at the HPF Center, HPF Center was aware of the HPF contribution status of Tsaker Cangzhou and Tsaker Dongguang, and Tsaker Cangzhou and Tsaker Dongguang did not breach the relevant provisions under the Regulation on the Administration of Housing Provident Fund《住房公積金管理條例》since their respective policies for HPF contribution were set up; (ii) according to our Group, since Tsaker Cangzhou and Tsaker Dongguang were established, they were not requested by HPF Center to pay any unpaid contributions and there was no actual or potential dispute, litigation or arbitration between our Group and our employees due to HPF contributions; and (iii) we have made relevant provisions, hence our PRC Legal Advisor was of the view that the probability that the HPF Center will request us to make up for the shortfall of HPF contribution is relatively low.</p>

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Relevant entity(ies) of our Group	Description of non-compliance incidents and reasons of the non-compliance	Maximum penalty (if applicable), legal consequence, potential financial and operation impact on our Group and potential penalty	Status and remedial actions and enhanced internal control measures to prevent recurrence
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SSIF contributions

According to our PRC Legal Advisor, considering that (1) as confirmed by our Group, Tsaker Dongying has not been ordered by the competent department of social insurance to register its contribution of social insurance within a time limit since its inception; (2) Tsaker Dongying has registered their contribution of social insurance, hence the probability that Tsaker Dongying will be fined by the competent department of social insurance due to previous failure to register is relatively low.

The Dongguang County Human Resources and Social Security Bureau (東光縣人力資源和社會保障局) (“DSIB”), a competent authority, has confirmed and acknowledged in writing that, from the respective dates of establishment of Tsaker Cangzhou and Tsaker Dongguang and during the Track Record Period, (i) both entities have paid the SSIF contribution according to the social insurance base payment demanded by the DSIB; (ii) both entities did not make SSIF contributions for certain employees due to the Underpaid Reasons, which the DSIB has no disagreement with such reasons; and (iii) both entities have been in compliance with relevant regulations regarding social insurance management, timely and fully paid each type of the SSIF contributions, have not underpaid or been involved in any evasion of SSIF contributions, need not pay overdue fees or penalties, and was not, actually or potentially, investigated or penalised due to any breach of the relevant management regulations, and the DSIB will not recover from Tsaker Cangzhou and Tsaker Dongguang or their respective directors or PRC legal representatives such relevant fine and late penalties.

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Relevant entity(ies) of our Group	Description of non-compliance incidents and reasons of the non-compliance	Maximum penalty (if applicable), legal consequence, potential financial and operation impact on our Group and potential penalty	Status and remedial actions and enhanced internal control measures to prevent recurrence
			<p>According to the interview conducted by our PRC Legal Advisor at the DSIB, the DSIB further confirmed that the SSIF contributions made by the relevant entities are in line with the local policies and local practice, and the DSIB will not take administrative penalty against Tsaker Cangzhou and Tsaker Dongguang. Considering the above situations, as confirmed by our Group, since their establishment, Tsaker Cangzhou and Tsaker Dongguang have not been required to pay the related outstanding social insurance premiums by the DSIB due to its payment status of social insurance, neither have they received any notice in relation to punishment or potential punishment from DSIB, nor have there been any disputes or potential disputes, arbitration or litigation arisen from or existed between them and any of their employees for payment of social insurance; as confirmed by our Group, Tsaker Cangzhou and Tsaker Dongguang have made provision for the outstanding amounts, given the foregoing, our PRC Legal Advisor was of the view that the probability of being requested to make up for the shortfall of SSIF contribution, or having overdue fine or penalty imposed on us is relatively low.</p> <p>In addition, our Controlling Shareholders have jointly and severally agreed to indemnify us against any penalties or liabilities in connection with such non-compliance. For more information, see “Appendix IV — Statutory and General Information — D. Other Information — 1. Estate Duty, Tax and Other Indemnities.”</p>

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Relevant entity(ies) of our Group	Description of non-compliance incidents and reasons of the non-compliance	Maximum penalty (if applicable), legal consequence, potential financial and operation impact on our Group and potential penalty	Status and remedial actions and enhanced internal control measures to prevent recurrence
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In compliance with the advice of the internal control reviewer engaged, we have implemented policies to ensure sufficient HPF and SSIF are paid in accordance with applicable local laws and regulations. We have designated the human resources department to ensure due contribution of HPF and SSIF. The human resources department of Tsaker Dongguang and Tsaker Cangzhou shall report and provide evidence of contribution to the director of manufacturing operation and human resources director. The human resources director shall review such evidence in accordance with applicable local laws and regulations. We have also required the relevant staff to communicate with the DSIB and provide training to relevant staff to ensure future compliance.

We have designated Ms. Liu Junjie, as the human resources manager to ensure the implementation of such enhanced internal control measures. Ms. Liu was not involved in these historical non-compliance incident.

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Relevant entity(ies) of our Group	Description of non-compliance incidents and reasons of the non-compliance	Maximum penalty (if applicable), legal consequence, potential financial and operation impact on our Group and potential penalty	Status and remedial actions and enhanced internal control measures to prevent recurrence
Huage Dye ^(Note) Tsaker Cangzhou Tsaker Dongguang	Huage Dye, Tsaker Dongguang and Tsaker Cangzhou had failed to obtain completely construction land use planning permit, construction work planning permit and commencement of construction work permit prior to commencing the construction of their projects (“ Relevant Constructions ”) since November 1999, primarily because of an inadvertent error of our administration staff for failing to appreciate such legal requirements.	<p>As advised by our PRC Legal Advisor, where the approval for land use is granted to the construction entity without obtaining construction land use planning permit, the approval may be revoked by people’s governments at county level or above and the land being used shall be returned in time. As Tsaker Cangzhou and Tsaker Dongguang did not hold such construction work planning permits, we may be ordered to stop the construction, and if the effect on implementation of planning can be removed by way of rectification, a rectification order and a fine ranging between 5% to 10% of the construction cost may be imposed. Otherwise, it could lead to mandatory orders of demolition of relevant constructed buildings, and if such demolition could not be executed, may lead to confiscation of such constructed property or earnings derived, and a fine of less than 10% of the construction cost.</p> <p>As advised by our PRC Legal Advisor, our failure to obtain commencement of construction work permit prior to commencing construction of properties could lead to imposition of rectification order(s), suspension of construction and imposition of fines on the relevant building and construction unit(s).</p> <p>Based on such advice, the maximum amount of such penalty would have been RMB7.8 million.</p>	<p>We have (i) ceased to use the Relevant Constructions and (ii) obtained title certificates for those properties that were constructed.</p> <p>According to our PRC Legal Advisor, considering that (1) Tsaker Cangzhou and Tsaker Dongguang obtained the Certificate of Compliance (《合規證明》) issued by the Housing and Urban Construction Bureau of Dongguang County (東光縣住房和城鄉建設局) on February 13, 2015. According to such certificate, as investigated by the Housing and Urban Construction Bureau of Dongguang County, Tsaker Cangzhou and Tsaker Dongguang, from the date of the respective establishment to the date of such certificate, were found of neither violation of applicable national laws and regulations during the investment and construction of their fixed assets, and their production and business operation activities nor records of being investigated or imposed of administrative penalties due to violation of applicable national laws and regulations; (2) Tsaker Cangzhou and Tsaker Dongguang have obtained the state owned land use rights certificate and the building ownership certificate for the above construction projects; and (3) as confirmed by our Group, Tsaker Cangzhou and Tsaker Dongguang, since their inception, have not been required to return land, ordered to stop construction, requested to rectify within required period, ordered to demolish within required period, confiscated such buildings or structures or seized any illegal income or imposed of fines nor received any notice in relation to punishment or potential punishment on them from competent authorities; hence the possibility that Tsaker Cangzhou and Tsaker Dongguang will be fined by competent authorities due to historical failure to obtain the construction land use planning permit, the construction work planning permit and the commencement of construction work permit for the above construction projects is relatively low.</p>

Note: Huage Dye ceased to be a member of our Group after Reorganization in September 2013, Tsaker Dongguang had acquired certain of Huage Dye’s operating assets in September 2013.

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Relevant entity(ies) of our Group	Description of non-compliance incidents and reasons of the non-compliance	Maximum penalty (if applicable), legal consequence, potential financial and operation impact on our Group and potential penalty	Status and remedial actions and enhanced internal control measures to prevent recurrence
Huage Dye ^(Note) Tsaker Cangzhou Tsaker Dongguang	<p>Huage Dye, Tsaker Dongguang and Tsaker Cangzhou did not attend to “three simultaneities” procedures for the prevention and control of occupational disease hazards (collectively, the “Occupational Disease Three Simultaneities”) for certain construction projects since November 1999.</p> <p>This was primarily because of an inadvertent error of our administrative staff for failing to appreciate such legal requirements.</p>	<p>The safety production supervision and administration department shall give a warning and order to make rectification within a time limit; if rectification is not made at the expiration of the time limit, a fine of RMB 100,000 to RMB 500,000 shall be imposed. If the circumstances are serious, the safety production supervision and administration department shall order to discontinue the operation that produces occupational disease hazards, or the department may request the related people’s government, within the limits of its powers specified by the State Council, to order to discontinue construction or close down.</p>	<p>We had not made provisions for the potential payment of the fine because the maximum amount of the fine to which we may be subject is relatively immaterial.</p> <p>We have enhanced our internal control measures to avoid recurrence of similar matters in the future. For instance, we have policies in connection with the three permits for construction projects (建設項目三證管理制度) in place to ensure the construction project’s compliance with construction-related laws and regulations. We have designated our director of administration (i.e. Mr. Yang Fuguang) to oversee the implementation of such policies and Ms. Dou Songxia, our property manager who has more than 20 years of experience, to ensure the implementation of such enhanced internal control measures. Both Mr. Yang and Ms. Dou were not involved in this historical non-compliance incident.</p> <p>According to our PRC Legal Advisor, considering that (1) Tsaker Cangzhou and Tsaker Dongguang obtained the certificates issued by Dongguang Administration of Work Safety (東光縣安全生產監督管理局) on January 21, 2015, respectively. Based on these certificates, Tsaker Cangzhou and Tsaker Dongguang have been in compliance with the laws, regulations and rules relating to occupational health at national, provincial, municipal and county levels. DMSS and TCCBM projects are undergoing control review and examination and acceptance of “Three Simultaneities” for occupational health. An occupational health review is carried out for other production facilities every three years and occupational disease physical examinations are provided to the relevant persons once a year. Daily monitoring is also in place. Since 2011, none of our relevant employees have suffered from any occupational disease and none of us has been subject to any penalty imposed by Dongguang Administration of Work Safety (東光縣安全生產監督管理局) and</p>

Note: Huage Dye ceased to be a member of our Group after Reorganization in September 2013, Tsaker Dongguang had acquired certain of Huage Dye’s operating assets in September 2013.

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Relevant entity(ies) of our Group	Description of non-compliance incidents and reasons of the non-compliance	Maximum penalty (if applicable), legal consequence, potential financial and operation impact on our Group and potential penalty	Status and remedial actions and enhanced internal control measures to prevent recurrence
			<p>relevant authorities at higher level as a result of occupational health issues; (2) Cangzhou Administration of Work Safety (滄州市安全生產監督管理局) issued a sealed Review (Test) Report Reply Form for the Status of Occupational Disease Hazard (《職業病危害現狀評價(檢測)報告回執表》) to Tsaker Cangzhou and Huage Dye on December 10, 2012 pursuant to which it agreed Tsaker Cangzhou and Huage Dye's filing of the review (test) report for the status of occupational disease hazard that was in compliance with occupational health requirements for a period valid until December 9, 2015. As explained by our Group, as Huage Dye has been in operation during the Track Record Period until such time when Tsaker Dongguang acquired certain of its operating assets and thus all projects under construction were acquired by Tsaker Dongguang, there were no material changes in production equipment, staff and other factors involving occupational health; (3) as confirmed by our Group, Tsaker Cangzhou and Tsaker Dongguang, since their respective inception, have not received any notice in relation to punishment or potential punishment on them from competent authorities due to occupational health, and hence the probability that Tsaker Cangzhou and Tsaker Dongguang will be punished by the competent department due to commissioning of the above projects that may cause potential occupational disease hazard without "Three Simultaneities" for occupational health is relatively low.</p>

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Relevant entity(ies) of our Group	Description of non-compliance incidents and reasons of the non-compliance	Maximum penalty (if applicable), legal consequence, potential financial and operation impact on our Group and potential penalty	Status and remedial actions and enhanced internal control measures to prevent recurrence
			<p>We had not been charged for this non-compliance incident as of the Latest Practicable Date and have received confirmations from Dongguang Administration of Work Safety (東光縣安全生產監督管理局) (“Administration of Work Safety”).</p> <p>No provision has been made for this non-compliance incident*.</p> <p>We have enhanced our internal control measures to avoid recurrence of similar matters in the future. For instance, we have policies in connection with the Occupational Disease Three Simultaneities for construction projects (建設項目職業健康三同時管理制度) in place to ensure compliance with applicable laws and regulations.</p> <p>We have designated our director of administration (i.e. Mr. Yang Fuguang) to oversee the implementation of such policies and Mr. Zhao Hui, our construction application supervisor, to ensure the implementation of such enhanced internal control measures. Both Mr. Yang and Mr. Zhao were not involved in this historical non-compliance incident.</p>

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Relevant entity(ies) of our Group	Description of non-compliance incidents and reasons of the non-compliance	Maximum penalty (if applicable), legal consequence, potential financial and operation impact on our Group and potential penalty	Status and remedial actions and enhanced internal control measures to prevent recurrence
Tsaker Cangzhou Tsaker Dongguang	<p>The Hazardous Chemicals Registration Certificates (危險化學品登記証) that Tsaker Dongguang and Tsaker Cangzhou obtained did not include some hazardous chemicals that Tsaker Dongguang and Tsaker Cangzhou produced.</p> <p>We had not been in compliance with the relevant laws and regulations in this respect since July 2009 because our employee did not check whether the Catalogue of Hazardous Chemicals (危險化學品目錄) had been updated regularly and hence, we were not aware that certain chemicals that we produced had been added to the Catalogue and had not attended to such registration requirements.</p>	<p>As advised by our PRC Legal Advisor, failure to make change to the registration of the relevant hazardous chemicals if the registered varieties change could lead to the imposition of order to make corrections and a fine of not more than RMB50,000; a refusal to correct may be fined for a sum of RMB50,000 and up to RMB100,000. If the violation is serious, it could lead to suspension of our production and business operation.</p>	<p>We had submitted to the relevant authorities for registration of the hazardous chemicals that we produce which had not been registered. We have included those hazardous chemicals in the Hazardous Chemicals Registration Certificate as of the Latest Practicable Date.</p> <p>According to our PRC Legal Advisor, considering that (1) Tsaker Cangzhou and Tsaker Dongguang have obtained the revised Hazardous Chemicals Registration Certificates on March 24, 2015 and April 23, 2015, respectively, which, as confirmed by our Group, have included all hazardous chemicals produced by Tsaker Cangzhou and Tsaker Dongguang; (2) Tsaker Cangzhou and Tsaker Dongguang have obtained the Certificates on January 20, 2015, respectively, issued by Cangzhou Administration Bureau of Safety Working. According to these Certificates, Tsaker Cangzhou and Tsaker Dongguang have complied with and implemented the national and local laws and regulations in respect of safety working all the relevant time, and have not experienced any safety incidents or suffered any penalties in respect of safety in the past three years from the date of the confirmation; (3) as confirmed by our Group, Tsaker Cangzhou and Tsaker Dongguang have not received any notice in relation to punishment or potential punishment from the competent authorities due to the abovementioned issues, and hence the probability that Tsaker Cangzhou and Tsaker Dongguang will be fined by the competent authorities due to previous failure to include part of hazardous chemicals in their Hazardous Chemicals Registration Certificates is relatively low.</p>

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Relevant entity(ies) of our Group	Description of non-compliance incidents and reasons of the non-compliance	Maximum penalty (if applicable), legal consequence, potential financial and operation impact on our Group and potential penalty	Status and remedial actions and enhanced internal control measures to prevent recurrence
			<p>We had not been charged for this non-compliance incident as of the Latest Practicable Date.</p> <p>No provision has been made for this non-compliance incident*.</p> <p>We have enhanced our internal control measures to avoid recurrence of similar matters in the future. For instance, we have policies in connection with the permits management (證照管理制度) in place to ensure our permit supervisor to check regularly whether relevant laws and regulations have been revised or new laws and regulations have been promulgated and our compliance with applicable laws and regulations.</p> <p>We have designated our director of administration (i.e. Mr. Yang Fuguang) to oversee the implementation of such policies and Mr. Liu Ziyang, our permit supervisor who has obtained a bachelor's degree in laws, to ensure the implementation of such enhanced internal control measures. Both Mr. Yang and Mr. Liu were not involved in this historical non-compliance incident.</p>
Tsaker Cangzhou	<p>The Safety Production Permit (安全生產許可証) that Tsaker Cangzhou obtained and held during the Track Record Period did not include some hazardous chemicals that Tsaker Cangzhou produced.</p> <p>Tsaker Cangzhou had not been in compliance in this respect since December 2012 primarily because our employee did not regularly check whether the Catalogue of Hazardous Chemicals (危險化學品目錄) (“HCC”) included those intermediate products we produce and thus Tsaker Cangzhou should obtain such permit, and hence, we were not aware that certain chemicals that we produced had been added to the HCC and had not attended to such registration requirements.</p>	<p>Following the completion inspection and acceptance of safety facilities of its hazardous chemicals construction project during the term of its Safety Production Permit, any enterprise failing to apply for the change in its Safety Production Permit within the prescribed time limit but putting such project into operation without approval shall be ordered to cease production, make such application during the prescribed period and have its gains on such unlawful act forfeited, and shall also be subject to a fine of no less than RMB10,000 and no more than RMB30,000.</p>	<p>We had submitted to the competent authorities for registration of the hazardous chemicals produced by our existing production lines and will submit for registration of relevant products produced by our new production lines upon the operation of our new production lines.</p> <p>We had not been charged for this non-compliance incident as of the Latest Practicable Date.</p> <p>According to our PRC Legal Advisor, considering that (1) Tsaker Cangzhou has obtained the revised Safety Production Permit on February 6, 2015, which, as confirmed by our Group's domestic members, has included all kinds of hazardous chemicals produced by Tsaker</p>

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Relevant entity(ies) of our Group	Description of non-compliance incidents and reasons of the non-compliance	Maximum penalty (if applicable), legal consequence, potential financial and operation impact on our Group and potential penalty	Status and remedial actions and enhanced internal control measures to prevent recurrence
			<p>Cangzhou; (2) Tsaker Cangzhou has obtained the Certificate on January 20, 2015, issued by Cangzhou Administration Bureau of Safety Working. According to such certificate, Tsaker Cangzhou has complied with and implemented the national and local laws and regulations in respect of safety working all the relevant time, and has not experienced any safety incidents or suffered any penalties in respect of safety in the past three years from the date of the confirmation; (3) as confirmed by our Group's domestic members, Tsaker Cangzhou has not received any notice in relation to punishment or potential punishment from the competent authorities due to the above-mentioned issues, and hence the probability that Tsaker Cangzhou will be fined by the competent authorities due to previous failure to include part of hazardous chemicals in its Safety Production Permit is relatively low.</p> <p>We had not made provisions for the potential payment of the fine because the maximum amount of the fine to which we may be subject is relatively immaterial.</p> <p>We have enhanced our internal control measures to avoid recurrence of similar matters in future. For instance, we have policies in connection with the permits management (證照管理制度) in place to ensure our permit supervisor to check regularly whether relevant laws and regulations have been revised or new laws and regulations have been promulgated and our compliance with applicable laws and regulations.</p> <p>We have designated our director of administration (i.e. Mr. Yang Fuguang) to oversee the implementation of such policies and Mr. Liu Ziyang, our permit supervisor who has obtained a bachelor's degree in laws, to ensure the implementation of such enhanced internal control measures. Both Mr. Yang and Mr. Liu were not involved in this historical non-compliance incident.</p>

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Relevant entity(ies) of our Group	Description of non-compliance incidents and reasons of the non-compliance	Maximum penalty (if applicable), legal consequence, potential financial and operation impact on our Group and potential penalty	Status and remedial actions and enhanced internal control measures to prevent recurrence
Huage Dye ^(Note) Tsaker Cangzhou Tsaker Dongguang	<p>Huage Dye, Tsaker Cangzhou and Tsaker Dongguang had not designed, constructed and operated the facilities relating to work safety simultaneously (“Three Simultaneities on Safety Facilities”) for certain construction projects since November 1999.</p> <p>The above non-compliance took place primarily because of an inadvertent error of our administrative staff for failing to appreciate such legal requirements.</p>	<p>As advised by our PRC Legal Advisor, if the safety conditions of newly built, reconstructed and expanded construction projects for the production and storage of hazardous chemicals fail to go through or pass the examination imposed by the relevant authorities, they shall be ordered to cease construction for rectification within the prescribed period, failing which a fine of no less than RMB500,000 and no more than RMB1,000,000 may be imposed. Any construction project for production, storage, loading and unloading of hazardous goods having no designed safety facilities or the designed safety facilities not approved by the relevant authorities, or any construction project which fails to pass completion inspection for its safety facilities before put into operation or use, they shall be ordered to cease construction or production or operation for rectification within the prescribed period, failing which a fine of no less than RMB500,000 and no more than RMB1,000,000 may be imposed.</p> <p>Failure to conduct diagnosis of safety design within a specific time could lead to suspension of operation for rectification, failing which could lead to a shut down.</p>	<p>As a rectification measure, Tsaker Cangzhou and Tsaker Dongguang had conducted diagnosis of safety design for certain projects and had filed the diagnosis report of safety design for the relevant construction projects which did not perform Three Simultaneities on Safety Facilities.</p> <p>According to our PRC Legal Advisor, considering that (1) Tsaker Cangzhou and Tsaker Dongguang have completed the safety design diagnosis and acceptance for relevant projects, respectively; (2) Cangzhou Administration Bureau of Safety Working has issued a confirmation letter, which confirms that Tsaker Cangzhou and Tsaker Dongguang have complied with and implemented the national and local laws and regulations in respect of safety working all the relevant time, and have not experienced any safety incidents or suffered any penalties in respect of safety in the past three years from the date of the confirmation; (3) as confirmed by our Group, Tsaker Cangzhou and Tsaker Dongguang, since their respective inception, have not received any notice in relation to punishment or potential punishment from the competent safety working authorities due to the safety working issues, hence the probability that we will be fined by the competent safety working authorities due to failure to complete the procedures for Three Simultaneities on Safety Facilities before production during the construction of relevant projects is relatively low.</p> <p>We had not made provisions for the potential payment of the fine because the maximum amount of the fine to which we may be subject is relatively immaterial.</p>

Note: Huage Dye ceased to be a member of our Group after Reorganization in September 2013, Tsaker Dongguang had acquired certain of Huage Dye’s operating assets in September 2013.

BUSINESS

Relevant entity(ies) of our Group	Description of non-compliance incidents and reasons of the non-compliance	Maximum penalty (if applicable), legal consequence, potential financial and operation impact on our Group and potential penalty	Status and remedial actions and enhanced internal control measures to prevent recurrence
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We have enhanced our internal control measures to avoid recurrence of similar matters in the future. For instance, we have policies in connection with the Three Simultaneities on Safety Facilities for construction projects (建設項目安全三同時管理制度) in place to ensure compliance with applicable laws and regulations.

We have designated our director of administration (i.e. Mr. Yang Fuguang) to oversee the implementation of such policies and Mr. Du Chao, our safety manager who is a safety engineer (安全工程師) and has 15 years of experience, to ensure the implementation of such enhanced internal control measures. Both Mr. Yang and Mr. Du were not involved in this historical non-compliance incident.

* Our Directors are of the view that, after taking into account of the fact that the entire amount of fines if imposed by relevant government authorities will be indemnified by our Controlling Shareholders and the relevant risks of being penalised, no provision was made for the possible fines.

After Listing, we will disclose the rectification progress for the above mentioned incidents in our interim and annual reports.

INTERNAL CONTROL OVER BUSINESS OPERATIONS

In preparation for Listing, we engaged an independent internal control reviewer (the “**Internal Control Reviewer**”) to conduct an evaluation of our internal control system. Our Internal Control Reviewer provides a wide range of professional services including corporate governance assessment and design, enterprise risk assessment, internal audit and compliance consultancy and advisory services and is experienced in providing consultancy service in internal controls and performing independent review on internal control and risk management systems. We have consulted with our Internal Control Reviewer to identify the factors relevant to enhancing our internal control system in certain aspects covering areas including, but not limited to, revenue recognition, procurement, fixed assets management, human resources and financial reporting, and the steps to be taken and the Internal Control Reviewer made a number of recommendations. The work performed by our Internal Control Reviewer, which did not involve an assurance engagement in relation to our internal control, was conducted in September 2014 and resulted in a number of findings and recommendations. We have taken corrective actions in response to the Internal Control Reviewer’s findings and recommendations.

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Our Internal Control Reviewer performed follow-up procedures on our system of internal control with regard to those actions taken by us in January 2015. In its follow-up reviews, our Internal Control Reviewer noted that we had followed all of its recommendations and accordingly taken corrective actions to address our internal control deficiencies and weaknesses.

We have also established an internal control department to monitor our compliance with the social security insurance and housing provident fund contribution regulations and other relevant PRC laws and regulations from time to time and to oversee the implementation of any necessary measures. We also appointed an in-house legal counsel, who is responsible for overseeing updates on the PRC laws and regulations applicable to our business operations and advising us on the compliance matters. In addition, we plan to provide our Directors, senior management and employees involved with continuing training development programs and updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identify any concerns and issues relating to potential non-compliance. Our executive Director, Mr. Duan Weidong, is responsible for ensuring our on-going compliance.

Our Directors consider that (i) a majority of our non-compliance incidents were due to inadvertent error of our administration staff for failing to appreciate the relevant legal requirements, which, in the past, Mr. Duan Weidong, our executive Director, did not closely monitor the administrative and compliance matters in respect of our operation; following the discovery of such non-compliance incidents, Mr. Duan has paid more attention to such matters; (ii) the enhanced internal control measures implemented by us as disclosed under the section headed “— Legal Proceedings and Compliance — Historical Non-Compliance” in this prospectus should effectively prevent recurrence of such incidents; (iii) we have taken corrective actions in response to our Internal Control Reviewer’s findings and recommendations; (iv) as stated above, our Internal Control Reviewer had performed such follow-up procedures on our system of internal control in January 2015, and in our Internal Control Reviewer’s follow-up review, our Internal Control Reviewer noted that we had followed all of its recommendations and accordingly taken corrective actions to address our internal control deficiencies and weaknesses, thus, our Directors believe that will be able to effectively prevent the recurrence of non-compliance incidents.

Furthermore, given (i) our historical non-compliance incidents did not involve any act of dishonesty, fraudulence on the part of the Directors or had any issue of Directors’ integrity or competence that would affect their suitability as a director of a listed company; (ii) the non-compliance incidents did not constitute any material negative indication to doubt on the suitability of the Directors to act as directors of our Company; and (iii) with respect to the historical non-compliance incidents, we had not been penalised for such non-compliance incidents and no administrative sanctions has been imposed on us in relation to such incidents, our Directors (including the independent non-executive Directors) and the Sole Sponsor are of the views that our enhanced internal control measures are adequate and effective and the non-compliances will not affect the Directors’ suitability under Rules 3.08 and 3.09 of the Listing Rules; and we are suitable for listing under Rule 8.04 of the Listing Rules.

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Our Directors are of the view that we have taken all reasonable steps to enhance our proper internal control system to prevent future recurrence of non-compliance incidents. As such, our Directors and the Sole Sponsor are of the view that our enhanced internal control measures are adequate and effective in significantly reducing the risk of future non-compliance with legal and regulatory requirements in the PRC.

In light of the nature of, and reasons for, the non-compliances, and on the basis of the remedial actions taken, and given that we have adopted substantially all of the recommendations made by our Internal Control Reviewer, our Directors believe, and the Sole Sponsor has no reason to doubt, that the enhanced internal control measures are adequate and effective to address the non-compliances as set out above, and they are not aware of any facts or circumstances that might affect the suitability of our listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately upon completion of the Capitalization Issue and Global Offering (assuming the Over-allotment Option is not exercised), our Controlling Shareholders will own 66.8% of the total issued share capital of our Company. For further information, see “Appendix IV — Statutory and General Information — C. Further Information about Directors and Substantial Shareholders — 2. Substantial Shareholders”. Cavalli is wholly-owned by Mr. Ge Yi, one of our executive Directors, our Chairman and Chief Executive Officer. Cavalli is an investment holding company, through which our Shares are held.

Each of our Directors and our Controlling Shareholders has confirmed that none of them or their respective close associate has any interest in a business which competes with, or is likely to compete with, our Group, whether directly or indirectly, which would otherwise require disclosure under Rule 8.10 of the Listing Rules. Each of our Controlling Shareholders has further confirmed that, none of the companies referred to in note 34 “Related Party Transactions” to the financial statements set out in the Accountants’ Report as set out in Appendix I to this prospectus which were controlled by our Controlling Shareholders as of the Latest Practicable Date were engaged in any business which competes or is likely to compete with the business to our Group. Hence, our Directors are of the view that there is a clear delineation between the businesses operated by our Controlling Shareholders and our Group.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

We believe that our Group is capable of carrying on its business independently from our Controlling Shareholders and their associates after the Listing Date for the following reasons:

Operational Independence

Although our Controlling Shareholders will retain a controlling interest in our Company after Listing, our Company has unfettered rights to make all decisions on, and to carry out, our own business operations independently. Our Group holds the licences, intellectual property rights and the domain name necessary to carry out our business, and have sufficient capital, facilities and employees to operate the business independently from our Controlling Shareholders.

We have access to third parties independently from and not connected to our Controlling Shareholders for sources of suppliers and customers. We have also adopted a set of internal control procedures to maintain effective and independent operation of our business.

On January 15, 2015, Tsaker Dongying entered into the Assets Leasing Agreement with Dongao Chemicals, pursuant to which Dongao Chemicals agreed to lease to Tsaker Dongying the Dongao Production Plant in relation to the production of, among others, PNT, ONT, MNT, OT and NMP, for a term of three years (“**Dongao Arrangement**”) commencing on January 15, 2015 and expiring in January 14, 2018 at an annual rent of RMB16,200,000. The production capacity of the Dongao Production Plant includes 40,000 tonnes of mononitrotoluene in aggregate and 6,000 tonnes of NMP under the Assets Leasing Agreement and additional 40,000 tonnes of mononitrotoluene under the option for the leasing of the Additional Assets. For details, see “Continuing Connected

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Transactions — Non-Exempt Continuing Connected Transactions — Continuing connected transactions which are subject to the reporting, annual review and announcement requirements but exempt from the circular and the independent Shareholders' approval requirements" of this prospectus for further information regarding the Assets Leasing Agreement.

We believe the Dongao Arrangement and the production of PNT will allow our Group to have a stable source of supply of PNT for our production of DSD Acid, which enables our Group to capture the advantage of vertical integration and also to enter into the markets of ONT/OT, MNT and NMP. Moreover, the Dongao Arrangement does not demand an initial capital expenditure and investment from our Group, and thus, we may deploy available capital resources to our other expansion plans, such as the expansion of our Dongying Production Plant. We believe the Dongao Arrangement would reduce the risk of capital expenditure commitment and entry into new markets in ONT/OT, MNT and NMP by allowing our Group to initially lease our Dongao Production Plant rather than to acquire our Dongao Production Plant immediately.

Pursuant to the Assets Leasing Agreement, our Group has the right to give notice to Dongao Chemicals if we intend to continue the lease of our Dongao Production Plant upon expiry of the Assets Leasing Agreement at the existing or a comparable rental. Additionally, our Group has the first right of refusal on the leasing of the Additional Assets, and a further agreement in such connection shall be entered into between the parties at the then prevailing market rental determined with reference to an asset valuation by a certified asset valuer.

Furthermore, pursuant to the Assets Leasing Agreement, our Group has an option to purchase our Dongao Production Plant and the Additional Assets from Dongao Chemicals at a prevailing market price to be negotiated and determined with reference to an asset valuation by a certified asset valuer. Our Group also has the first right of refusal to acquire our Dongao Production Plant and the Additional Assets at the market price to be determined with reference to an asset valuation by a certified asset valuer in the event that Dongao Chemicals opts to sell such assets to a third party.

Our Directors consider that the Dongao Arrangement provides flexibility to our Group in terms of our working capital, and reduces our risk of capital commitment and entering into new markets of ONT/OT, MNT and NMP. Furthermore, we have options to renew the Dongao Arrangement at the existing or a comparable rental, and purchase our Dongao Production Plant and the Additional Assets at the prevailing market price, to be determined with reference to, among other matters, an asset valuation by a certified asset valuer. As such, we do not consider ourselves to be placing undue reliance on our Controlling Shareholders and are able to operate independently from our Controlling Shareholders, as we have control on the exercise of the options to renew the Dongao Arrangement and acquire our Dongao Production Plant in the future. Finally, in the event that we exercise such options to renew the rental and/or acquire our Dongao Production Plant and/or the Additional Assets, we would ensure compliance with the relevant Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Save as disclosed in the section headed “Continuing Connected Transactions” in this prospectus, we do not have any other continuing connected transactions with our Controlling Shareholders.

Management Independence and Corporate Governance

Our Company’s management and operational decisions are made by our Board in a collective manner. Our Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors, of whom only one, namely Mr. Ge Yi, is one of our Controlling Shareholders.

Other than Mr. Ge Yi, none of our Directors or senior management will have a role in any company owned by our Controlling Shareholders other than our Group. Accordingly, management decisions by our senior management or Board will effectively be made independently of our Controlling Shareholders.

Our Directors will ensure compliance with the applicable laws and regulations (including the Listing Rules) in the case of any potential or actual conflicts of interests between us and our Controlling Shareholders. The Articles of Association have also provided the management of conflicts procedures, including but not limited to requiring our Directors to abstain, subject to certain exceptions, from voting on any contract or arrangement or proposal in which they are materially interested. Our three independent non-executive Directors, together with our non-executive Directors, will control the majority of the votes of our Board in the event Mr. Ge Yi needs to abstain from voting on any contract or arrangement or proposal in which he or any of his associates is materially interested.

In addition, each of our Directors is aware of his/her fiduciary duties as a director of a listed company in Hong Kong which requires that, among other things, he/she acts in the best interests of our Group and does not allow any conflict between his/her duties as a Director and his/her personal interests. Our Controlling Shareholders have also entered into the Deed of Non-competition in favor of our Company so as to further mitigate any potential conflicts of interests. For details of the Deed of Non-competition, please see “— Deed of Non-competition” of this section.

We believe that we have good corporate governance measures and adequate arrangements to manage possible conflicts of interests and safeguard the interests of our Shareholders in regard to our dealings with other companies controlled by our Controlling Shareholders. Based on the above, our Directors are satisfied that the Board as a whole together with the senior management team is able to manage our Group independently of our Controlling Shareholders.

Financial Independence

During the Track Record Period, there were certain amounts due to the Controlling Shareholders, details of which are set out in note 34 to the Accountants’ Report in Appendix I of this prospectus, and certain bank loans of our Group were secured by the assets of companies controlled by or were guaranteed by, among others, Mr. Ge Yi, one of our Controlling Shareholders. As of December 31, 2014, our banking facilities of RMB45 million and RMB30 million were, respectively, jointly guaranteed by Mr. Ge Yi and Ms. Qi Lin and secured by the available-for-sale financial assets of Huage Dye, which was controlled by Mr. Ge Yi. All amounts due to related parties which are not related to our trading activities were already settled as of the Latest Practicable Date. As of the Latest Practicable Date, we did not have any indebtedness guaranteed by or secured by the assets of any of our Controlling Shareholders or their respective affiliates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

We have adopted a set of internal control procedures for cash receipts and payment and have independent access to third-party financing. We also make financial decisions according to our own business requirements.

DEED OF NON-COMPETITION

Our Controlling Shareholders have entered into the Deed of Non-competition in favor of our Company (for itself and as trustee for the benefit of each of its subsidiaries), under which our Controlling Shareholders have undertaken to our Company that they will not, and will procure that none of their respective associates (other than members of our Group) will, directly or indirectly (including through any body corporate, partnership, joint venture or other contractual arrangement) or as principal or agent, either on any of their own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any members of our Group),

- carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition, directly or indirectly, with or is likely to be in competition, directly or indirectly, with our Business (as defined below) (the “**Restricted Business**”), whether as a shareholder, director, officer, partner, agent, lender, employee, consultant or otherwise, and whether for profit, reward or otherwise; and
- take any action which interferes with or disrupts or may interfere with or disrupt our Business including, but not limited to, solicitation of any of the then current customers, suppliers or employees from any members of our Group.

For the purpose of the Deed of Non-competition, our “**Business**” is defined to cover (a) the conduct, directly or indirectly, of research and development in relation to, production, marketing, sales and distribution of dye and pigment intermediates and other fine chemicals that we produce including PNT, ONT, OT, MNT and NMP; (b) the research and development, production, marketing, sales and distribution of the upstream applications of internally produced dye and pigment intermediates and other fine chemicals that we produce including PNT, ONT, OT, MNT and NMP; and (c) any other business conducted by us from time to time.

The Deed of Non-competition does not apply to the relevant Controlling Shareholder’s holding in the shares of a company where:

- the total number of shares held by our Controlling Shareholders does not exceed ten per cent. of the issued shares of such company which is or whose holding company is listed on a stock exchange; or
- any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than ten per cent. of its consolidated turnover or consolidated assets, as shown in its latest audited accounts.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The respective obligations of each of our Controlling Shareholders under the Deed of Non-competition shall terminate on the earliest of (i) our Shares cease to be listed on the Hong Kong Stock Exchange; and (ii) our Controlling Shareholders individually or collectively with their associates (other than members of our Group), cease to hold or control or be interested in, directly or indirectly, 30 per cent. or more of the entire issued share capital of our Company.

Our Controlling Shareholders have further undertaken to procure that any new business investment or other business opportunity relating to our Business (the “**Business Opportunity**”) identified by or made available to them or any of their associates, they shall and shall procure that their associates shall refer such Business Opportunity to our Company on a timely basis and in the following manner:

- refer the Business Opportunity to our Company by giving written notice (“**Offer Notice**”) to our Company of such Business Opportunity within 30 days of identifying the target company (if relevant) and the nature of the Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Business Opportunity;
- upon receiving the Offer Notice, our Company shall seek approval from the Board or a board committee (in each case comprising, among others, independent non-executive Directors) who do not have an interest in the Business Opportunity (the “**Independent Board**”) as to whether to pursue or decline the Business Opportunity (any Director who has actual or potential interest in the Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not count towards the quorum for, any meeting or part of a meeting convened to consider such Business Opportunity);
- the Independent Board shall consider the financial impact of pursuing the Business Opportunity offered, whether the nature of the Business Opportunity is consistent with our Group’s strategies and development plans, the general market condition of our Business; if appropriate, the Independent Board may appoint independent financial and legal advisors to assist in the decision-making process in relation to such Business Opportunity;
- the Independent Board shall, within 30 days of receipt of the written notice referred above, inform the relevant Controlling Shareholders in writing on behalf of our Company its decision whether to pursue or decline the Business Opportunity;
- the relevant Controlling Shareholders shall be entitled but not obliged to pursue such Business Opportunity if he or it has received a notice from the Independent Board declining such Business Opportunity or if the Independent Board failed to respond within such 30 days’ period mentioned above; and
- if there is any material change in the nature, terms or conditions of such Business Opportunity pursued by our Controlling Shareholders, they shall refer such Business Opportunity as so revised to our Company as if it were a new Business Opportunity.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Further undertakings

Our Controlling Shareholders have further undertaken to, among others:

- procure all relevant information relating to the implementation of the Deed of Non-competition in their possession and/or the possession of any of their associates to be provided to us;
- provide all information requested by our Company (or its auditors) which is necessary for an annual review by the independent non-executive Directors of its compliance with the Deed of Non-competition and the enforcement of the same;
- procure our Company to disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition either through the annual report, or by way of announcements to the public; and
- upon the request of our Company, provide a written confirmation in respect of their compliance and that of their associates with the non-competition undertakings under the Deed of Non-competition and consents to the inclusion of such confirmation in our Company's annual report.

Our Controlling Shareholders, for themselves and on behalf of their associates (except any members of our Group), have also acknowledged that we may be required by the relevant laws, regulations, rules of the stock exchange(s) on which we may be listed and the regulatory bodies to disclose, from time to time, information on the Business Opportunity, including but not limited to disclosure in public announcements or our annual report or decision made by our Company to pursue or decline the Business Opportunity and have agreed to the disclosure to the extent necessary to comply with any such requirement.

Corporate Governance Measures

Our Directors who have no material interest in the matters discussed will, based on the information available to them, including information and confirmation provided by or obtained from our Controlling Shareholders and their associates (other than members of our Group) as described above, review on an annual basis (a) the compliance with the Deed of Non-competition; and (b) all the decisions taken in relation to whether to exercise the option under the Deed of Non-competition and whether to pursue any Business Opportunity which may be referred or offered to us by our Controlling Shareholders or their associates (other than members of our Group) under the Deed of Non-competition. Findings of such review will be disclosed in our annual report after Listing.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and/or their respective associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

CONTINUING CONNECTED TRANSACTIONS

Our Group has entered, and will enter, into certain agreements with entities that will constitute our connected persons and such agreements will constitute our continuing connected transactions under Chapter 14A of the Listing Rules following our Listing on the Hong Kong Stock Exchange.

CONNECTED PERSONS

The following persons/entities, among others, will be regarded as our connected persons under the Listing Rules who conduct or will conduct continuing connected transactions with us upon Listing:

Huage Holdings

As of the Latest Practicable Date, Huage Holdings was owned as to 71.44% by Mr. Ge Yi and 28.56% by Mr. Ge Jianhua, who is the father of Mr. Ge Yi. Mr. Ge Yi is our executive Director, our Chairman, Chief Executive Officer and one of our Controlling Shareholders, and together with Mr. Ge Jianhua, they own 100% of the equity interests in Huage Holdings, Huage Holdings is an associate of Mr. Ge Yi and therefore a connected person of our Company for the purpose of Chapter 14A of the Listing Rules.

Dongao Chemicals

As of the Latest Practicable Date, Dongao Chemicals was directly wholly-owned by Huage Holdings, which in turn was held as to 71.44% by Mr. Ge Yi and 28.56% by Mr. Ge Jianhua, who is the father of Mr. Ge Yi. Mr. Ge Yi is our executive Director, our Chairman, Chief Executive Officer and one of our Controlling Shareholders, and together with Mr. Ge Jianhua, they indirectly own 100% of the equity interests in Dongao Chemicals. Dongao Chemicals is an associate of Mr. Ge Yi and therefore a connected person of our Company for the purpose of Chapter 14A of the Listing Rules.

Yijia Iron Powder

As of the Latest Practicable Date, Yijia Iron Powder was directly wholly-owned by Mr. Ge Jianyong, who is a brother of Mr. Ge Jianhua and uncle of Mr. Ge Yi. As Mr. Ge Jianyong is a deemed connected person for the purpose of Chapter 14A of the Listing Rules, Yijia Iron Powder is a connected person of our Company.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions which are subject to the reporting, annual review and announcement requirements but exempt from the circular and the independent Shareholders' approval requirements

Leasing Arrangement with Huage Holdings Group

(1) Leasing of premises from Huage Holdings

On June 8, 2015, Tsaker Beijing entered into a property leasing agreement (the “**Property Leasing Agreement**”) with Huage Holdings, pursuant to which Huage Holdings agreed to lease to

CONTINUING CONNECTED TRANSACTIONS

Tsaker Beijing certain portion of the premises situated at 6th Floor, Building A, Jiahui International Center, No.14 Jiqingli, Chaoyang District, Beijing, the PRC with a gross floor area of approximately 473 sq.m. (the “**Premises**”) for use as our office for a term commencing on the Listing Date and ending on December 31, 2017 at an annual rent of RMB1,578,000 (including utilities and management fees) for each of the three years ending December 31, 2017. The annual rent are in line with the prevailing market rate.

Our Group did not enter into any leasing agreement in respect of the Premises during the Track Record Period and had occupied the Premises without payment of rent during the Track Record Period and as of the Latest Practicable Date.

The rental payable by Tsaker Beijing under the Property Leasing Agreement was determined with reference to (i) the rentable area to be leased to Tsaker Beijing under the Property Leasing Agreement; (ii) the prevailing market rent for similar premises in the same building of the Premises; (iii) the historical utilities and management fees paid by Huage Holdings in respect of the Premises.

(2) *Assets Leasing Agreement*

On January 15, 2015, Tsaker Dongying entered into the Assets Leasing Agreement with Dongao Chemicals (and subsequently on April 8, 2015, both parties entered into a supplemental agreement), pursuant to which Dongao Chemicals agreed to lease to Tsaker Dongying our Dongao Production Plant, in relation to the production of, among others, PNT, ONT, MNT, OT and NMP, for a term of three years commencing on January 15, 2015 and expiring on January 14, 2018 at an annual rent of RMB16,200,000. The production capacity of our Dongao Production Plant includes 40,000 tonnes of mononitrotoluene (PNT/ONT/MNT) and 6,000 tonnes of NMP under the Assets Leasing Agreement and an additional 40,000 tonnes of mononitrotoluene under the option for the leasing of the Additional Assets. Pursuant to the Assets Leasing Agreement, our Group has the right to give notice to Dongao Chemicals if we intend to continue the lease of our Dongao Production Plant upon expiry of the Assets Leasing Agreement at the existing or a comparable market rental. Additionally, our Group has the first right of refusal on the leasing of the Additional Assets, and a further agreement in such connection shall be entered into between the parties at the then prevailing market rental to be determined with reference to an asset valuation by a certified asset valuer.

Furthermore, pursuant to the Assets Leasing Agreement, our Group has an option to purchase our Dongao Production Plant and Additional Assets from Dongao Chemicals at a prevailing market price to be negotiated and determined with reference to an asset valuation by a certified asset valuer. Our Group also has the right of first refusal to acquire our Dongao Production Plant and the Additional Assets at the market price to be determined with reference to an asset valuation by a certified asset valuer in the event that Dongao Chemicals opts to sell such assets to a third party.

There were no historical transaction amounts for the three years ended December 31, 2014.

CONTINUING CONNECTED TRANSACTIONS

The rental payable by Tsaker Dongying under the Assets Leasing Agreement was determined with reference to (i) the valuation as at September 30, 2014 issued by an independent valuer; and (ii) the arm's length negotiation between the parties.

If the transactions under the Property Leasing Agreement and Assets Leasing Agreement are aggregated in accordance with Rules 14A.81 to 14A.83 of the Listing Rules, each of the applicable percentage ratios (other than the profits ratio) for the aggregated transactions is expected to be more than 0.1% but less than 5% on an annual basis, the aggregated transactions are subject to the reporting, annual review and announcement requirements in the absence of a waiver but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Continuing connected transaction which is subject to the reporting, annual review, announcement, circular and the independent Shareholders' approval requirements

(3) *Framework Purchase Agreement on Iron Powder*

Tsaker Dongguang entered into a framework purchase agreement (the "**Framework Purchase Agreement on Iron Powder**") with Yijia Iron Powder on June 8, 2015, pursuant to which Yijia Iron Powder agreed to supply iron powder to us for a term of three years commencing on the date of the Framework Purchase Agreement on Iron Powder and is subject to renewal. Iron powder is a raw material for producing DSD Acid.

The price for the iron powder to be supplied by Yijia Iron Powder to us under the Framework Purchase Agreement on Iron Powder will be determined with reference to the price at which comparable types of iron powder that are sold by independent suppliers under normal commercial terms in the ordinary course of business and such price shall be no less favourable than is available from independent suppliers. Our Group will seek quotations from at least two independent third parties offering the same or comparable products to determine on the fairness and reasonableness of the price and to decide if the price is comparable to or more favourable than those offered by independent third parties for the same or comparable products.

For the three years ended December 31, 2014, the total purchases of iron powder by our Group from Yijia Iron Powder amounted to approximately RMB65.1 million, RMB73.3 million and RMB66.2 million, respectively. The increase in purchase of iron powder from Yijia Iron Powder from 2012 to 2013 was mainly due to the increase in production volume of DSD Acid from 2012 to 2013, while the decrease in purchase of iron powder from Yijia Iron Powder from 2013 to 2014 was due to the decrease in consumption of iron powder in the production of DSD Acid as a result of technical enhancement.

Our Directors estimate that the maximum transaction amount under the Framework Purchase Agreement on Iron Powder will not exceed RMB90 million, RMB100 million and RMB110 million for the three years ending December 31, 2015, 2016 and 2017, respectively. Such estimate is based on (i) the projected production volume of DSD Acid as iron powder is a raw material for its production and

CONTINUING CONNECTED TRANSACTIONS

in particular, our Directors estimate that the production volume of DSD Acid will increase as a result of our expansion plan on production of DSD Acid; (ii) the projected demand for iron powder that our Group would purchase from Yijia Iron Powder; (iii) the prevailing market rates of iron powder in the open market in the PRC; (iv) the consumption rate of iron powder in the production of DSD Acid in 2014; and (v) the historical transaction amounts for the three years ended December 31, 2014.

The Framework Purchase Agreement on Iron Powder is a framework agreement and it is envisaged that individual purchase orders will be entered into between our Group and Yijia Iron Powder. Each individual purchase order will set out the purchase price, quantity and details relevant to the purchases. The individual purchase orders may only contain provisions which are in all material respects consistent with the binding principles, terms and conditions set out in the Framework Purchase Agreement on Iron Powder.

Since each of the applicable percentage ratios for the Framework Purchase Agreement on Iron Powder is expected to be more than 5% on an annual basis, the transactions are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

WAIVER FROM THE HONG KONG STOCK EXCHANGE

In respect of the transactions referred to in the sub-section headed "Continuing Connected Transactions — Non-exempt Continuing Connected Transactions — Continuing connected transactions which are subject to the reporting, annual review and announcement requirements but exempt from the circular and the independent Shareholders' approval requirements" above, since the applicable percentage ratios (other than the profits ratio) are expected to be more than 0.1% but less than 5% on an annual basis, such transactions are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements but are, in the absence of a waiver, subject to the reporting, annual review and announcement requirements under the Listing Rules.

Pursuant to Rule 14A.105 of the Listing Rules, the Hong Kong Stock Exchange may consider granting a waiver from the announcement requirement set out in Rule 14A.35 of the Listing Rules in relation to the Assets Leasing Agreement and the Property Leasing Agreement. As described above, we expect such non-exempt continuing connected transaction to be carried out on a continuing basis and to extend over a period of time, and our Directors consider that strict compliance with the announcement requirement under the Listing Rules would be impractical, unduly burdensome and would impose unnecessary administrative costs to our Company. Accordingly, we have applied for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with the announcement requirement under the Listing Rules at the time of Listing of our Shares on the Hong Kong Stock Exchange in respect of the transactions referred to in the sub-section headed "Continuing Connected Transactions — Non-exempt Continuing Connected Transactions — Continuing connected transactions which are subject to the reporting, annual review and announcement requirements but exempt from the circular and the independent Shareholders' approval requirements" above on an aggregated basis given that these transactions are both leasing arrangements with the same group of connected person. In addition, we will comply with the applicable provisions under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

In respect of the transactions referred to in the sub-section headed “Continuing Connected Transactions — Non-exempt Continuing Connected Transactions — Continuing connected transaction which is subject to the reporting, annual review, announcement, circular and the independent Shareholders’ approval requirements” above, since the applicable percentage ratios are expected to be more than 5% on an annual basis, such transactions are, in the absence of a waiver, subject to the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under the Listing Rules.

Pursuant to Rule 14A.105 of the Listing Rules, the Hong Kong Stock Exchange may consider granting a waiver from the announcement, circular and shareholders’ approval requirements set out in the Listing Rules in relation to the Framework Purchase Agreement on Iron Powder. As described above, we expect such non-exempt continuing connected transactions to be carried out on a continuing basis and to extend over a period of time, and our Directors consider that strict compliance with the announcement, circular and shareholders’ approval requirements under the Listing Rules would be impractical, unduly burdensome and would impose unnecessary administrative costs to our Company. Accordingly, we have applied for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with the announcement, circular and shareholders’ approval requirements under the Listing Rules at the time of the Listing of our Shares on the Hong Kong Stock Exchange in respect of the transactions referred to in the sub-section headed “Continuing Connected Transactions — Non-exempt Continuing Connected Transactions — Continuing connected transaction which is subject to the reporting, annual review, announcement, circular and the independent Shareholders’ approval requirements” above. In addition, we will comply with the applicable provisions under the Listing Rules.

Confirmation by our Directors

Our Directors (including our independent non-executive Directors) are of the view that all the continuing connected transactions disclosed above have been entered into, and will be carried out in the ordinary and usual course of business of our Company, are on normal commercial terms, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Our Directors (including our independent non-executive Directors) are also of the view that the proposed annual caps of all of the non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Confirmation by the Sole Sponsor

After review of the relevant documentation and historical figures provided by us, the Sole Sponsor is of the view that (i) the agreements in relation to the non-exempt continuing connected transactions referred to in the sub-section headed “Continuing Connected Transactions — Non-exempt Continuing Connected Transactions” above have been entered into in the ordinary and usual course of business of our Company and on normal commercial terms which are fair and reasonable and in the interests of our Shareholders as a whole; and (ii) the proposed annual caps for such continuing connected transactions referred to in the sub-section headed “Continuing Connected Transactions — Non-exempt Continuing Connected Transactions” above are fair and reasonable and in the interests of our Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

The management of our business is supervised by our Board, which consists of nine Directors: four executive Directors, two non-executive Directors and three independent non-executive Directors. Our Directors were all appointed for a term of three years, which is renewable upon re-election and re-appointment. The functions and duties of our Board include, but are not limited to, convening Shareholders' meetings, reporting the Board's work at the Shareholders' meetings, implementing the resolutions passed at the Shareholders' meetings, determining our business plans and investment plans, formulating our annual budget and final accounts, formulating our proposals for profit distributions and for the increase or reduction of authorized capital as well as exercising other powers, functions and duties as conferred by the Articles of Association.

Save as disclosed in this prospectus, none of our Directors and members of our senior management has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus.

The following table sets out information regarding our Directors and our senior management.

Directors & Senior Management

Name	Age	Position	Date of joining our Group	Date of appointment of current position	Responsibilities
Mr. GE Yi (戈弋) . . .	33	Executive Director, Chief Executive Officer, Chairman, Chairman of the nomination committee	February 2007	October 29, 2014	Responsible for overall business strategy and major business decisions of our Group
Mr. DUAN Weidong (段衛東).	41	Executive Director, Vice-President (Manufacturing Operations)	December 1997	March 5, 2015 as an Executive Director; January 28, 2014 as Vice-President (Manufacturing Operations)	Responsible for the operations management of our Group
Ms. DONG Zhongmei (董忠梅).	45	Executive Director, Vice-President (Sales & Procurement)	December 1997	March 5, 2015 as an Executive Director; April 6, 2014 as Vice-President (Sales & Procurement)	Responsible for the sales and marketing management of our Group

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Date of appointment of current position	Responsibilities
Ms. JIN Ping (晉平) .	38	Executive Director, Vice-President (Research & Development in Technology)	April 2006	March 5, 2015 as an Executive Director; April 10, 2013 as Vice-President (Research & Development in Technology)	Responsible for the technological research and development of our Group
Mr. XIAO Yongzheng (肖勇政).	42	Non-executive Director, member of the audit committee and member of the remuneration committee	March 5, 2015	March 5, 2015	Responsible for providing advice on corporate governance and internal control matters
Mr. FONTAINE Alain Vincent . . .	60	Non-executive Director	April 3, 2015	April 3, 2015	Responsible for providing advice on corporate governance and internal control matters
Mr. HO Kenneth Kai Chung (何啟忠) . .	49	Independent Non-executive Director, member of the nomination committee and member of the remuneration committee	March 5, 2015	March 5, 2015	Responsible for overseeing the management of our Group independently
Mr. ZHU Lin (朱霖) .	41	Independent Non-executive Director, member of the nomination committee and the Chairman of the audit committee	March 5, 2015	March 5, 2015	Responsible for overseeing the management of our Group independently

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Date of appointment of current position	Responsibilities
Mr. YU Miao (于淼)	38	Independent Non-executive Director, member of the audit committee and the Chairman of the remuneration committee	March 5, 2015	March 5, 2015	Responsible for overseeing the management of our Group independently
Mr. SHI Qiang (石強)	59	Chief Engineer	April 2004	April 7, 2014	Responsible for the strategic development of our Group
Mr. BAI Kun (白崑)	38	Chief Financial Officer	September 2014	September 1, 2014	Responsible for the financial operations of our Group

Mr. Ge Yi, an executive Director, our Chief Executive Officer and our Chairman, is responsible for overall business strategy and major business decisions of our Group. Other executive Directors, are responsible for general management and day-to-day operation of our Group. Our non-executive Directors, including our independent non-executive Directors, perform their duties through the Board and do not participate in the day-to-day management of our business operations. Our senior management is responsible for the day-to-day management of our business operations.

DIRECTORS

Executive Directors

Mr. GE Yi is an executive Director, the Chief Executive Officer and the Chairman of our Company, being responsible for overall business strategy and major business decisions of our Group. Mr. Ge joined us in February 2007 and was promoted to the vice-president and president of Huage Holdings in December 2011 and August 2012 respectively. Mr. Ge is also the sole director of Tsaker Hong Kong and a director of Tsaker Cangzhou.

As the vice-president of Huage Holdings, Mr. Ge was responsible for the business strategies and decision-making of our Group. Mr. Ge also developed and modified our Group's strategies relating to production, market strategies and research and development. He has also proposed directional recommendations to our Company by discovering new business opportunities. Since Mr. Ge became the president of our Group, our Group underwent corporate structuring under his leadership. He has also significantly expanded our production of DSD Acid which has led to our current leading position in the dye and pigment intermediates industry and accounted for approximately 57.4% of the world's market share in DSD Acid by production volume in 2014. We believe that under Mr. Ge's leadership, our Group will continue to foster technological innovation and the development of our research and development capability and develop new products and processes.

DIRECTORS AND SENIOR MANAGEMENT

Our corporate governance practices complied with the code provisions of the Corporate Governance Code in Appendix 14 to the Listing Rules, except for the deviation from provision A.2.1, which stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Ge performs both roles of our Chairman and our Chief Executive Officer.

Mr. Ge has a thorough understanding of our business, development, management, customers and products. As the successor and son of Mr. Ge Jianhua (the founder of our Group), Mr. Ge has been substantially involved in our operation, general management and administrative affairs since he has joined our Group in 2007 and has accumulated extensive experience in the chemicals production business. He was principally responsible for our strategies planning, corporate development and concluding business decisions, together with our senior management, during his tenure as vice-president of our Group. One of the business decisions that Mr. Ge concluded includes the development of DATA, a downstream product of DMSS that has become one of our principal products and enhanced our profitability as a whole. In 2012, he further assumed the responsibility for our overall business strategy and major business decision as president of our Group. Our Board believes that the continuation of the existing practice of Mr. Ge's dual role leadership is beneficial to our Group taking into account our current scope of business and development.

With Mr. Ge's extensive experience, our Board believes that vesting the two roles in the same person provides our Company with strong and consistent leadership, and facilitates effective business planning, implementation and execution of our business decisions and strategies, and is beneficial to the business prospects and management of our Group.

Under the leadership of Mr. Ge, our 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 our Board and relevant Board committees, and there are three independent non-executive Directors on our Board offering independent perspectives, our Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers and authorities between our Board and the management of our Company and that it is in the best interest of our Group to have Mr. Ge taking up both roles for effective management and business development. Our Directors consider that the deviation of the said provision A.2.1 is appropriate in such circumstance. To maintain a high standard of corporate governance practices of our Company, our Board shall nevertheless review the effectiveness of the structure and composition of our Board from time to time in light of prevailing circumstances.

Mr. Ge obtained a master's degree in International Business Management for China from Middlesex University in the United Kingdom in February 2007 and completed studies in chemical engineering from Tianjin University in the PRC in July 2004.

Mr. DUAN Weidong is an executive Director and the Vice-President (Manufacturing Operations) of our Company, being responsible for operations management and day-to-day operation of our Group. Mr. Duan is also a director of each of Tsaker Cangzhou, Tsaker Dongguang and Tsaker Dongying, the production director of each of Tsaker Cangzhou, Tsaker Dongguang and Tsaker Dongying and the legal representative of each of Tsaker Dongguang and Tsaker Dongying. Mr. Duan was a director of Huage Dye immediately prior to its deregistration. For details, see "Our History and

DIRECTORS AND SENIOR MANAGEMENT

Development”. Mr. Duan has almost 20 years of experience in the chemical industry. He joined our Group in December 1997 and has served on various positions within our Group, such as the vice general manager of Huage Dye from February 2006 to January 2007, the engineering department head of Huage Dye from January to December 2007, the vice president of the manufacturing base of Huage Dye from December 2007 to September 2012 and the production director of Huage Dye from September 2012 to January 2014. Mr. Duan has been the production director of the manufacturing base of Tsaker Cangzhou and Tsaker Dongguang since January 2014, and the production director of the manufacturing base of Tsaker Dongying since May 2014. In addition, Mr. Duan was a member of the National Technical Committee 134 on Dyestuff of Standardisation Administration of China (全國染料標準化技術委員會) from May 2009 to May 2014.

Mr. Duan completed two years’ education in Chemical Engineering at the Beijing University of Chemical Technology in the PRC in July 1995. In April 2006, Mr. Duan was awarded the second prize of the Tianjin City Improvement of Science and Technology Award (天津市科學技術進步獎) by the People’s Government of Tianjin. In May 2010, Mr. Duan was awarded the qualification to set, revise and review the industry standards of GB/T1.1-2009 and GB/T20000.2-2009. In August 2012, Mr. Duan was awarded the title of “Senior Engineer” (高級工程師) by The Title Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組).

Ms. DONG Zhongmei is an executive Director and the Vice-President (Sales & Procurement) of our Company. Ms. Dong has over 20 years of experience in the chemical industry. She joined our Group in December 1997 and has served on various positions within our Group, such as assistant sales director of Huayu Chemical from November 2008 to July 2010, general manager of Huage Dye from July to December 2010, vice-director of the Dongguang Production Plant from January 2011 to September 2012, deputy general manager of sales and merchandising of Huage Dye from September 2012 to April 2014 and the Vice-President (Sales & Procurement) of our Company since April 2014. In April 1999, Ms. Dong was awarded the Best Salesperson of the Industrial System in 1998 (一九九八年年工業系統最佳銷售能手) by the Economy and Trade Committee of Hebei Province (河北省經濟貿易委員會). Ms. Dong completed studies in Economic Law through distance learning from Hebei University of Economics and Business in the PRC in July 2001.

Ms. JIN Ping is an executive Director and the Vice-President (Research & Development in Technology) of our Company, being responsible for the overall technological research and development of our Group. Ms. Jin is also a director of Tsaker Beijing since its incorporation. Prior to joining our Group in April 2006, Ms. Jin worked at Chengdu Municipal Pharmaceutical Factory IV Division II (成都市制藥四廠二分廠) (currently known as Chengdu Beite Pharmaceutical Co., Ltd. (成都倍特藥業有限公司), which is principally engaged in research and development, production and sale of pharmaceutical and healthcare products, from July 1996 to August 2003, including serving as a team leader of the research and development centre (中心實驗室合成組長). Ms. Jin joined our Group in April 2006 and has served various positions in our Group, such as the marketing manager of Tsaker Cangzhou from April 2006 to December 2009, the deputy general manager of Tsaker Cangzhou from December 2009 to June 2011, the project manager of Tsaker Cangzhou from June 2011 to August 2012, and the president of research and development of Tsaker Cangzhou from September 2012 to March 2013, and a director of Tsaker Beijing since its establishment in October 2013. Ms. Jin obtained a master’s degree in Biomedical Engineering from Tianjin University in the PRC in March 2006 and

DIRECTORS AND SENIOR MANAGEMENT

completed a three-year diploma course in Industrial Analysis from Southwest China Institute of Technology (currently known as Southwest University of Science and Technology) in the PRC in July 1998. In addition, Ms. Jin was awarded the title of “Petrochemical Engineer” (石油化工工程師) in May 2011.

Non-executive Directors

Mr. XIAO Yongzheng is a non-executive Director of our Company, representing Transfar, one of our Pre-IPO Investors, to the Board. He is responsible for providing advice on corporate governance and internal control matters. Mr. Xiao is also a director of Transfar and a general vice-president of Transfar Holding Group Co., Ltd. (傳化控股集團有限公司) (“**Transfar Holding**”) (being the indirect holding company of Transfar). Prior to joining our Group in March 2015, Mr. Xiao was responsible for valuation work in China Construction Bank from July 1995 to February 2000, and subsequently worked in the Investment Management Department of D’Long International Strategic Investment Company from June 2000 to June 2004. Mr. Xiao joined Shanghai Wanye Enterprises Co., Ltd. in November 2006, being responsible for operation management and subsequently became a departmental director at Shanghai Wanye Enterprises Co., Ltd. until July 2009.

Mr. Xiao obtained a degree in Master of Business Administration (International) from The University of Hong Kong in October 2002, and a bachelor’s degree in Mining Engineering (採礦工程) from Central South Institute of Technology (中南工學院) in the PRC in June 1995.

Mr. FONTAINE Alain Vincent is a non-executive Director of our Company, representing Wider Pacific, one of our Pre-IPO Investors, to the Board. He is responsible for providing advice on corporate governance and internal control matters. He has been a member of the advisory board of Ocean Equity Partners Fund L.P. (the entity which controls Wider Pacific) since September 2012.

Mr. Fontaine brings a mix of private equity investment and operational management to our Group. He serves as an executive director of Hong Kong Venture Capital and Private Equity Association. In 2000, he founded Investel Asia, a venture capital and private equity firm and served as its managing director from January 2004 to December 2006. He was the chief executive officer of Newcom LLC from January 2007 to September 2008. Prior to joining our Group in April 2015, Mr. Fontaine served various positions within the BCE Inc. group, the largest communications company in Canada, including Bell Canada, Bell Ardis and Tata Cellular, for approximately 16 years of his career.

Mr. Fontaine obtained a bachelor’s degree in Electrical Engineering from the University of Sherbrooke in Canada in June 1979. He has been a member of the Order of Engineers of Québec since January 1980.

Independent Non-executive Directors

Mr. HO Kenneth Kai Chung is an independent non-executive Director of our Company, being responsible for overseeing the management of our Group independently. Between January 2014 and March 2015, Mr. Ho served as a managing director of Munsun Asset Management (Asia) Ltd. Since November 2013, Mr. Ho became an independent non-executive director of TK Group (Holdings) Limited (stock code: 2283) and an independent non-executive director of BBI Life Sciences

DIRECTORS AND SENIOR MANAGEMENT

Corporation (stock code: 1035) from October 2014 onwards. Mr. Ho previously worked in various international financial institutions, such as a senior research analyst of Credit Lyonnais Securities (Asia) Limited from September 1996 to February 1999, and a vice president in the Research Department of Institutional Equities, Asia Pacific Department of JP Morgan from February 1999 to October 2004. Mr. Ho served various positions in HSBC, such as the Head of China Value and Growth Research in CIBM Research Asia of HSBC Markets (Asia) Limited in September 2004, Head of China Research of HSBC (Securities Business) Beijing Representative Office in June 2008, and Hong Kong China equity sales director of HSBC in January 2011. He was also an independent non-executive director of Evershine Group Holdings Limited (formerly known as TLT Lottotainment Group Limited) (stock code: 8022) from November 2013 to April 2014.

Mr. Ho received a Master of Commerce degree, specialising in Finance from the University of New South Wales in Australia in April 1991, and a bachelor's degree in Economics from the University of Sydney in Australia in May 1988. He was awarded as Chartered Financial Analyst by the Institute of Chartered Financial Analysts in September 1998, and has been a CFA charterholder and a member of the Association for Investment Management and Research since January 1999.

Mr. ZHU Lin is an independent non-executive Director of our Company, being responsible for overseeing the management of our Group independently. Mr. Zhu is also a partner of Beijing Legendhouse CPAs (北京潤衡會計師事務所) and a director of Beijing Run Qin Consulting Co. Ltd. (北京潤勤諮詢有限公司). Prior to joining our Group in March 2015, Mr. Zhu was a senior manager at the mergers and acquisitions department of PricewaterhouseCoopers Consulting (Shenzhen) Co., Ltd. (Beijing Branch) (普華永道諮詢(深圳)有限公司北京分公司) from October 2003 to November 2005. Mr. Zhu obtained a bachelor's degree in Overseas Financial Accounting (會計系外國財務會計專門化) from Central Institute of Finance and Banking (currently known as Central University of Finance and Economics) in the PRC in June 1995. Mr. Zhu has been a member of the Chinese Institute of Certified Public Accountants since February 2000.

Mr. YU Miao is an independent non-executive Director of our Company, being responsible for overseeing the management of our Group independently. Mr. Yu is also a partner of Global Law Office. Prior to joining our Group in March 2015, Mr. Yu was a partner of Global Law Office from March 2006 to June 2010, and subsequently a partner of Norton Rose (Asia) LLP from June 2010 to June 2011. Mr. Yu returned to Global Law Office as a partner in July 2011 and has been a partner there since then. Mr. Yu obtained a postgraduate diploma in International Law from The University of Nottingham in the United Kingdom in December 2001, and a bachelor's degree in Economic Law from Heilongjiang University in the PRC in July 1999. Mr. Yu was qualified as a lawyer in the PRC in March 2000.

SENIOR MANAGEMENT

Mr. GE Yi is an executive Director, the Chief Executive Officer and the Chairman of our Company. For details about Mr. Ge's background, see "Directors" under this section.

Mr. DUAN Weidong is an executive Director and the Vice-President (Manufacturing Operations) of our Company. For details about Mr. Duan's background, see "Directors" under this section.

DIRECTORS AND SENIOR MANAGEMENT

Ms. DONG Zhongmei is an executive Director and the Vice-President (Sales & Procurement) of our Company. For details about Ms. Dong's background, see "Directors" under this section.

Ms. JIN Ping is an executive Director and the Vice-President (Research & Development in Technology) of our Company. For details about Ms. Jin's background, see "Directors" under this section.

Mr. SHI Qiang is the Chief Engineer of our Company, being responsible for the strategic development of our Group. Prior to joining our Group in April 2004, Mr. Shi worked in the Chemical Research Institute of Inner Mongolia Autonomous Region (內蒙古自治區化工研究院) (the "**Research Institute**") from January 1986 to March 2004 and served various positions, including the director of the design office of the Research Institute. Before that, Mr. Shi worked at the Inner Mongolia Yellow River Construction Bureau Share Limited Corporation (內蒙古黃河工程局股份有限公司) (formerly known as Inner Mongolia Yellow River Construction Bureau (內蒙古黃河工程局) prior to its reform in 2000), a provider of hydropower engineering services in Inner Mongolia, the PRC, from January 1982 to December 1985. Mr. Shi has approximately 30 years of experience in the chemical industry. Mr. Shi joined our Group in April 2004 and has served various positions in our Group, such as the chief engineer of Huage Holdings from February 2006 to October 2007, the head of the engineering department of Huage Dye from December 2007 to February 2008, the department head of the strategic development department of Huage Dye from February 2008 to September 2012, the production director of Huage Dye from September 2012 to April 2014 and the Chief Engineer of our Company since April 2014. Mr. Shi obtained a bachelor's degree in chemical engineering from Tianjin University in May 1982. In August 1994, Mr. Shi was awarded the title of "Senior Engineer" (高級工程師) by the Office of Leading Group for Professional Title Reform of the Inner Mongolia Autonomous Region (內蒙古自治區職稱改革領導小組辦公室), and in October 2012, Mr. Shi was awarded the title of "Energy Manager" (能源管理師) by the Development and Reform Commission of Hebei Province.

Mr. BAI Kun is the Chief Financial Officer of our Company, being responsible for the financial operations of our Group. Mr. Bai joined our Group in September 2014 as the Chief Financial Officer. His work experience includes being a manager at the Tianjin branch of PricewaterhouseCoopers (普華永道中天會計師事務所有限公司天津分所) from September 2002 to February 2010 and the financial controller of Tianjin Walkman Biomaterial Co., Ltd, which is principally engaged in the development, manufacture and marketing of medical devices in the PRC, from February 2010 to August 2014. Mr. Bai is a Certified Public Accountant of China. Mr. Bai obtained a master's degree in Technoeconomics and Management in March 2002 and a bachelor's degree in Technoeconomics in July 1999 from Tianjin University.

JOINT COMPANY SECRETARIES

Ms. WANG Yanling (王豔玲), aged 34, is one of the joint company secretaries of our Company. Ms. Wang has a background of legal experience. Ms. Wang joined our Group in July 2014 as a secretary of the board of our Group and the legal consultant. Prior to joining our Group, Ms. Wang worked as a legal manager of Risun Holdings Co., Ltd. (旭陽控股有限公司) from July 2010 to July 2014, a practicing solicitor of Beijing Hanwei Law Firm (北京市漢威律師事務所) from July 2008 to July 2010 and was a legal executive of Beijing Taiming Law Firm (北京市泰明律師事務所) from July

DIRECTORS AND SENIOR MANAGEMENT

2003 to July 2005. Ms. Wang was conferred the occupational qualification of law by the Ministry of Justice of the PRC in February 2007. Ms. Wang obtained a master's degree in International Business Law from VU University Amsterdam in June 2013, a master's degree in Laws from Liaoning University in June 2008 and a bachelor's degree in Arts from Hebei Normal University in September 2003.

Ms. LEUNG Suet Lun (梁雪綸), aged 31, is one of the joint company secretaries of our Company and was appointed on March 5, 2015. Ms. Leung is a manager of the Listing Services Department of TMF Hong Kong Limited (a fellow subsidiary of KCS Hong Kong Limited), a company engaged in the business of providing corporate services. Ms. Leung has over 7 years of professional experience in accounting, legal and company secretarial fields. She has extensive knowledge and experience in corporate governance and compliance affairs of listed companies. Prior to that, Ms. Leung worked in an accounting firm and a law firm; and her clients included multi-national corporations in various industries ranging from transportation, food and beverage, retailing. She obtained a bachelor degree in Social Sciences and a bachelor's degree of Laws from the University of Hong Kong in 2005 and 2006 respectively. She has been a member of the Hong Kong Institute of Certified Public Accountants since 2011 and has been admitted as a solicitor of Hong Kong since 2012.

COMMITTEES OF THE BOARD OF DIRECTORS

Our Board of Directors delegates certain responsibilities to various committees. In accordance with our Articles of Association and the Listing Rules, we have formed three board committees, namely the nomination committee, the remuneration committee and the audit committee.

Nomination Committee

We established a nomination committee on June 12, 2015 with written terms of reference in compliance with paragraph A5 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Our nomination committee consists of one executive Director and two independent non-executive Directors. The one executive Director is Mr. Ge Yi and the two independent non-executive Directors are Mr. Ho Kenneth Kai Chung and Mr. Zhu Lin. Currently, Mr. Ge Yi is the chairman of the committee. The primary responsibilities of our nomination committee are to assist our Board in formulating the procedures and criteria for electing and appointing the directors and senior management of our Company, conducting initial assessment of qualifications and background of the potential suitable candidates, including:

- to analyze the standards and procedures for selection of Directors and senior management appointed by our Board; review at least annually the structure, size and composition of our Board (in respect of skills, knowledge and experience among other things); and make recommendations regarding any proposed changes made to our Board in order to comply with our corporate strategy;
- to assess the independence of independent non-executive Directors;

DIRECTORS AND SENIOR MANAGEMENT

- to assess and review the candidates for director and senior management to be potentially appointed by the Board, and make recommendations to our Board on the appointment or re-appointment of Directors and succession planning for Directors;
- to examine the assessment standards for Directors and senior management appointed by the Board, conduct the relevant assessments and make recommendations to our Board; and
- to make independent and prudent suggestions on removal of Directors.

Remuneration Committee

We established a remuneration committee on June 12, 2015 with written terms of reference in compliance with paragraph B1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Our remuneration committee consists of one non-executive Director and two independent non-executive Directors. The one non-executive Director is Mr. Xiao Yongzheng and the two independent non-executive Directors are Mr. Yu Miao and Mr. Ho Kenneth Kai Chung. Currently, Mr. Yu Miao is the chairman of the committee. The primary responsibilities of our remuneration committee are to review and formulate remuneration plans, performance evaluation system and incentive schemes for the directors and senior management; make proposals to our Board, and oversee the implementation of the plans or systems, including:

- to make recommendations to the Board on our Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy according to standards including salaries paid by comparable companies, time commitment and responsibilities concerned, and employment terms of other positions within our Company and its subsidiaries;
- to make recommendations to our Board on particular remuneration package of executive Directors and senior management appointed by our Board, including benefits in kind, pension rights and compensation for loss or termination of office or appointment; and
- to make recommendations to our Board on the remuneration of non-executive Directors.

Audit Committee

Pursuant to Rule 3.21 of the Listing Rules, we established an audit committee on June 12, 2015 with written terms of reference in compliance with paragraph C3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Our audit committee consists of one non-executive Director and two independent non-executive Directors. The one non-executive Director is Mr. Xiao Yongzheng and the two independent non-executive Directors are Mr. Zhu Lin and Mr. Yu Miao. Currently, Mr. Zhu Lin is the chairman of the committee. Our audit committee is primarily responsible for the communication, supervision and review in connection with the internal and external audit of our Company, including:

- to make recommendations on the appointment, reappointment and removal of external auditor and to approve their remuneration and terms of engagement; to discuss with the

DIRECTORS AND SENIOR MANAGEMENT

external auditor the nature and scope of the audit and relevant reporting obligations, and review and monitor the external auditor's independence and objectivity of the auditor and the effectiveness of the audit procedures from time to time in accordance with applicable standards;

- to oversee our internal audit system and its implementation and review our financial and accounting policies and practices;
- to develop and implement policy in relation to the an external auditor and report to our Board on any matters where action or improvement is needed and make recommendations accordingly;
- to be responsible for the communications between the internal auditor and the external auditor, to ensure the co-ordination between the internal and external auditors and act as the key representative body for overseeing the relations between our Company and the external auditor;
- to monitor our financial information and the disclosure thereof, including the integrity of our financial statements, annual reports and accounts, interim reports and, quarterly reports if prepared for publication and to review significant opinions regarding the financial reporting contained thereof;
- to examine our financial control, internal control and risk management systems and to audit any significant connected transaction, so as to ensure that management has performed its duty to establish an effective internal control system;
- to consider the major investigation findings on internal control matters as delegated by our Board or on its own initiative and management's response to these findings;
- to review arrangements our employees can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. Our audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- to establish a whistleblowing policy and system for employees and those who deal with our Company (e.g. customers and suppliers) to raise concerns, in confidence, with our audit committee about possible improprieties in any matter related to our Company.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors receive compensation in the form of Directors fees, salaries, housing allowances and other allowances, benefits in kind, the employer's contribution to the pension schemes and discretionary bonuses. The remuneration package of the senior management is similar to that of our Directors. The total compensation accrued to our Directors for the years ended December 31, 2012, 2013 and 2014 were RMB331,000, RMB528,000 and RMB691,000, respectively.

DIRECTORS AND SENIOR MANAGEMENT

The five highest paid individuals included three Directors for the year ended December 31, 2012 and 2013; and four Directors for the year ended December 31, 2014. The aggregate compensation (including fees, salaries, discretionary bonus, defined contribution benefit plans (including pension), housing and other allowances, as well as other benefits in kind) paid to our five highest paid individuals who are not our Directors during the three years ended December 31, 2012, 2013 and 2014 were RMB171,000, RMB279,000 and RMB145,000, respectively.

Under the arrangement currently in force, we estimate the total compensation to be paid or accrued to our Directors for the year ending December 31, 2015 to be RMB4,337,800.

We did not pay to our Directors or the five highest paid individuals any inducement fees to join us or as compensation for loss of office for each of the years ended December 31, 2012, 2013 and 2014. Furthermore, none of our Directors waived any compensation for the same period.

Save as disclosed above, no other payments have been paid or are payable, in respect of the three financial years ended December 31, 2012, 2013 and 2014, by us or any of our subsidiaries to our Directors.

DIRECTORS' INTEREST

Save as disclosed in this section, each of our Directors (i) did not hold other positions in our Company or other members of our Group as of the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders of our Company as of the Latest Practicable Date; and (iii) did not hold any directorship in any other listed companies in the three years immediately preceding the date of this prospectus.

To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, save as disclosed herein, there was no additional matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders, and there was no additional information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

COMPLIANCE ADVISOR

We have agreed to appoint Haitong International Capital Limited to be our compliance advisor upon Listing on the Hong Kong Stock Exchange in compliance with Rules 3A.19 of the Listing Rules. We have entered into a compliance advisor's agreement with our compliance advisor prior to the Listing Date, the material terms of which are as follows:

- the term of office of our compliance advisor will commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier;

DIRECTORS AND SENIOR MANAGEMENT

- our compliance advisor will provide us with certain services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines and advice on the continuing requirements under the Listing Rules and applicable laws and regulations;
- our compliance advisor will, as soon as reasonably practicable, inform us of any amendment or supplement to the Listing Rules announced by the Hong Kong Stock Exchange from time to time, and of any amendment or supplement to the applicable laws and guidelines; and
- our compliance advisor will serve as a channel of communication with the Hong Kong Stock Exchange.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

Assuming the Over-allotment Option is not exercised, the authorized and issued share capital of our Company will be as follows:

	US\$
<i>Authorized share capital:</i>	
1,000,000,000 Shares	10,000,000
<i>Issued share capital:</i>	
100,000 Shares in issue as of the date of this prospectus	1,000
<i>Shares to be issued, fully paid or credited as fully paid:</i>	
374,900,000 Shares to be issued pursuant to the Capitalization Issue	3,749,000
125,000,000 Shares to be issued pursuant to the Global Offering	<u>1,250,000</u>
Total	
<u>500,000,000</u>	<u>5,000,000</u>

Note: If the Over-allotment Option is exercised in full, 18,750,000 additional Shares will be issued resulting in an aggregate of 518,750,000 Shares to be in issue upon completion of the Global Offering and the Capitalization Issue.

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and our Shares are issued pursuant to the Global Offering and the Capitalization Issue. The above does not take into account any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

Our Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in the section headed “Structure and Conditions of the Global Offering — Conditions of the Global Offering” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value not exceeding:

- (i) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue (without taking into account any Shares to be issued if the Over-allotment Option is exercised); and

SHARE CAPITAL

- (ii) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in the section headed “— General Mandate to Repurchase Shares” below.

This general mandate to issue Shares will expire until the earliest of:

- (1) the conclusion of our next annual general meeting;
- (2) the expiration of the period within which we are required by any applicable law of the Cayman Islands or our Articles of Association to hold our next annual general meeting; and
- (3) when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please see the section headed “Appendix IV — Statutory and General Information — A. Further Information about Our Company and Our Subsidiaries — 3. Resolutions in Writing of the Shareholders of Our Company” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed “Structure and Conditions of the Global Offering — Conditions of the Global Offering”, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal amount of our share capital in issue immediately following completion of the Global Offering and the Capitalization Issue (without taking into account any Shares to be issued if the Over-allotment Option is exercised).

This general mandate relates only to repurchases made on the Hong Kong Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose), and made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Appendix IV — Statutory and General Information — A. Further Information about Our Company and Our Subsidiaries — 7. Repurchases of Our Shares” in Appendix IV to this prospectus.

This general mandate to repurchase Shares will expire until the earliest of:

- (i) the conclusion of our next annual general meeting unless renewed by an ordinary resolution of the Shareholders in a general meeting, either unconditional or subject to conditions;
- (ii) the expiration of the period within which we are required by any applicable law of the Cayman Islands or our Articles of Association to hold our next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please see the section headed “Appendix IV — Statutory and General Information — A. Further Information about Our Company and Our Subsidiaries — 3. Resolutions in Writing of the Shareholders of Our Company” in Appendix IV to this prospectus.

CORNERSTONE INVESTOR

THE CORNERSTONE PLACING

As part of the International Offering, our Company, the Sole Sponsor and the Sole Global Coordinator have entered into a cornerstone investment agreement (the “**Cornerstone Investment Agreement**”), with Winshare Hongtai (Shenzhen) Investment Partnership (Limited Partnership) (文軒宏泰(深圳)投資合伙企業(有限合伙)) (the “**Cornerstone Investor**” or “**Winshare Hongtai**”), pursuant to which the Cornerstone Investor has agreed to purchase at the Offer Price the number of Offer Shares (rounded down to the nearest whole board lot of 500 Shares) that may be purchased in an amount of US\$25 million (approximately HK\$195 million, and to be calculated at the exchange rate published by The Hongkong Shanghai Banking Corporation after the close of business on the Price Determination Date) (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$4.76, being the mid-point of the stated Offer Price range set forth in this prospectus, the maximum number of International Offer Shares to be subscribed for by the Cornerstone Investor would be 40,966,000 Offer Shares, representing approximately 8.19% of the Shares in issue immediately upon completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised). It also represents approximately 32.77% of the Offer Shares initially available under the Global Offering.

The Cornerstone Investor is independent of our Company, our connected persons and their respective associates. It is not an existing Shareholder of our Company. The Cornerstone Investor will not be a substantial shareholder of our Company upon Listing. The Cornerstone Investor will not subscribe for any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreement. Immediately upon completion of the Global Offering and the Capitalization Issue, the Cornerstone Investor will not have any board representation in our Company.

The International Offer Shares to be subscribed for by the Cornerstone Investor will rank *pari passu* in all respects with the Shares in issue (other than the entitlement to the Capitalization Issue) and will be counted towards the public float of our Company under Rule 8.24 of the Listing Rules. The Offer Shares to be subscribed for by the Cornerstone Investor will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering as described in the section headed “Structure and Conditions of the Global Offering — Re-allocation of Offer Shares Between the Hong Kong Public Offering and the International Offering” in this prospectus.

The Sole Sponsor, the Sole Global Coordinator and our Company have the right to adjust the allocation of the number of Offer Shares to be subscribed by the Cornerstone Investor in the event that the requirement pursuant to Rule 8.08(3) of the Listing Rules, in which no more than 50% of the Shares in public hands can be beneficially owned by the three largest public shareholders cannot be satisfied.

CORNERSTONE INVESTOR

OUR CORNERSTONE INVESTOR

We set forth below details regarding the Cornerstone Placing including a brief description of the Cornerstone Investor:

Winshare Hongtai (Shenzhen) Investment Partnership (Limited Partnership)

Winshare Hongtai has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 500 Shares) which may be purchased with an amount equal to the Hong Kong dollars equivalent of US\$25 million (approximately HK\$195 million, and to be calculated at the exchange rate published by The Hongkong Shanghai Banking Corporation after close of business on the Price Determination Date) at the Offer Price (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%). Immediately following completion of the Global Offering and the Capitalization Issue, assuming the Over-allotment Option is not exercised: (i) assuming the Offer Price of HK\$4.01, being the low-end of the Offer Price range set out in this prospectus, the total number of Offer Shares that the Cornerstone Investor would subscribe for would be 48,628,000, representing approximately 9.73% of the Shares in issue, (ii) assuming the Offer Price of HK\$4.76, being the mid-point of the Offer Price range set out in this prospectus, the total number of Offer Shares that the Cornerstone Investor would subscribe for would be 40,966,000, representing approximately 8.19% of the Shares in issue; and (iii) assuming the Offer Price of HK\$5.51, being the high-end of the Offer Price range set out in this prospectus, the total number of Offer Shares that the Cornerstone Investor would subscribe for would be 35,390,000, representing approximately 7.08% of the Shares in issue.

Winshare Hongtai, registered in Shenzhen, the PRC, is managed by Chengdu Winshare Private Equity Fund Management Co., Ltd. (成都文軒股權投資基金管理有限公司) (the “**Winshare PE**”). Winshare Hongtai is a private equity fund investing in companies at both growth and maturity stages in, among others, culture and media, chemical and other emerging industries, which are closely related to our business. Before the Cornerstone Placing, Winshare Hongtai did not have business with us. One key stockholder of Winshare PE is Xinhua Winshare Publishing and Media Co., Ltd. (00811.HK), the first Chinese publishing company listed on the Hong Kong Stock Exchange. Xinhua Winshare Publishing and Media Co., Ltd. not only is a famous publishing company in the PRC, but also has invested in, among others, Anhui Xinhua Media Co., Ltd (601801.SH), Bank of Chengdu, Hainan Publishing House, and Chengdu Institute of Sichuan International Studies University. Other stockholders of Winshare PE include Goldstone Investment Limited, which is owned by CITIC Securities Co., Ltd. (600030.SH), SINA (NASDAQ: SINA) and other competitive Mainland enterprises.

The announcement of results of allotment which is expected to be published on Thursday, July 2, 2015 will disclose the shareholding of the Cornerstone Investor immediately upon completion of the Global Offering and the Capitalization Issue.

CORNERSTONE INVESTOR

CONDITIONS PRECEDENT

The subscription obligation of the Cornerstone Investor is subject to, among other things, the following conditions precedent being satisfied or waived in accordance with the terms of the Cornerstone Investment Agreement:-

- (1) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and having become unconditional and not having been terminated by no later than the time and date as specified therein in accordance with their respective original terms, or as subsequently varied by agreement of the parties thereto or waived, to the extent it may be waived, by the relevant parties;
- (2) the Listing Committee having granted the approval for the listing of, and permission to deal in, our Shares and that such approval or permission have not been revoked prior to the commencement of dealings in the Shares on the Hong Kong Stock Exchange;
- (3) the respective representations, warranties, undertakings and acknowledgements of the Cornerstone Investor and our Company in the Cornerstone Investment Agreement are (as of the date of the Cornerstone Investment Agreement) and will be (as of the closing) accurate and true in all material respects and not misleading and there being no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor; and
- (4) no laws shall have been enacted or promulgated which prohibit the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or the Cornerstone Investment Agreement and no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions.

RESTRICTIONS ON THE CORNERSTONE INVESTOR'S INVESTMENT

The Cornerstone Investor has agreed that, among other things, unless with the prior written consent of each of the Company, the Sole Sponsor and the Sole Global Coordinator, it will not, and will procure that the investor subsidiary (as defined in the Cornerstone Investment Agreement) will not, at any time during the period of six (6) months from the Listing Date (the “**Lock-up Period**”), dispose of (as defined in the Cornerstone Investment Agreement) any Offer Shares subscribed for by it pursuant to the Cornerstone Investment Agreement and any shares or any other securities of our Company which are derived from the Offer Shares subscribed for by it pursuant to the Cornerstone Investment Agreement (collectively, the “**Relevant Shares**”) or any interest in any company or entity holding any of the Relevant Shares, other than transferring the Relevant Shares to any wholly-owned subsidiary of the Cornerstone Investor provided that, among other things, such wholly-owned subsidiary undertakes in writing agreeing to, and the Cornerstone Investor undertakes to procure such wholly-owned subsidiary will, be bound by the Cornerstone Investor's obligations under the Cornerstone Investment Agreement, including but without limitation, the restriction to dispose in respect of the Lock-up Period.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, as at the Latest Practicable Date and immediately following the completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised), the following persons will have an interest or a short position in our Shares which will be required to be disclosed to our Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	Nature of interest	As at the Latest Practicable Date		Immediately following the completion of the Global Offering and Capitalization Issue (assuming the Over-allotment Option is not exercised)	
		Number of Shares held ⁽¹⁾	Approximate percentage of shareholding	Number of Shares held	Approximate percentage of shareholding
Cavalli.	Beneficial owner	97,200 (L)	97.2%	333,904,000 (L)	66.8%
Mr. Ge Yi ⁽²⁾ . . .	Interest in controlled corporation	97,200 (L)	97.2%	333,904,000 (L)	66.8%
Ms. Qi Lin ⁽³⁾ . . .	Interest of spouse	97,200 (L)	97.2%	333,904,000 (L)	66.8%
Wider Pacific. . .	Beneficial owner	— ⁽⁴⁾	— ⁽⁴⁾	30,596,000 (L)	6.1%
Winshare Hongtai (Shenzhen) Investment Partnership (Limited Partnership) ⁽⁵⁾	Beneficial owner	—	—	40,966,000 (L) ⁽⁶⁾	8.2%

Notes:

- The letter “L” denotes a person’s long position in such Share.
- Cavalli is wholly-owned by Mr. Ge Yi. For the purpose of Part XV of the SFO, Mr. Ge Yi is deemed to be interested in our Shares held by Cavalli.
- Ms. Qi Lin is the spouse of Mr. Ge Yi. Under the SFO, Ms. Qi Lin is deemed to be interested in the same number of Shares in which Mr. Ge Yi is interested.
- Pursuant to the Exchangeable Bond, Wider Pacific is entitled to exchange the Exchangeable Bond into Shares immediately prior to the completion of the Global Offering. For details of the Exchangeable Bond, please refer to “Our History and Development — Pre-IPO Investment — B. Pre-IPO Investment by Wider Pacific” of this prospectus. Wider Pacific, a company incorporated under the laws of the BVI, is controlled by Ocean Equity Partners Fund L.P. (“**Ocean Equity**”) which is an exempted limited partnership registered in the Cayman Islands. The general partner of Ocean Equity is Ocean Equity Partners Fund GP Limited.
- Pursuant to the Cornerstone Investment Agreement as further detailed in the section headed “Cornerstone Investor”, Winshare Hongtai (Shenzhen) Investment Partnership (Limited Partnership) (“Cornerstone Investor”) has agreed to purchase at the Offer Price the number of Offer Shares that may be purchased in an amount of US\$25 million. To the best knowledge of our Directors, the general partner of the Cornerstone Investor is Chengdu Winshare Private Equity Fund Management Co., Ltd. (成都文軒股權投資基金管理有限公司).

SUBSTANTIAL SHAREHOLDERS

To the best knowledge of our Directors and based on the information available in public domain, the limited partners of the Cornerstone Investor who contributed more than one-third of the capital to the Cornerstone Investor are (i) Winshare Hengxin (Shenzhen) Equity Investment Fund Partnership (Limited Partnership) (成都文軒股權投資基金管理有限公司), the limited partner who contributed the most capital to which is Winshare Investment Co., Ltd. (文軒投資有限公司), which in turn is controlled by Xinhua Winshare Publishing and Media Co., Ltd (00811.HK), and 54.96% of shares of which is beneficially held by Sichuan Development (Holdings) Co., Ltd.; and (ii) Ping An UOB Wealthtone Asset Management Co., Ltd (深圳平安大華匯通財富管理有限公司), which is wholly-owned by Ping An UOB Fund Management Co., Ltd 平安大華基金管理有限公司, and which in turn is controlled by Ping An Insurance (Group) Company of China, Ltd. (601318.SH, 2318.HK).

6. Assuming the Offer Price at HK\$4.76, being the mid-point of the stated Offer Price range set forth in this prospectus.

Save as disclosed above, our Directors are not aware of any person who will, immediately following completion of the Global Offering and the Capitalization Issue (assuming that the Over-allotment Option is not exercised), have an interest or a short position in our Shares which will be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

FINANCIAL INFORMATION

The following discussion and analysis of our business, financial condition and results of operations is based on and should be read in conjunction with our financial statements as of and for each of the years ended December 31, 2012, 2013 and 2014, including the notes thereto, as set forth in “Appendix I — Accountants’ Report” and other financial information appearing elsewhere in this prospectus.

This discussion contains forward-looking statements that involve risks and uncertainties. We caution you that our business and financial performance are subject to substantial risks and uncertainties including, but not limited to, those factors included in the section headed “Risk Factors” in this prospectus. Our future results could differ materially from those projected in the forward-looking statements.

OVERVIEW

We are the world’s largest producer of a number of fine chemicals that function as critical dye and pigment intermediates. During the Track Record Period, we derive revenue from the following business segments, namely (i) dye intermediates, which primarily consists of DSD Acid, and (ii) pigment intermediates, which primarily consists of DMSS, DMAS and DATA. For the three years ended December 31, 2012, 2013 and 2014, the dye intermediates segment generated revenue of RMB601.6 million, RMB671.4 million and RMB712.5 million, respectively, representing 72.5%, 77.7% and 79.4% of our revenue, while the pigment intermediates segment generated revenue of RMB228.6 million, RMB192.6 million and RMB185.0 million, respectively, representing 27.5%, 22.3% and 20.6% of our revenue.

During the Track Record Period, our revenue increased steadily from RMB830.2 million in 2012 to RMB897.5 million in 2014 and our net profit was RMB128.7 million, RMB133.0 million and RMB171.5 million in 2012, 2013 and 2014, respectively.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our business model, revenue structure and cost structure remained unchanged since December 31, 2014. Our business maintains a stable growth and the contribution by each business segment is in line with the historical record. There has been no material adverse change in our production capacity and utilization rate of our existing products.

FINANCIAL INFORMATION

Since January 2015, we have leased our Dongao Production Plant from Dongao Chemicals and have commenced the production of PNT, ONT, MNT and OT since February 2015. As of the Latest Practicable Date, we have entered into sales framework agreements with a number of ONT/OT customers for approximately 13,600 tonnes of ONT and OT in aggregate in 2015. Set forth below are the selected unaudited financial data relating to our Dongao Production Plant obtained from Dongao Chemicals:

	<i>RMB</i> <i>(in millions)</i>
Fixed Assets as of March 31, 2015	172.3
Expected annual depreciation charge	11.0

We believe that increasing our annual production capacity of mononitrotoluene to 80,000 tonnes by the end of 2015 from 40,000 tonnes may have certain impact on the competitive landscape of mononitrotoluene market but would not result in a significant increase in the global production volume of these products. According to Frost & Sullivan, total global production capacity of mononitrotoluene as of the end of 2014 was 470,000 tonnes, which already included the Dongao Chemicals' current annual capacity of 40,000 tonnes. Therefore, the increase of the additional 40,000 tonnes capacity in the industry accounts for approximately 8.5% of the existing global mononitrotoluene production capacity.

In view of the rising demand for herbicides and the growing ONT/OT market, high demand growth of NMP and our plan to maintain a reliable supply of PNT, we believe that by entering into the ONT/OT, MNT and NMP markets and leveraging on our leading position in the DSD Acid market and the position of being the largest PNT purchaser in the world, we will be able to replicate our success in the DSD Acid market to the ONT/OT market and maximize our long-term profitability. As PNT, ONT and MNT are co-produced in the same chemical reaction in the ratio of approximately 35:60:5, mononitrotoluene producers have to secure enough market demand for all of these products at the same time. As we are the largest PNT purchaser in the world, we believe that our plan to start producing PNT for our production of DSD Acid will remove a significant part of PNT purchase orders from the market, and some existing mononitrotoluene producers, especially the smaller ones, will thus have to reduce their overall mononitrotoluene production or increase their selling prices for ONT and OT as they might not be able to sell the co-produced PNT and have to recoup the loss somewhere or otherwise their financial position may be adversely affected. As a result, we believe the mononitrotoluene industry may experience a phase of consolidation. We believe our entry into the mononitrotoluene market, which will increase the global supply of mononitrotoluene, our leading position in the DSD Acid market, our entry into the ONT/OT market and self-production of PNT would have certain effect on the competitive landscape of mononitrotoluene industry such as squeezing out smaller mononitrotoluene producers, and a reduction of the overall mononitrotoluene production, which may lead to a positive impact on the market prices of mononitrotoluene in the long term. However, since the mononitrotoluene industry and the market price of mononitrotoluene may be affected by various other factors, among others, the level of competition among market players, strategies implemented by other mononitrotoluene producers and the development of downstream markets, our strategy to enter into ONT/OT market might not be successful. Please also refer to "Risk Factors — Risks Relating to Our Business — Our strategy to enter into the ONT/OT market through our Dongao Production Plant might not be successful".

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From February to April 2015, the utilization rates of the production of PNT, ONT, MNT, OT and NMP was not high as the operations of our Dongao Production Plant was in an initial start-up stage. As a result of the price drop of PNT over the past few years, the unit cost of our self-produced PNT was higher than the market price of PNT in June 2015. As a result of low utilization rate of our Dongao Production Plant and a higher cost of self-produced PNT compared with recent market price of PNT from the commencement of operation in February up to the end of April 2015, we recorded a slight gross loss for our operation of our Dongao Production Plant. In addition, we expect that the gross profit margin of new products of our Dongao Production Plant will be lower than that of DSD Acid, in particular in its first year of operation. Therefore, our overall gross profit margin in the future might not be maintained at the same level as our gross profit margin for the year ended December 31, 2014.

Based on our unaudited consolidated financial statement for the four months ended April 30, 2015, which has been reviewed by the reporting accountants in accordance with the Hong Kong Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, our gross profit margin for the four months ended April 30, 2015 was approximately 33.0%, which was comparable to our gross profit margin for the four months ended April 30, 2014. Such gross profit margin was, however, lower than that of 38.1% for the year ended December 31, 2014. This was mainly attributable to the fact that our DSD Acid was sold on average at a higher margin during the second half of 2014 as a result of the surge of the price of DSD Acid in 2014. For the four months ended April 30, 2015, the average selling price of our DSD Acid and other dye intermediates decreased to RMB17,200 per tonne, representing a decline of 19.2% compared to RMB21,300 per tonne in 2014, mainly attributable to abovementioned price surge of DSD Acid in 2014 and the decrease in cost of DSD Acid as a result of price decline of PNT. For risks associated with our Dongao Production Plant’s operation, see “Risk Factors — Risks Relating to Our Business — The production cost and profit margin of DSD Acid and our overall gross profit margin might be negatively affected by our operation in Dongao Production Plant, namely the production of PNT, ONT, MNT, OT and NMP”.

Our Directors confirm that there has been no material adverse change in our business, results of operations and financial conditions since December 31, 2014, being the date to which our latest audited consolidated financial statements were prepared, and up to the date of this prospectus and there is no event which would materially affect the information shown in our consolidated financial statements included in the Accountant’s Report set forth in Appendix I to this prospectus.

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KEY FINANCIAL RATIOS

The following table sets forth certain key financial ratios for the periods indicated.

	Year Ended December 31,		
	2012	2013	2014
Gross profit margin	28.4%	29.8%	38.1%
Net profit margin	15.5%	15.4%	19.1%
EBITDA margin ⁽¹⁾	24.6%	26.0%	30.0%
Return on total assets ⁽²⁾	15.6%	16.7%	23.6%
Return on equity ⁽³⁾	35.6%	37.3%	54.2%
Current ratio ⁽⁴⁾	1.41	1.22	0.89
Quick ratio ⁽⁵⁾	1.22	1.00	0.73
Gearing ratio ⁽⁶⁾	65.3%	40.9%	26.4%
Net debt to equity ratio ⁽⁷⁾	53.2%	34.5%	Net cash
Interest coverage ratio ⁽⁸⁾	6.67	8.81	15.5
Inventory turnover days ⁽⁹⁾	49	51	49
Trade receivables turnover days ⁽¹⁰⁾	46	47	44
Trade payables turnover days ⁽¹¹⁾	38	58	92

Notes:

- (1) EBITDA margin is derived by dividing EBITDA by revenue for the given period.
- (2) Return on total asset is derived by dividing net profit by total assets, where total asset is the average beginning and ending balances of total assets for the given period.
- (3) Return on equity is derived by dividing net profit by total equity, where total equity is the average beginning and ending balances of total equity for the given period.
- (4) Current ratio is derived by dividing current assets by current liabilities at the end of a given period.
- (5) Quick ratio is derived by dividing, at the end of a given period, (i) current assets less inventory by (ii) current liabilities.
- (6) Gearing ratio is derived by dividing interest-bearing loan and employee borrowings by total equity at the end of a given period.
- (7) Net debt to equity ratio is derived by dividing net debt (being interest-bearing loan and employee borrowings net of cash & cash equivalents) by total equity at the end of a given period.
- (8) Interest coverage ratio is derived by dividing profit before finance cost and tax by interest incurred at the end of a given period.
- (9) Inventory turnover days for a certain period is derived by dividing the average inventory (the arithmetic mean of the opening and closing balance of inventory of a given period) by cost of sales and multiplied by the number of days in the relevant period.
- (10) Trade receivables turnover days for a certain period is derived by dividing the average trade receivables (the arithmetic mean of the opening and closing balance of trade receivables of a given period) by revenue and multiplied by the number of days in the relevant period.
- (11) Trade payables turnover days for a certain period is derived by dividing the average trade payables (the arithmetic mean of the opening and closing balance of trade payables of a given period) by cost of sales and multiplied by the number of days in the relevant period.

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BASIS OF PRESENTATION

Pursuant to the Reorganization as more fully explained in the paragraph headed “Our History and Development — Reorganization”, our Company became the holding company of the companies now comprising our Group on December 17, 2014. The companies now comprising our Group were under the common control of Mr. Ge Yi, one of our Controlling Shareholders, before and after the Reorganization. Acquisition of the assets of Huage Dye by Tsaker Dongguang as explained in the paragraph headed “Reorganization” in the section headed “Our History and Development” are also accounted for business combination under common control. Accordingly, for the purpose of the financial statements, the financial information has been prepared on a combined basis by applying the principles of pooling of interest as if the Reorganization had been completed at the beginning of the Track Record Period.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of our Group for the Track Record Period include the results and cash flows of all companies now comprising our Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the controlling shareholder, where this is a shorter period. The consolidated statements of financial position of our Group as of December 31, 2012, 2013 and 2014 have been prepared to present the assets and liabilities of the subsidiaries or businesses using the existing book values from the controlling shareholder’s perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganization.

Equity interests in subsidiaries or business hold by parties other than the Controlling Shareholders, and changes therein, prior to the Reorganization are presented as non-controlling interests in equity in applying the principal of pooling of interest.

All intra-group transactions and balances have been eliminated on consolidation.

CRITICAL ACCOUNTING POLICIES

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to us and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that we maintain neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from processing services, when processing services are rendered and when it is probable that the economic benefits associated with such services will flow to us; and

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- (c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Property, plant and equipment and depreciation

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5%
Machines and equipment	9% to 19%
Office equipment	18% to 32%
Motor vehicles	9% to 24%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, machinery and equipment under construction or installation, which are stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Taxation

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

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Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which we operate.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of our financial information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimates and judgments are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

We make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences and unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences or tax losses can be utilised. Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with tax planning strategies.

Impairment provision of receivables

A provision for impairment of trade and other receivables is established when there is objective evidence that we will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that a trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to trade and other receivables are discounted if the effect of discounting is material. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statements of comprehensive income. When a trade and other receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are recognised as income in profit or loss. The impairment is subject to management's assessment at the end of the reporting period, and hence, the provision amount is subject to uncertainty.

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Property, plant and equipment-recoverable amount

In accordance with our accounting policy, each asset or cash-generating unit is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, an estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash-generating group of assets is measured at the higher of fair value less costs of disposal and value in use.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

Value in use is generally determined as the present value of the estimated future cash flows of those expected to arise from the continued use of the asset in its present form and its eventual disposal. Present values are determined using a risk-adjusted pre-tax discount rate appropriate to the risks inherent in the asset. Future cash flow estimates are based on expected production and sales volumes, selling prices (considering current and historical prices, price trends and related factors) and operating costs. This policy requires management to make these estimates and assumptions which are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact on the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be impaired and the impairment would be charged against profit or loss.

Property, plant and equipment-estimated useful lives and the residual values

Our management determines the estimated useful lives and residual values (if applicable) and consequently related depreciation/amortisation charges for its property, plant and equipment. These estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation/amortization charge where useful lives are less than previously estimated lives, and it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore in depreciation/amortisation expense in future periods.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations, financial condition and future prospects have been, and will continue to be, affected by a number of factors, including those set out below.

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Global Macroeconomic Trends

A significant portion of our revenue is derived from international markets, our results of operations and financial condition are affected by demand in the international markets. In 2012, 2013 and 2014, we derived 51.2%, 49.1% and 52.7% of our revenue, respectively, from direct international sales. Because we intend to continue to expand the sales of our products directly to customers outside of the PRC, we may also increasingly be subject to the general economic conditions in the regions where we intend to sell our products. Any economic downturn in the regions where our ultimate customers are based, which may result in reduced demand in end-use industries, such as paper, textile, automobiles, chemicals and pharmaceuticals, could negatively impact our future results of operations and financial condition.

Continuous economic growth in China

A significant portion of our revenue is derived from the PRC. In 2012, 2013 and 2014, we derived 48.8%, 50.9% and 47.3% of our revenue, respectively, from PRC domestic sales. Therefore, economic trends in the PRC have a significant impact on various aspects of our operations, including, without limitation, the demand for our products, the price and supply of raw materials, as well as the selling, general and administrative expenses. The rapid growth of the PRC's economy has resulted in both a rise in consumer spending and an acceleration of industrialization. Since our products are primarily used in the paper, textile industries, automobiles, chemicals and pharmaceuticals, our operations will continue to be affected by China's economic growth. In addition, in order to sustain the steady growth of the PRC economy, the PRC government has from time to time adjusted its monetary, financial, fiscal or industry policies, among others, or implemented other macroeconomic measures. Any adjustment in or implementation of economic policies and measures would also directly or indirectly affect our results of operations and financial condition. Both the PRC's macroeconomic trends and policies could affect our procurement, production, sales and other parts of our business, leading to fluctuations in its results of operations.

Price of raw materials

Our profit margins are largely a function of the relationship between the prices that we are able to charge for our products and the costs of the raw materials that we require to make these products. The costs of the raw materials we use to produce our products are subject to market forces. Our historical operations and margins have been and will continue to be affected by fluctuations in the prices for raw materials. In 2012, 2013 and 2014, cost of raw materials amounted to RMB472.1 million, RMB475.1 million and RMB384.4 million, respectively, constituting 79.5%, 78.3% and 69.2% of our cost of sales for the same periods, respectively.

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According to the Frost & Sullivan, the price of our products and raw materials is affected by the short-term demand and supply of the relevant market. However, fluctuation of the price of crude oil is likely to affect our production cost and thus the price of our products in the long run.

With respect to our DSD Acid, the most significant raw materials is PNT. The price of PNT in the PRC is, among other things, related to the price of crude oil, demand for ONT and other supply and demand factors. Our raw material costs represented a substantial portion of our total cost of manufacturing during the Track Record Period. Therefore, any significant movement in the prices of raw materials could impact our gross profit, if we cannot pass on the cost increase to our customers, as we currently do not hedge our exposure to the price of these raw materials. Please see “Industry Overview — Pricing Analysis of Our Principal Products — Historical Price of PNT and DSD Acid” for further analysis of the effect of PNT price fluctuation on DSD Acid prices. By leasing our Dongao Production Plant (and assuming we also lease the Additional Assets) and self-producing PNT, we can better control on the cost of PNT as the production capacity of PNT will supply approximately 85% of our own demands by the end of 2015.

Production capacity and utilization rate

Our results of operations depend on our production capacity and utilization rate.

Operations at or near full capacity utilization have a significant positive effect on our profitability because a portion of our cost of sales is of a fixed nature. If we increase the utilization rate of our production lines, the production volume of the products from those production lines will increase, and therefore our average fixed costs per tonne of those products will decrease. Therefore, our capacity utilization rates have a significant effect on our margins.

The production capacity utilization rate is affected by time required for setting up for production runs and repair and maintenance. Other factors affecting capacity utilization rates include overall industry conditions, the level of customer orders, mechanical failures and other operational disruptions such as the expansion of capacity, disruption of power supply, our ability to manage our production facilities and natural disasters.

Product pricing

Historically, we have managed the sales prices of our products based on non-legally binding annual framework agreements and the prevailing market prices of our products. Due to our industry leading position in DSD Acid and DMSS resulting in our products being viewed as benchmarks, we tended to enjoy strong customer loyalty for these products. As a result, we may have been able to exercise a stronger pricing power over these products. Fluctuations in the average selling prices of our products have historically had an impact on our margins.

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RESULT OF OPERATIONS

The following table shows statements of comprehensive income derived from our combined financial information for the periods indicated:

	For the year ended December 31,					
	2012		2013		2014	
	<i>(RMB in millions, except percentages)</i>					
Revenue	830.2	100.0%	864.0	100.0%	897.5	100%
Cost of sales	(594.2)	(71.6%)	(607.0)	(70.2%)	(555.3)	(61.9%)
Gross profit	236.0	28.4%	257.0	29.8%	342.2	38.1%
Other income and gains	31.3	3.8%	21.4	2.5%	15.9	1.8%
Selling and distribution expenses	(26.4)	(3.2%)	(26.5)	(3.1%)	(25.3)	(2.8%)
Administrative expenses	(52.5)	(6.3%)	(43.5)	(5.0%)	(89.7)	(10.0%)
Other expenses	(7.3)	(0.9%)	(8.8)	(1.0%)	(4.5)	(0.5%)
Finance costs	(26.2)	(3.2%)	(20.7)	(2.4%)	(11.6)	(1.3%)
Exchange losses, net	(1.2)	(0.1%)	(4.6)	(0.5%)	(0.8)	(0.1%)
Profit before tax	153.7	18.5%	174.3	20.2%	226.2	25.2%
Income tax expense	(25.0)	(3.0%)	(41.3)	(4.8%)	(54.7)	(6.1%)
Profit for the year	128.7	15.5%	133.0	15.4%	171.5	19.1%

PRINCIPAL COMPONENTS OF OUR INCOME STATEMENT

Revenue

Our revenue derives from our two principal product lines: (i) dye intermediates, which primarily consists of DSD Acid, and (ii) pigment intermediates, which primarily consists of DMSS and DATA.

The following table sets forth our revenue by product lines for the periods indicated.

	For the year ended December 31,								
	2012			2013			2014		
	Revenue	Average Selling Price	Total Sales Volume	Revenue	Average Selling Price	Total Sales Volume	Revenue	Average Selling Price	Total Sales Volume
	<i>(RMB in millions)</i>	<i>(RMB in thousands)</i>	<i>(in tonnes)</i>	<i>(RMB in millions)</i>	<i>(RMB in thousands)</i>	<i>(in tonnes)</i>	<i>(RMB in millions)</i>	<i>(RMB in thousands)</i>	<i>(in tonnes)</i>
DSD Acid and other dye intermediates	601.6	19.9	30,300	671.4	19.3	34,761	712.5	21.3	33,498
DMSS and other pigment intermediates	228.6	37.1	6,160	192.6	35.8	5,378	185.0	34.2	5,415
Total	830.2			864.0			897.5		

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Notes:

- (1) Weighted average selling price of DSD Acid and other dye intermediates is derived by dividing the total revenue of dye intermediates for the period by tonnes sold/processed during the period. Our dye intermediate product portfolio includes DSD Acid, NTS and DNTS.
- (2) Weighted average selling price of DMSS and other pigment intermediates is derived by dividing the total revenue of pigment intermediates for the period by tonnes sold during the period. Our pigment intermediate product portfolio includes, among others, DMSS and DATA.

Revenue from DSD Acid and other dye intermediates increased from RMB601.6 million in 2012 to RMB671.4 million in 2013 and further to RMB712.5 million in 2014. The 11.6% increase from 2012 to 2013 was primarily due to an increase in the volume of dye intermediates sold; partially offset by slight decrease in the average selling price. The 6.1% increase from 2013 to 2014 was primarily due to an increase in the average selling price of dye intermediates; partially offset by a slight decrease in the volume of dye intermediates sold.

On November 22, 2013, the Ministry of Commerce and Industry of India published its final findings and issued orders to institute anti-dumping and countervailing duties of US\$460 per tonne of DSD Acid imported from the PRC for use in India by all PRC producers with the exception of Huage Dye, a member of our Group prior to the Reorganization, whose anti-dumping and countervailing duties was only US\$270 per tonne. The Indian importers of DSD Acid are subject to such anti-dumping duty when they import the DSD Acid from the PRC into India. The effective period for the duties is from January 23, 2014 to January 22, 2019. In light of the lower anti-dumping duties imposed on Huage Dye, we exported DSD Acid to India through Huage Dye until November, 2014 although Huage Dye ceased to be a member of our Group in September 2013. Since November 2014, another subsidiary of our Group, Tsaker Dongguang, has been exporting DSD Acid to India. Hence, anti-dumping duty of US\$460 has been imposed to each tonne of our DSD Acid imported to India only since November 2014.

In 2014, we exported approximately 4,500 tonnes of DSD Acid to India, which was in line with the volume of DSD Acid we exported to India in 2013. Our sales to India remained relatively stable from 2013 to 2014. In addition, we have not noted any material impact on our sales to India as a result of the increased anti-dumping duties since November 2014, as the increase in anti-dumping duties is not significant as compared to the selling price of our DSD Acid and we believe such increase have been absorbed by our customers. Therefore, we believe the imposition of these anti-dumping duties will not have a material adverse effect on our business and prospects in India.

Revenue from DMSS and other pigment intermediates decreased from RMB228.6 million in 2012 to RMB192.6 million in 2013 and further to RMB185.0 million in 2014. The 15.7% decrease from 2012 to 2013 was primarily due to a decrease in the volume of pigment intermediates sold and the average selling price of various pigment intermediates. The 3.9% decrease from 2013 to 2014 was primarily due to a decrease in the average selling price of various pigment intermediates.

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Cost of sales

Our cost of sales consists of raw materials and supplies, salary and benefits, depreciation and manufacturing overhead.

	For the year ended December 31,		
	2012	2013	2014
	<i>(RMB in millions)</i>		
Raw materials and supplies	472.1	475.1	384.4
Salaries and benefits	37.5	51.8	55.6
Depreciation	17.9	22.5	24.1
Other overhead and expenses	63.8	64.1	74.0
Change of inventory	2.9	(6.5)	17.2
Cost of sales	<u>594.2</u>	<u>607.0</u>	<u>555.3</u>

The table below sets forth the details of the cost of raw materials and supplies for the periods indicated.

	For the year ended December 31,		
	2012	2013	2014
	<i>(RMB in millions)</i>		
PNT	189.1	193.6	151.7
Iron powder	65.6	63.7	54.1
Sodium hydroxide	49.1	41.6	35.7
Maleic anhydride	48.0	50.0	35.0
Coal	44.8	39.9	29.9
Others	75.5	86.3	78.0
Total cost of raw materials	<u>472.1</u>	<u>475.1</u>	<u>384.4</u>

The following table sets forth our cost of sales by product lines for the periods indicated.

	For the year ended December 31,		
	2012	2013	2014
	<i>(RMB in millions)</i>		
Cost of sales by product lines			
DSD Acid and other dye intermediates	450.6	475.0	431.3
DMSS and other pigment intermediates	143.6	132.0	124.0
Total	<u>594.2</u>	<u>607.0</u>	<u>555.3</u>

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Cost of sales for DSD Acid and other dye intermediates increased from RMB450.6 million in 2012 to RMB475.0 million in 2013 but decreased to RMB431.3 million in 2014. The 5.4% increase from 2012 to 2013 was primarily due to our increase volume of sales; partially offset by the decrease in the unit cost of our products. The 9.2% decrease from 2013 to 2014 was primarily due to decreases in both the cost of the raw materials and sales volume of dye intermediates.

Cost of sales for DMSS and other pigment intermediates decreased from RMB143.6 million in 2012 to RMB132.0 million in 2013 and further to RMB124.0 million in 2014. The 8.1% decrease from 2012 to 2013 was primarily due to a decrease in the volume of various pigment intermediates we sold; partially offset by the increase in the cost of raw materials. The 6.1% decrease from 2013 to 2014 was primarily due to a decrease in the cost of the raw materials.

Gross Profit

Our gross profit increased from RMB236.0 million in 2012 to RMB257.0 million in 2013 and further to RMB342.2 million in 2014. Our gross profit margin increased from 28.4% in 2012 to 29.8% in 2013 and further to 38.1% in 2014.

The following table sets forth our gross profit and gross profit margin by product lines for the periods indicated.

	For the year ended December 31,					
	2012		2013		2014	
	<i>(RMB in millions, except percentages)</i>					
Gross profit and gross profit margin						
DSD Acid and other dye intermediates	151.0	25.1%	196.4	29.3%	281.2	39.5%
DMSS and other pigment intermediates	<u>85.0</u>	37.2%	<u>60.6</u>	31.5%	<u>61.0</u>	33.0%
Total	<u><u>236.0</u></u>	28.4%	<u><u>257.0</u></u>	29.8%	<u><u>342.2</u></u>	38.1%

Other income and gains

Our other income and gains primarily consist of bank interest income, government grants, sales of material and scrap and investment income.

FINANCIAL INFORMATION

The following table sets forth our other income and gains for the periods indicated.

	For the year ended December 31,		
	2012	2013	2014
	<i>(RMB in millions)</i>		
Other income and gains			
Bank interest income	0.7	0.3	0.3
Government grants	2.7	2.1	0.9
Sales of material and scrap	24.2	15.5	13.9
Investment income	3.0	3.0	—
Others	0.7	0.5	0.8
Total	31.3	21.4	15.9

Bank interest income decreased from RMB0.7 million in 2012 to RMB0.3 million in 2013 and remained at RMB0.3 million in 2014. The 57.1% decrease from 2012 to 2013 was primarily due to the decrease in our average bank balance.

Government grants represented discretionary subsidies from local government authorities to support our business and construction of certain manufacturing facilities. It decreased from RMB2.7 million in 2012 to RMB2.1 million in 2013 and further to RMB0.9 million in 2014.

Sales of material and scrap mainly represented sales of scrap material, such as iron sludge from the production of DSD Acid. It decreased from RMB24.2 million in 2012 to RMB15.5 million in 2013 and further to RMB13.9 million in 2014. The 36.0% decrease from 2012 to 2013 was primarily due to the decrease in price of iron sludge. The 10.3% decrease from 2013 to 2014 was primarily due to a decrease in the volume of material and scrap produced during production and the decrease in price of iron sludge.

Investment income represented investment income from available-for-sale financial assets. It remained stable at RMB3.0 million in 2012 and 2013 and decreased to nil in 2014 primarily due to distribution of available-for-sale financial assets to Huage Holdings during the Reorganization.

Selling and distribution expenses

Selling and distribution expenses primarily consist of domestic and international shipping and transportation, commission, salary and benefits and service fees.

FINANCIAL INFORMATION

The following table sets forth our selling and distribution expenses for the periods indicated.

	For the year ended December 31,		
	2012	2013	2014
	<i>(RMB in millions)</i>		
Selling and distribution expenses			
Shipping and transportation	21.7	21.7	21.4
Salary and benefits	0.8	1.6	1.5
Commission	2.0	1.1	0.4
Service fees	0.8	1.0	1.3
Others	1.1	1.1	0.7
Total	<u>26.4</u>	<u>26.5</u>	<u>25.3</u>

Shipping and transportation expense represented expenses relating to transportation, loading and miscellaneous expenses for the delivery of our products to domestic and overseas customers. It remained stable during the Track Record Period, amounted to RMB21.7 million, RMB21.7 million and RMB21.4 million, respectively, in 2012, 2013 and 2014.

Salary and benefits increased from RMB0.8 million in 2012 to RMB1.6 million in 2013 but decreased slightly to RMB1.5 million in 2014. The 100% increase from 2012 to 2013 reflected an increase in average salary of the personnel of our sales department.

Administrative expenses

Administrative expenses primarily consist of research and development expenses, salary and benefits, asset impairment losses, depreciation and amortization, professional service fee, travelling and entertainment expenses and other administrative expenses.

The following table sets forth the our administrative expenses for the periods indicated.

	For the year ended December 31,		
	2012	2013	2014
	<i>(RMB in millions)</i>		
Administrative expenses			
Research and development	18.2	12.8	19.4
Salary and benefits	13.3	11.5	23.3
Asset impairment losses	4.5	0.6	4.6
Depreciation and amortization	4.2	2.6	6.4
Professional service fee	0.5	0.6	8.5
Travelling and entertainment	4.3	3.6	7.6
Repairs and maintainence	0.5	2.1	6.4
Office administration expenses	0.6	0.7	4.0
Other expenses	6.4	9.0	9.5
Total	<u>52.5</u>	<u>43.5</u>	<u>89.7</u>

FINANCIAL INFORMATION

Research and development expenses included, among others, materials used during our research and development activities and the salary and benefits for the research and development department. Such expenses decreased from RMB18.2 million in 2012 to RMB12.8 million in 2013 but increased to RMB19.4 million in 2014. The 29.7% decrease from 2012 to 2013 was primarily due to the reduction in the number of research projects undertaken in 2013. The 51.6% increase from 2013 to 2014 was primarily due to the increase in research and development activities engaged by Tsaker Beijing.

Salary and benefits represented salaries and benefit for our management and administrative personnel. Such expenses decreased from RMB13.3 million in 2012 to RMB11.5 million in 2013 but increase to RMB23.3 million in 2014. The 13.5% decrease from 2012 to 2013 was primarily due to the slight reduction in the size of the management team. The 102.6% increase from 2013 to 2014 was primarily due to the increase in the size of the management team and their individual salary, in order to cope with the expansion of our business.

Asset impairment losses mainly represented the impairment of property, plant and equipment and trade receivables. Such expenses decreased from RMB4.5 million in 2012 to RMB0.6 million in 2013 but increased to RMB4.6 million in 2014. The 86.7% decrease from 2012 to 2013 was primarily due to the decrease in the provision for doubtful debts for trade receivables and the impairment losses of construction-in-progress. The 666.7% increase from 2013 to 2014 was primarily due to the impairment of outdated or obsolete equipment and facilities in 2014.

Depreciation and amortization decreased from RMB4.2 million in 2012 to RMB2.6 million in 2013 but increased to RMB6.4 million in 2014. The 38.1% decrease in 2013 and the 146% increase in 2014 was primarily because the time for repair and maintenance of production lines was relatively longer in 2012 and 2014 when compared with the one in 2013, which is consistent with the relatively higher production volume and utilization rate of our major products, the depreciation and amortization of those production lines when they were not in production were classified as administrative expenses, instead of cost of sales.

Professional service fee represented the fees charged by our legal advisors, auditors and other professional service providers. It remained stable at RMB0.5 million and RMB0.6 million in 2012 and 2013 and increased to RMB8.5 million in 2014. The 1,316.7% increase from 2013 to 2014 was primarily due to the professional service fee incurred for the preparation of Listing.

Travelling and entertainment expenses slightly decreased from RMB4.3 million in 2012 to RMB3.6 million in 2013 but increased to RMB7.6 million in 2014. The 111.1% increase from 2013 to 2014 was primarily due to the increase in the scale of our operation.

Other expenses

Other expenses primarily consist of write down on property, plant and equipment upon disposal, donation to research and other institutions and other miscellaneous expenses.

FINANCIAL INFORMATION

The following table sets forth our other expenses for the periods indicated.

	For the year ended December 31,		
	2012	2013	2014
	<i>(RMB in millions)</i>		
Other Expenses			
Write down on property, plant and equipment			
upon disposal	3.9	7.4	2.6
Donation to research and other institutions	2.2	1.0	1.0
Others	1.2	0.4	0.9
Total	<u>7.3</u>	<u>8.8</u>	<u>4.5</u>

Write down on property, plant and equipment upon disposal increased from RMB3.9 million in 2012 to RMB7.4 million in 2013 but decreased to RMB2.6 million in 2014. The increase in 2013 was primarily due to the disposal of certain obsolete fixed assets by Huage Dye prior to the acquisition of certain operating assets by Tsaker Dongguang in 2013, which is non-recurring in nature.

Donation to research and other institutions mainly represents donation to university and other institutions for charitable purpose. It decreased from RMB2.2 million in 2012 to RMB1.0 million in 2013 and remained the same at RMB1.0 million in 2014.

Financing costs

Financing costs primarily consist of interest expense on bank loans and other borrowings.

Financing costs decreased from RMB26.2 million in 2012 to RMB20.7 million in 2013 and further to RMB11.6 million in 2014. The 21.0% decrease from 2012 to 2013 and 44.0% decrease from 2013 to 2014 were primarily due to a decrease in our average interest-bearing borrowings.

Exchange losses, net

Exchange gains and losses are primarily attributable to the appreciation or depreciation of Renminbi against US dollars as our export sales was generally settled by US Dollars.

Exchange losses increased from RMB1.2 million in 2012 to RMB4.6 million in 2013 but decreased to RMB0.8 million in 2014. The 283% increase in 2013 was primarily due to the appreciation of Renminbi against US Dollars.

Income tax expense

We are subject to income tax on an entity basis on the profit arising in or derived from the tax jurisdictions in which we are domiciled and operate. The statutory PRC corporate income tax rate is 25% of an enterprise's taxable income, as reported in its statutory accounts, which are prepared in accordance with the relevant PRC accounting standards, as adjusted for income and expense items which are not assessable or deductible for income tax purposes.

FINANCIAL INFORMATION

One of our subsidiaries prior to the Reorganization, Huage Dye, was entitled to a preferential corporate income tax rate of 15%, during the Track Record Period, pursuant to preferential tax treatment granted by Cangzhou Local Tax Bureau (滄州市地方稅務局).

Our Directors confirm that we have made all the required tax filings under the relevant tax laws and regulations in the relevant jurisdictions where we conduct our business and have paid all outstanding tax liabilities, and that we are not subject to any dispute or potential dispute with the tax authorities.

We intend to continue to apply for preferential tax treatment for Tsaker Cangzhou in the future. However, we cannot assure you that we will continue to receive preferential tax treatment. Any change in, or termination of, the preferential tax treatment may result in a significant increase in our tax liability, which would have a material adverse effect on our business, results of operations and financial condition.

No provision for Hong Kong profits tax has been made in the financial information as we had no assessable profits derived from or earned in Hong Kong during the three years ended December 31, 2014.

Our effective income tax rates in 2012, 2013 and 2014 were 16.3%, 23.7% and 24.2%, respectively.

Net Profit

As a result of the foregoing, our net profit increased from RMB128.7 million in 2012 to RMB133.0 million in 2013 and further to RMB171.5 million in 2014. Our net profit margin was 15.5% in 2012, remained stable at 15.4% in 2013 and increased to 19.1% in 2014.

EBITDA

EBITDA equals net profit plus finance costs, income tax expense, listing expenses, depreciation and amortization of intangible assets and less interest income. Our EBITDA increased from RMB204.3 million in 2012 to RMB224.3 million in 2013 and further to RMB269.6 million in 2014. EBITDA margin equals EBITDA divided by revenue. Our EBITDA margin increased from 24.6% in 2012 to 26.0% in 2013 and further to 30.0% in 2014.

RESULTS OF OPERATIONS

Year ended December 31, 2013 compared with year ended December 31, 2014

Revenue

Our consolidated revenue increased by RMB33.5 million, or 3.9%, from RMB864.0 million for 2013 to RMB897.5 million for 2014.

FINANCIAL INFORMATION

Revenue by business segment

DSD Acid and other dye intermediates. Revenue from DSD Acid and other dye intermediates increased by RMB41.1 million, or 6.1%, from RMB671.4 million for 2013 to RMB712.5 million for 2014 primarily due to an increase in our average selling price by 10.4% from RMB19,300 per tonne in 2013 to RMB21,300 per tonne in 2014 resulting from the increase of market price of DSD Acid and decrease in supply of DSD Acid as a result of the shut down of some DSD Acid manufacturers in the PRC due to the increasingly stringent environmental protection requirements, according to Frost & Sullivan; partially offset by a slight decrease in the volume of DSD Acid and other dye intermediates sold by 3.6% from 34,761 tonnes in 2013 to 33,498 tonnes in 2014, as a result of decrease in production volume of DSD Acid in the end of 2014 due to energy control imposed by local government.

DMSS and other pigment intermediates. Revenue from DMSS and other pigment intermediates decreased by RMB7.6 million, or 3.9%, from RMB192.6 million for 2013 to RMB185.0 million for 2014 primarily due to a decrease in the average selling price of 4.5% from RMB35,800 per tonne in 2013 to RMB34,200 per tonne in 2014 primarily driven by a decrease in the market prices of pigment intermediates such as DMSS, DATA and DMAS as a result of more competitive market conditions, according to Frost & Sullivan. This is partially offset by an increase of 1.0% in volume from 5,378 tonnes in 2013 to 5,415 tonnes in 2014.

Cost of sales

Our cost of sales decreased by RMB51.7 million, or 8.5%, from RMB607.0 million for 2013 to RMB555.3 million for 2014.

Cost of sales by business segment

DSD Acid and other dye intermediates. Cost of sales from DSD Acid and other dye intermediates decreased by RMB43.7 million, or 9.2%, from RMB475.0 million for 2013 to RMB431.3 million for 2014 primarily due to a decrease in sales volume and the cost of our raw materials caused by a decrease in the price of PNT, a major raw material for DSD Acid, which was resulted from the decrease in crude oil price and the increase in the price of ONT. As ONT is co-produced with PNT, demand for ONT also has a direct impact to the price of PNT, according to Frost & Sullivan. As a result, the increase in ONT price in 2014 increased the supply of PNT which led to the decrease in the price of PNT.

DMSS and other pigment intermediates. Cost of sales from DMSS and other pigment intermediates decreased by RMB8.0 million, or 6.1%, from RMB132.0 million for 2013 to RMB124.0 million for 2014 primarily due to a decrease in the cost of our raw materials, as a result of the decrease in market price of key raw materials, such as maleic anhydride and methanol, resulted from decrease in crude oil price.

FINANCIAL INFORMATION

Gross profit

Our total gross profit increased by RMB85.2 million, or 33.2%, from RMB257.0 million for 2013 to RMB342.2 million for 2014 and our gross profit margin increased from 29.8% for 2013 to 38.1% for 2014.

Gross profit by business segment

DSD Acid and other dye intermediates. Gross profit for DSD Acid and other dye intermediates increased by RMB84.8 million, or 43.2%, from RMB196.4 million in 2013 to RMB281.2 million in 2014. The gross profit margin of DSD Acid and other dye intermediates increased from 29.3% to 39.5% in 2014. The increase in gross profit and gross profit margin was due to the combined effect of increase in the average selling price of DSD Acid and decrease in the price of PNT, the major raw material for DSD Acid.

DMSS and other pigment intermediates. Gross profit for DMSS and other pigment intermediates increased by RMB0.4 million, or 1.0%, from RMB60.6 million in 2013 to RMB61.0 million in 2014. The gross profit margin of DMSS and other pigment intermediates increased from 31.5% in 2013 to 33.0% in 2014. The increase in gross profit and gross profit margin was mainly due to the decrease in the price of major raw material for DMSS and other pigment intermediates.

Other income and gains

Other income and gains decreased by RMB5.5 million, or 25.7%, from RMB21.4 million for 2013 to RMB15.9 million for 2014 primarily due to the decrease in sales of materials and scrap, government grants and investment income.

Selling and distribution expenses

Selling and distribution expenses decreased by RMB1.2 million, or 4.5%, from RMB26.5 million 2013 to RMB25.3 million for 2014, which is generally in line with our slight decrease in sales volume.

Administrative expenses

Administrative expenses increased by RMB46.2 million, or 106.2%, from RMB43.5 million for 2013 to RMB89.7 million for 2014 primarily due to the increase of salary and benefit of the management team, research and development expenditure and asset impairment loss and the recognition of listing expenses in 2014.

Other expenses

Other expenses decreased by RMB4.3 million, or 48.9%, from RMB8.8 million for 2013 to RMB4.5 million for 2014 primarily due to a decrease in write down on property, plant and equipment upon disposal.

FINANCIAL INFORMATION

Finance costs

Finance costs decreased by RMB9.1 million, or 44.0%, from RMB20.7 million for 2013 to RMB11.6 million for 2014 primarily due to a decrease in average interest-bearing borrowings.

Exchange losses, net

Exchange losses of RMB4.6 million for 2013 and RMB0.8 million for 2014 were primarily due to the appreciation of RMB against US Dollars.

Profit before income taxation

As a result of the factors described above, profit before income tax increased by RMB51.9 million, or 29.8%, from RMB174.3 million for 2013 to RMB226.2 million for 2014.

Income tax expenses

Our income tax expense was RMB41.3 million for 2013 compared with RMB54.7 million for 2014 primarily due to the increase in profit before income taxation. The effective tax rate was 23.7% and 24.2%, respectively, for 2013 and 2014.

Profit for the year

As a result of the foregoing, our net profit was RMB133.0 million for 2013 compared with RMB171.5 million for 2014. Our net profit margin increased from 15.4% for 2013 to 19.1% for 2014.

Year ended December 31, 2012 compared with year ended December 31, 2013

Revenue

Our consolidated revenue increased by RMB33.8 million, or 4.1%, from RMB830.2 million for 2012 to RMB864.0 million for 2013.

Revenue by business segment

DSD Acid and other dye intermediates. Revenue from DSD Acid and other dye intermediates increased by RMB69.8 million, or 11.6%, from RMB601.6 million for 2012 to RMB671.4 million for 2013 primarily due to an increase in volume of dye intermediates sold by 14.7% from 30,300 tonnes in 2012 to 34,761 tonnes in 2013, which was due to the combined effect of the growth in DSD Acid market and increase in our production volume of DSD Acid; partially offset by a slight decrease in our average selling prices by 3.0% from RMB19,900 per tonne in 2012 to RMB19,300 per tonne in 2013 as we adjusted our selling price to reflect the decrease in the price of our raw materials, which in turn boosted our sales volume.

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DMSS and other pigment intermediates. Revenue from DMSS and other pigment intermediates decreased by RMB36.0 million, or 15.7%, from RMB228.6 million for 2012 to RMB192.6 million for 2013 primarily due to a decrease in our average selling prices by 3.5% from RMB37,100 per tonne in 2012 to RMB35,800 per tonne in 2013, primarily driven by a decrease in the market prices of certain pigment intermediates such as DMSS, DMAS and DATA as a result of more competitive market conditions according to Frost & Sullivan, and a decrease of 12.7% in the volume of pigment intermediates sold from 6,160 tonnes in 2012 to 5,378 tonnes in 2013 due to fierce competition in the pigment intermediates industry.

Cost of sales

Our cost of sales increased by RMB12.8 million, or 2.2%, from RMB594.2 million for 2012 to RMB607.0 million for 2013.

Cost of sales by business segment

DSD Acid and other dye intermediates. Cost of sales from DSD Acid and other dye intermediates increased by RMB24.4 million, or 5.4%, from RMB450.6 million for 2012 to RMB475.0 million for 2013 primarily due to our increased sales volume of dye intermediates; partially offset by a decrease in the cost of our raw materials, in particular, the price of PNT, as a result of the decrease in crude oil price and the increase in the price of ONT.

DMSS and other pigment intermediates. Cost of sales from DMSS and other pigment intermediates decreased by RMB11.6 million, or 8.1%, from RMB143.6 million for 2012 to RMB132.0 million for 2013 primarily due to a decrease in our sales volume, in particular DMS and DMSS; partially offset by an increase in the cost of our raw materials, in particular maleic anhydride, which was consistent with increase in market price of raw materials.

Gross profit

Our total gross profit increased by RMB21.0 million, or 8.9%, from RMB236.0 million for 2012 to RMB257.0 million for 2013. Our gross profit margin increased from 28.4% for 2012 to 29.8% for 2013.

Gross profit by business segment

DSD Acid and other dye intermediates. Gross profit for DSD Acid and other dye intermediates increased by RMB45.4 million, or 30.1%, from RMB151.0 million in 2012 to RMB196.4 million in 2013. The gross profit margin of DSD Acid and other dye intermediates increased from 25.1% in 2012 to 29.3% in 2013. The increases in gross profit and gross profit margin were mainly driven by the cumulative effect of an increase in sales volume of dye intermediates and decrease in the cost of raw materials, in particular, the price PNT, despite a slight decrease in average selling price of DSD Acid and other dye intermediates.

FINANCIAL INFORMATION

DMSS and other pigment intermediates. Gross profit for DMSS and other pigment intermediates decreased by RMB24.4 million, or 28.7%, from RMB85.0 million in 2012 to RMB60.6 million in 2013. The gross profit margin of DMSS and other pigment intermediates decreased from 37.2% to 31.5% in 2014. The decreases in gross profit and gross profit margin reflected the cumulative effect of decreases in both sales volume and average selling price of pigment intermediates, as well as the increase in the cost of our raw material.

Other income and gains

Other income and gains decreased by RMB9.9 million, or 31.6%, from RMB31.3 million for 2012 to RMB21.4 million for 2013 primarily due to a decrease in our sales of material and scraps, particularly scrap iron sludge from the production of DSD Acid by RMB8.7 million primarily due to decrease in selling price of iron sludge.

Selling and distribution expenses

Selling and distribution expenses remained relatively stable at RMB26.4 million and RMB26.5 million for 2012 and 2013 respectively.

Administrative expenses

Administrative expenses decreased by RMB9.0 million, or 17.1%, from RMB52.5 million for 2012 to RMB43.5 million for 2013 primarily due to decreases in research and development expenses by RMB5.4 million, or 29.7%, from RMB18.2 million in 2012 to RMB12.8 million in 2013 and asset impairment loss by RMB3.9 million, or 86.7%, from RMB4.5 million in 2012 to RMB0.6 million in 2013.

Other expenses

Other expenses increased by RMB1.5 million, or 20.5%, from RMB7.3 million for 2012 to RMB8.8 million for 2013 primarily due to an increase in write down of property, plant and equipment upon disposal by RMB3.5 million, or 89.7%, from RMB3.9 million in 2012 to RMB7.4 million in 2013; partially offset by a decrease in donation to research institutions by RMB1.2 million, or 54.5%, from RMB2.2 million in 2012 to RMB1.0 million in 2013.

Finance costs

Finance costs decreased by RMB5.5 million, or 21.0%, from RMB26.2 million for 2012 to RMB20.7 million for 2013 primarily due to a decrease in average interest-bearing borrowings.

Exchange losses, net

Exchange losses amounted to RMB1.2 million in 2012 and RMB4.6 million in 2013 primarily due to an appreciation of RMB against U.S. Dollars in 2013.

FINANCIAL INFORMATION

Profit before tax

As a result of the factors described above, profit before income tax increased by RMB20.6 million, or 13.4%, from RMB153.7 million for 2012 to RMB174.3 million for 2013.

Income tax expense

Our income tax expense was RMB25.0 million for 2012 and RMB41.3 million for 2013. The increase primarily due to an increase in the corporate income tax rate as Huage Dye, a then subsidiary of our Group enjoyed a preferential tax rate of 15% in 2012, while Huage Dye was charged the statutory income tax rate of 25% on its taxable income in 2013. Our effective tax rate was 16.3% and 23.7%, respectively, for 2012 and 2013.

Profit for the year

As a result of the foregoing, our net profit was RMB128.7 million for 2012 compared with RMB133.0 million for 2013. Our net profit margins were 15.5% in 2012 to 15.4% in 2013.

LIQUIDITY AND CAPITAL RESOURCES

The following table sets out our current assets and liabilities as of the dates indicated:

	As of December 31,			As of
	2012	2013	2014	April 30, 2015
	<i>(RMB in millions)</i>			<i>(unaudited)</i>
Current assets:				
Inventories	79.5	89.4	60.4	56.3
Trade receivables	117.6	103.1	115.1	150.4
Notes receivables	56.2	64.3	32.5	33.6
Prepayments and other receivables	268.0	205.2	17.1	19.8
Prepaid income tax	11.8	—	—	—
Restricted cash	6.4	0.5	0.5	0.5
Cash and cash equivalents . . .	46.7	21.1	95.5	67.2
Total current assets	<u>586.2</u>	<u>483.6</u>	<u>321.1</u>	<u>327.8</u>
Current liabilities:				
Trade payables	63.7	130.0	149.1	157.2
Other payables and accruals . .	119.0	152.2	107.3	55.9
Interest-bearing bank borrowings	233.3	113.2	81.0	111.0
Income tax payable	—	0.8	22.4	25.3
Other financial liability	—	—	—	30.6
Total current liabilities	<u>416.0</u>	<u>396.2</u>	<u>359.8</u>	<u>380.0</u>
Net current assets/(liabilities) .	<u>170.2</u>	<u>87.4</u>	<u>(38.7)</u>	<u>(52.2)</u>

FINANCIAL INFORMATION

Net Current Assets/(Liabilities)

As of April 30, 2015, our net current liabilities were RMB52.2 million, consisting of current assets of RMB327.8 million and current liabilities of RMB380.0 million. Our net current liabilities increased by 34.9%, or RMB13.5 million, from a net current liabilities of RMB38.7 million as of December 31, 2014 to RMB52.2 million as of April 30, 2015. This increase was primarily due to decreases in inventories and cash and cash equivalents among our current assets, increases in trade payables and interest-bearing bank borrowings and other financial liability among our current liabilities and the fact that the other financial liability from our Pre-IPO investment of RMB30.6 million was reclassified from non-current liability to current liability. The increase in our net current liabilities was partially offset by increases in trade receivables and note receivables among our current assets and a decrease in other payables and accruals among our current liabilities.

As of December 31, 2014, our net current liabilities were RMB38.7 million, consisting of current assets of RMB321.1 million and current liabilities of RMB359.8 million. Our net current assets decreased by 144.3%, or RMB126.1 million, from net current assets of RMB87.4 million as of December 31, 2013 to net current liabilities of RMB38.7 million as of December 31, 2014. This decrease was primarily due to decreases in inventories, notes receivables and prepayments and other receivables among our current assets and increases in trade payables and income tax payable among our current liabilities. The decrease in our net current asset was partially offset by increases in trade receivables and cash and cash equivalents among our current assets and decreases in other payables and accruals and interest-bearing bank and other borrowings among our current liabilities. Such reduction in our net current assets were primarily due to, among others, some one-off and non-operating related events mainly for the purpose of the Reorganization, which include a distribution of dividends of RMB199.7 million to Huage Holdings and Huage Cangzhou prior to the Reorganization, consideration paid to the then shareholders of RMB178.1 million to acquire the equity interest of Tsaker Dongguang, Tsaker Cangzhou and Tsaker Beijing for the purpose of Reorganization (see note 13(7) of the Appendix I to this prospectus). Our Directors do not foresee to have another such non-recurring events in the near future and therefore consider that we will be able to have a positive net current assets position after listing as a result of our normal business operations.

As of December 31, 2013, our net current assets were RMB87.4 million, consisting of current assets of RMB483.6 million and current liabilities of RMB396.2 million. Our net current assets decreased by 48.6%, or RMB82.8 million, from RMB170.2 million as of December 31, 2012 to RMB87.4 million as of December 31, 2013. This decrease was primarily due to decreases in prepayments and other receivables and cash and cash equivalents among our current assets and increases in trade payables and other payables and accruals among our current liabilities. The decrease in our net current asset was partially offset by increases in inventories among our current assets and decreases in interest-bearing bank and other borrowings among our current liabilities.

As of December 31, 2012, our net current assets were RMB170.2 million, consisting of current assets of RMB586.2 million and current liabilities of RMB416.0 million.

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Current Ratio

Our current ratio, which is current assets divided by current liabilities at the end of a given period, was 1.4, 1.2 and 0.9 as of December 31, 2012, 2013 and 2014, respectively. The decrease from 2012 to 2013 was primarily due to (i) decreases in prepayments, deposits and other receivables, mainly resulting from the settlement of amounts due from related parties, (ii) increases in trade payables as a result of the extended credit period for our purchase of raw materials from procurement arrangement with China Chem, and (iii) increase in other payables and accruals mainly resulting from the increase in amounts due to related parties; partially offset by decreases in interest-bearing bank and other borrowings resulting from the repayment of borrowings from employees and bank loans. The further decrease from 2013 to 2014 was primarily due to (i) decreases in inventories mainly as a result of the reduced production volume in the end of 2014, (ii) decrease in notes receivables and (iii) decrease in prepayments, deposits and other receivables resulting from the settlement of amounts due from related parties; partially offset by (i) increases in cash and cash equivalents as a result of capital contribution from shareholders, (ii) decreases in other payables and accruals resulting from the repayment of amount due to related parties and (iii) decrease in interest-bearing borrowings resulting from repayment of bank loans.

Quick Ratio

Our quick ratio, which is current assets less inventories divided by current liabilities, was 1.2, 1.0 and 0.7 as of December 31, 2012, 2013 and 2014, respectively. The decrease in quick ratio during the Track Record Period was generally in line with the decrease in current ratio.

Description of Certain Items on Consolidated Statements of Financial Position

Inventories

The following table sets forth our inventory balances for raw materials, work-in-progress and finished goods as of the dates indicated:

	As of December 31,		
	2012	2013	2014
	<i>(RMB in millions)</i>		
Raw materials	21.3	33.2	24.2
Work-in-progress	12.4	15.9	11.2
Finished goods	45.8	40.3	25.0
Total	<u>79.5</u>	<u>89.4</u>	<u>60.4</u>

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The inventory balance of our raw materials increased from RMB21.3 million as of December 31, 2012 to RMB33.2 million as of December 31, 2013 but decreased to RMB24.2 million as of December 31, 2014. The 55.9% increase from 2012 to 2013 reflect an increase in the purchase of the inventory of PNT, coal and maleic anhydride as the cost of these raw materials was low in the end of 2013. The 27.1% decrease from 2013 to 2014 was primarily due to the decrease in unit cost of raw materials, in particular, PNT, and a decrease in inventory level of PNT to avoid incurring loss due to the continuous decrease in price of PNT.

The inventory balance of our work-in-progress increased from RMB12.4 million as of December 31, 2012 to RMB15.9 million as of December 31, 2013 but decreased to RMB11.2 million as of December 31, 2014. The 28.2% increase from 2012 to 2013 reflected an increase in our production volume as of December 31, 2013. The 29.6% decrease from 2013 to 2014 was mainly due to certain production lines towards the end of 2014 were not in production due to governmental energy control.

The inventory balance of our finished goods decreased from RMB45.8 million as of December 31, 2012 to RMB40.3 million as of December 31, 2013 and further to RMB25.0 million as of December 31, 2014. The 12.0% decrease from 2012 to 2013 reflected a decrease of the inventory level of our finished goods at hand prior to shipping as of December 31, 2012. The 38.0% decrease from 2013 to 2014 reflected sales of goods without replenishment as certain of our production lines towards the end of 2014 were not in production due to governmental energy control.

As of April 30, 2015 we have utilized or sold RMB58.1 million, or 96.2%, of the RMB60.4 million inventory at hand as of December 31, 2014.

The following table sets forth our average inventory, cost of sales and inventory turnover days for the periods indicated:

	For the year ended December 31,		
	2012	2013	2014
	<i>(RMB in millions, except turnover days)</i>		
Average inventory ⁽¹⁾	79.9	84.5	74.9
Cost of sales	(594.2)	(607.0)	(555.3)
Inventory turnover days ⁽²⁾	49	51	49

(1) Average inventory equals the arithmetic mean of the opening and closing balances of inventory of a given period.

(2) Turnover days of inventories for a certain period is derived by dividing the average inventory by cost of sales and multiplied by the number of days in the relevant period.

Our inventory turnover days remained relatively stable during the Track Record Period.

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Trade receivables

The following table sets forth our gross trade receivables and impairment as of the balance sheet date indicated:

	As of December 31,		
	2012	2013	2014
	<i>(RMB in millions)</i>		
Trade receivables	120.8	106.5	118.5
Impairment	(3.2)	(3.4)	(3.4)
	117.6	103.1	115.1

Our trade receivables remained relatively stable at RMB117.6 million in 2012, RMB103.1 million in 2013 and RMB115.1 million in 2014, primarily because we had consistently implemented our credit policy.

The following table sets forth our average trade receivable, revenue and trade receivables turnover days for the periods indicated:

	For the year ended December 31,		
	2012	2013	2014
	<i>(RMB in millions, except turnover days)</i>		
Average trade receivables ⁽¹⁾	105.2	110.3	109.1
Revenue	830.2	864.0	897.5
Trade receivables turnover days ⁽²⁾	46	47	44

(1) Average trade receivables equals the arithmetic mean of the opening and closing balances of trade receivables of a given period.

(2) Turnover days of trade receivables for a certain period is derived by dividing the average trade receivables by revenue and multiplied by the number of days in the relevant period.

Our trade receivables turnover days remained relatively stable during the Track Record Period.

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An aging analysis of our trade receivables as of the balance sheet dates indicated is set forth below, based on the invoice date for the periods indicated:

	As of December 31,		
	2012	2013	2014
	<i>(RMB in millions)</i>		
0- 30 days	75.1	80.4	55.7
30-60 days	18.9	17.2	36.4
60-90 days	12.5	4.7	17.6
90-120 days	6.9	0.0	1.4
Over 120 days	4.2	0.8	4.0
Total	117.6	103.1	115.1

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

	As of December 31,		
	2012	2013	2014
	<i>(RMB in millions)</i>		
Neither past due nor impaired	91.5	84.9	70.2
Less than 1 month past due	9.8	10.8	6.2
1 to 3 months past due	12.0	6.6	38.6
Over 3 months past due	4.3	0.8	0.1
	117.6	103.1	115.1

We have implemented a strict internal credit policy and closely monitored the credit history of each customer. In determining the credit periods granted to the customers, we usually consider the payment history of such customers, the size of the customers, the sales volume, and the market reputation of the customers. Disregarding the sales arrangement with China Chem, the credit periods we granted to customers generally range from about 30 days to about 90 days after the date of invoice according to the relevant contract depending on the relevant customer's creditworthiness, payment method, pricing policy and size of sales orders.

Our trades receivables that were one to three months past due decreased from RMB12.0 million as of December 31, 2012 to RMB6.6 million as of December 31, 2013 but increased to RMB38.6 million as of December 31, 2014. The 484.8% increase from December 31, 2013 to December 31, 2014 was primarily due to the trade receivables due from two customers, in an aggregate amount of approximately RMB28.0 million was not settled as of December 31, 2014. Such receivables were collected as of February 28, 2015.

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Our trades receivables that were over three months past due decreased from RMB4.3 million as of December 31, 2012 to RMB0.8 million as of December 31, 2013 and further to RMB0.1 million as of December 31, 2014. The 81.4% decrease from December 31, 2012 to December 31, 2013 and the 87.5% decrease from December 31, 2013 to December 31, 2014 was primarily due to an improvement of collection of trade receivables over three months past due.

As of April 30, 2015, we received RMB115.1 million, or 100%, of the RMB115.1 million trade receivables outstanding as of December 31, 2014.

Notes receivables

Notes receivables are primarily promissory notes. Our notes receivables amounted to RMB56.2 million, RMB64.3 million and RMB32.5 million as of December 31, 2012, 2013 and 2014. Our notes receivables increased slightly from 2012 to 2013 but decreased to RMB32.5 million in 2014. This was primarily because fewer customers settled their balance by notes.

Prepayments, deposits and other receivables

The following table sets forth our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,		
	2012	2013	2014
	<i>(RMB in millions)</i>		
Advance to suppliers	11.0	6.3	9.6
Prepaid land lease	0.2	0.2	3.2
Due from related parties	247.4	196.0	1.1
Other receivables and prepaid expense	9.4	2.7	3.2
Total	268.0	205.2	17.1

Advance to suppliers decreased from RMB11.0 million for 2012 to RMB6.3 million for 2013 but increased to RMB9.6 million for 2014. The 42.7% decrease from 2012 to 2013 was primarily because some suppliers of raw material allowed a more favorable payment terms to our Company. The 52.4% increase from 2013 to 2014 was primarily due to the payment of fees of professional parties in relation to the Global Offering.

Prepaid land lease represented the lease payments on the land use rights of our land. It remained stable at RMB0.2 million in 2012 and 2013 and increased to RMB3.2 million in 2014.

Balances due from related parties decreased from RMB247.4 million for 2012 to RMB196.0 million for 2013 and further to RMB1.1 million for 2014. The 20.8% decrease from 2012 to 2013 and the 99.4% decrease from 2013 to 2014 reflected the repayment to Huage Holdings. Such amount has been settled as of the Latest Practicable Date.

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Other receivables and prepaid expense decreased from RMB9.4 million for 2012 to RMB2.7 million for 2013 but increased to RMB3.2 million for 2014. The 71.3% decrease from 2012 to 2013 was primarily due to a decrease in staff advance. The 18.5% increase from 2013 to 2014 was primarily due to an increase in staff advance.

Trade payables

Our trade payables increased from RMB63.7 million in 2012 to RMB130.0 million in 2013 and further to RMB149.1 million in 2014. The 104.1% increase from 2012 to 2013 was primarily due to our purchasing arrangement with China Chem since May 2013 as China Chem allowed us a credit period of 60 days after it has made payments to the relevant suppliers. For details, please refer to “Business — Arrangements with China Chem — Procurement Arrangement”. The 14.7% increase from 2013 to 2014 was primarily due to payables relating to construction-in-progress.

The following table sets forth our average trade payable, cost of sales and trade payable turnover days for the periods indicated:

	For the year ended December 31,		
	2012	2013	2014
	<i>(RMB in millions, except turnover days)</i>		
Average trade payable ⁽¹⁾	62.6	96.8	139.5
Cost of sales	(594.2)	(607.0)	(555.3)
Trade payable turnover days ⁽²⁾	38	58	92

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- (1) Average trade payable equal the arithmetic mean of opening and closing balances of trade payable of a given period.
- (2) Turnover days of trade payable for a certain period is derived by dividing the average trade payable by cost of sales and multiplied by the number of days in the relevant period.

Our trade payables turnover days increased from 38 days for 2012 to 58 days for 2013, which was primarily due to our procurement arrangement with China Chem since May 2013 as China Chem allowed us a credit period of 60 days after it has made payments to the relevant suppliers. Prior to the procurement arrangement with China Chem, we were required to make prepayments for the purchase of PNT from certain suppliers. As a result of such procurement arrangement, we enjoyed a longer credit period for the purchase of PNT, one of the major raw material. For details, please refer to “Business — Arrangements with China Chem — Procurement Arrangement”.

Our trade payables turnover days increased from 58 days for 2013 and to 92 days for 2014, primarily due to the lower payable balance at the beginning of 2013 prior to our purchasing arrangement with China Chem. In addition, certain suppliers lengthened the credit period granted to us when we increased the purchase amount from certain larger suppliers and reduced the purchase amount from small suppliers.

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An aging analysis of our trade payables as of the balance sheet dates indicated is set forth below:

	As of December 31,		
	2012	2013	2014
	<i>(RMB in millions)</i>		
Within 1 month	43.8	73.1	83.5
1 month to 2 months	5.6	44.4	30.3
2 months to 3 months	3.5	2.6	15.3
Over 3 months	10.8	9.9	20.0
Total	<u>63.7</u>	<u>130.0</u>	<u>149.1</u>

Except for certain specific arrangement with China Chem, our key suppliers generally allowed us a credit period ranging between 7 to 30 days. However, for suppliers with whom we have established long-term relationships, we may be allowed to enjoy a credit period of up to 90 days after the date of delivery.

As of April 30, 2015 we have settled RMB126.8 million, or 85.0%, of the RMB149.1 million trade payables outstanding as of December 31, 2014.

Other payables and accruals

	As of December 31,		
	2012	2013	2014
	<i>(RMB in millions)</i>		
Advances from customers	2.8	5.7	0.8
Accrued salaries, wages and benefits	29.9	17.7	20.9
Accruals	9.3	1.8	0.5
Due to related parties	45.6	98.3	49.6
Endorsed notes	23.2	26.3	25.5
Other payables	8.2	2.4	10.0
	<u>119.0</u>	<u>152.2</u>	<u>107.3</u>

Our other payables and accruals mainly represent advances from customers, accrued salaries, wages and benefits, amount due to related parties, endorsed notes and other payable and accruals for miscellaneous expenses. Endorsed notes represent certain notes receivables endorsed by us to certain of its suppliers in order to settle trade payables, in which we had retained the substantial risks and rewards of such endorsed notes, and accordingly, we continued to recognise the full carrying amount of the endorsed notes and the associated payables.

Our other payables and accruals increased by RMB33.2 million or 27.9%, from RMB119.0 million as of December 31, 2012 to RMB152.2 million as of December 31, 2013, which was mainly attributable to an increase in amount due to related parties by RMB 52.7 million, partially offset by a decrease in accrued salaries, wages and benefits by RMB12.2 million due to a decrease in accrual

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staff benefits as the financial position of Huage Dye had not been consolidated since the acquisition of certain operating assets of Huage Dye by Tsaker Dongguang in September 2013, and a decrease in accrual and other payables for miscellaneous expenses of RMB7.5 million and RMB5.8 million, respectively.

Our other payables and accruals decreased by RMB44.9 million or 29.5%, from RMB152.2 million as of December 31, 2013 to RMB107.3 million as of December 31, 2014, which was mainly attributable to a decrease in amount due to related parties by RMB48.7 million and a decrease in advances from customers by RMB 4.9 million as a result of shipment made prior the year end of 2014, partially offset by increase in other payables for miscellaneous expenses of RMB7.6 million.

NON-CURRENT ASSETS AND LIABILITIES

Our non-current assets primarily consist of property, plant and equipment, prepaid land lease payment, deferred tax assets and available-for-sales investments. As of December 31, 2012, 2013 and 2014, we had non-current assets of RMB255.1 million, RMB267.0 million and RMB383.3 million, respectively. The 43.6% increase in the non-current asset in 2014 was primarily due to the addition of buildings and prepaid land lease payment. The available-for-sale investments represented unlisted equity investment of Huage Dye prior to the Reorganization.

Our non-current liabilities primarily consisted of interest-bearing bank and other borrowings and deferred income and other financial liabilities. As of December 31, 2012, 2013 and 2014, we had non-current liabilities of RMB37.3 million, RMB28.9 million and RMB37.8 million, respectively. The 30.8% increase in the non-current liabilities in 2014 was primarily due to the cash consideration of RMB31 million from Transfar, one of our Pre-IPO Investors, which was accounted for as other financial liabilities.

Return on Total Assets

Our return on total assets, which is derived by dividing net profit by total assets, where total asset is the average beginning and ending balances of total assets for the given period, was 15.6%, 16.7% and 23.6% in 2012, 2013 and 2014. The increase from 2012 to 2013 was primarily due to an increase in net profit and decreases in total assets. The increase from 2013 to 2014 was primarily due to a significant increase in net profit and decreases in total assets.

Return on Equity

Our return on equity, which is derived by dividing net profit by total equity, where total equity is the average beginning and ending balances of total equity for the given period, was 35.6%, 37.3% and 54.2% in 2012, 2013 and 2014, respectively. The increase from 2012 to 2013 was primarily due to an increase in net profit and a decrease in retained profits resulting from the distribution and consideration to shareholders in relation to the acquisition of certain operating assets of Huage Dye. The increase from 2013 to 2014 was primarily due to an increase in net profit; partially offset by an increase in reserves resulting from the capital contribution from controlling shareholders.

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CASH FLOWS

Our primary uses of cash are to invest in production facilities and equipment, repay our indebtedness, and fund working capital and normal recurring expenses.

	For the year ended December 31,		
	2012	2013	2014
	<i>(RMB in millions)</i>		
Net cash flows from operating activities	182.6	152.5	287.3
Net cash flows used in investing activities	(21.5)	(46.9)	(120.8)
Net cash flows from/(used in) financing activities	(159.0)	(131.1)	(92.2)
Net increase/(decrease) in cash and cash equivalents	2.1	(25.5)	74.3
Cash and cash equivalents at beginning of year	44.6	46.7	21.1
Effect of foreign exchanges rate changes, net.	—	(0.1)	0.1
Cash and cash equivalents at end of year/period	46.7	21.1	95.5

Net cash flows from operating activities

In 2014, we generated net cash from operating activities of RMB287.3 million, primarily as a result of profit before tax of RMB226.2 million, which was mainly adjusted for (i) depreciation of RMB 31.4 million; (ii) a decrease in inventories of RMB 29.1 million mainly due to the reduction of production towards the end of 2014 as a result of the imposition of governmental energy control; (iii) an increase in trade payables of RMB19.3 million mainly due to the lengthened credit period granted by certain large suppliers; and (iv) a decrease in trade and notes receivables of RMB19.7 million mainly due to fewer customers settled their balances by notes; partially offset by the RMB 46.6 million income tax paid.

In 2013, we generated net cash from operating activities of RMB152.5 million, primarily as a result of profit before tax of RMB174.3 million, which was mainly adjusted for (i) depreciation of RMB 29.3 million; (ii) an increase in trade payables of RMB63.7 million mainly due to our purchasing arrangement with China Chem since May 2013; (iii) an increase in other payables and accruals mainly due to increase in amount due to related parties. This was partially offset by (i) an increase in trade and notes receivables of RMB100.7 million; (ii) the RMB6.2 million income tax paid; and (iii) an increase in inventories of RMB 19.8 million mainly due to an increase in the purchase of PNT, coal and maleic anhydride as the cost of these raw materials was low in the end of 2013.

In 2012, we generated net cash from operating activities of RMB182.6 million, primarily as a result of profit before tax of RMB153.7 million, mainly adjusted for (i) depreciation of RMB 24.9 million; and (ii) an increase in other payables and accruals of RMB36.0 million, partially offset by (i) the RMB 27.8 million income tax paid and (ii) an increase in trade and notes receivables of RMB14.2 million.

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Net cash used in investing activities

In 2014, we had net cash used in investing activities of RMB120.8 million, primarily consisted of purchases of items of property, plant and equipment of RMB111.4 million mainly due to the addition of buildings and prepaid land lease payment.

In 2013, we had net cash used in investing activities of RMB46.9 million, primarily consisted of purchases of items of property, plant and equipment of RMB57.9 million mainly due to the addition of construction in progress.

In 2012, we had net cash used in investing activities of RMB21.5 million, primarily consisted of purchases of items of property, plant and equipment of RMB36.3 million mainly due to the acquisition of machinery and equipment.

Net cash flow from/(used in) financing activities

In 2014, we generated net cash used in financing activities of RMB92.2 million, primarily consisted of funding to related party of RMB346.1 million, repayment of bank loans of RMB214.8 million and consideration paid to the then shareholders of subsidiaries of RMB152.2 million. This was partially offset by funding from related party of RMB323.8 million, proceeds from bank loans of RMB171.0 million and proceeds from issue of shares of RMB134.7 million.

In 2013, we had net cash used in financing activities of RMB131.1 million, primarily consisted of the funding to related party borrowings of RMB335.5 million, the repayment of bank loans of RMB251.6 million, consideration paid related to the acquisition of certain operating assets of Huage Dye of RMB124.7 million and the repayment of borrowing from employees of RMB62.4 million and cash distributed to former shareholders of RMB48.9 million which represents the cash balance of Huage Dye as of the date of the acquisition of such operating assets of Huage Dye. This was partially offset by funding from related party of RMB309.3 million, proceeds from bank loans of RMB279.2 million and proceeds from capital contributed from shareholder of RMB90.0 million.

In 2012, we had net cash used in financing activities of RMB159.0 million, primarily consisted of funding to related party borrowings of RMB377.8 million, repayment of bank loans of RMB250.7 million, repayment of borrowing from employees of RMB68.0 million. This was partially offset by funding from related party borrowing of RMB208.7 million, proceeds from bank loans of RMB209.0 million and proceeds from borrowing from employees of RMB75.2 million.

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INDEBTEDNESS

Borrowings and indebtedness

Our consolidated borrowings and indebtedness as of December 31, 2012, 2013, 2014 and April 30, 2015 were as follows:

	As of December 31,			As of April 30,
	2012	2013	2014	2015
				<i>(unaudited)</i>
				<i>(RMB in millions)</i>
Current:				
Borrowings from employees -				
unsecured	69.0	8.4	—	—
Bank loans - unsecured	51.7	36.5	12.0	12.0
Bank loans - secured	112.6	68.3	69.0	99.0
Other financial liability	—	—	—	30.6
	233.3	113.2	81.0	141.6
Non-current:				
Bank loans - unsecured	20.0	20.0	—	—
Other financial liability	—	—	30.6	—
	20.0	20.0	30.6	—
Total	253.3	133.2	111.6	141.6

Our current unsecured borrowings from employees decreased from RMB69.0 million as of December 31, 2012 to RMB8.4 million as of December 31, 2013 and further to nil as of December 31, 2014. The 87.8% decrease from December 31, 2012 to December 31, 2013 and the 100% decrease from December 31, 2013 to December 31, 2014 reflects the full repayment of such borrowings from our employees.

Our bank borrowings generally contain terms and conditions that are customary for commercial bank loans. Our current unsecured bank loans decreased from RMB51.7 million as of December 31, 2012 to RMB36.5 million as of December 31, 2013 and further to RMB12.0 million as of December 31, 2014. The 29.4% decrease from December 31, 2012 to December 31, 2013 was primarily due to the repayment of such loans upon maturity. The 67.1% decrease from December 31, 2013 to December 31, 2014 was primarily because of the repayment in view of an improvement of our cash flow from operating activities.

Our current secured bank loan decreased from RMB112.6 million as of December 31, 2012 to RMB68.3 million as of December 31, 2013 and remained steady at RMB69.0 million as of December 31, 2014. The 39.3% decrease from December 31, 2012 to December 31, 2013 reflected the repayment of secured bank loan.

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Our non-current secured bank loans remained steady at RMB20.0 million as of December 31, 2012 and December 31, 2013 and decreased to nil as of December 31, 2014. The 100% decrease from December 31, 2013 to December 31, 2014 reflected the repayment of such non-current secured bank loans.

Our bank borrowings during 2012, 2013 and 2014 bore the effective interest rates as follows:

	As of December 31,			As of April 30,
	2012	2013	2014	2015
		(%)		
Fixed-rate loans	5.6-8.0	8.1-8.4	5.9-8.1	5.6-8.1
Floating-rate loans	8.9-9.2	8.1-8.9	—	—

The maturity profile of our interest-bearing bank and other borrowings as of December 31, 2012, 2013, 2014 and April 30, 2015, was as follows:

	As of December 31,			As of April 30,
	2012	2013	2014	2015
				(unaudited)
		(RMB in millions)		
Within one year	233.3	113.2	81.0	111.0
In the second year to fifth year	20.0	20.0	—	—
Total	<u>253.3</u>	<u>133.2</u>	<u>81.0</u>	<u>111.0</u>

Borrowings from employees have no fixed payment terms, with an annual interest rate of 10%. Although the interest rate charged for borrowings from employees was higher than that of interest-bearing loan, we obtained borrowings from employees since such funding did not require any security and offered us greater flexibilities in working capital management as there was no fixed payment terms for borrowings from employees.

With respect to the borrowings from employees, pursuant to the State Council General Office's Notice on Relevant Questions Regarding Punishment of Illegal Fundraising (國務院辦公廳關於依法懲處非法集資有關問題的通知), illegal fundraising has the following characteristics: (1) not approved by the relevant regulatory department and raises funds illegally from the social public (especially, non-specified targets); (2) promises return on investment in cash, benefits and shares, etc.; and (3) uses legal method such as the signing of a contract to cover up the purposes of illegal fundraising. In addition, according to the Supreme People's Court's Interpretation on Application of Laws in Trial of Illegal Fund Raising Criminal Cases (最高人民法院關於審理非法集資刑事案件具體應用法律若干問題的解釋), raising funds from specific relatives, friends or internal employees without employing any public promotion does not constitute illegal or disguised taking of deposits from the general public.

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Our Directors confirmed that (i) such borrowings were not made in any public manner and they were borrowed only from our employees rather than from unspecified general public; (ii) such borrowings was made without conducting any public promotional activities; (iii) the interest charged was not significantly higher than the bank loan; (iv) all the funds were used for our operation purpose, and not for any other illegal purposes; (v) the employees were not in any manner forced to lend such money to us and they entered into the loan contracts at free will; (vi) all such borrowings have been repaid; and (vii) there has not been any dispute between us and our employees in relation to such borrowings, and neither did we ever receive any notice of investigation or was imposed any sanction for such borrowing activities.

Based on the forgoing, the PRC Legal Advisor and the Directors are of the view that such borrowings were unlikely to constitute illegal fund raising from the general public which is prohibited under the applicable PRC regulations.

Our interest-bearing bank and other borrowings repayable within one year decreased from RMB233.3 million as of December 31, 2012 to RMB113.2 million as of December 31, 2013 and further to RMB81.0 million as of December 31, 2014. The 51.5% decrease from December 31, 2012 to December 31, 2013 was primarily due to repayment of such bank loans and other borrowings. The 28.4% decrease from December 31, 2013 to December 31, 2014 was primarily due to the repayment of loans upon their maturity.

Our interest-bearing bank and other borrowings repayable in the second year to fifth year remained steady from RMB20.0 million as of December 31, 2012 to RMB20.0 million as of December 31, 2013 and decreased to nil as of December 31, 2014. The decrease from December 31, 2013 to December 31, 2014 was primarily due to the repayment of such borrowings.

The other financial liability arising from the Pre-IPO Investment as of 31 December 2014 and 30 April 2015 was RMB30.6 million from Transfar. For details of the Pre-IPO Investment, see “Our History and Development — Pre-IPO Investment — Pre-IPO Investment by Transfar. ”

Statement of Indebtedness

As of April 30, 2015, being the latest practicable date for the purpose of this indebtedness statement, save as disclosed in this prospectus, we did not have any other debt securities, borrowings, indebtedness, mortgages, contingent liabilities, or guarantees.

Gearing Ratio

Our gearing ratio, which is derived by dividing total debt by total equity at the end of a given period, was 65.3%, 40.9% and 26.4% as of December 31, 2012, 2013 and 2014, respectively.

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The increase from 2012 to 2013 was primarily due to decrease in interest-bearing bank and employee borrowings as a result of our repayment of borrowings. The decrease from 2013 to 2014 was primarily due to our repayment of bank loans and an increase in reserves.

Net Debt to Equity Ratio

Our net debt to equity ratio, which is derived by dividing net debt (being interest-bearing loan and employee borrowings net of cash and cash equivalents) by total equity at the end of a given period, was 53.2%, 34.5% and net cash as of December 31, 2012, 2013 and 2014, respectively.

The increase from 2012 to 2013 was primarily due to decrease in interest-bearing bank and employee borrowings as a result of our repayment of borrowings. The net debt to equity ratio turned to net cash position from 2013 to 2014 primarily due to our repayment of bank loans and an increase in cash and cash equivalents as a result of increase in operating cash flow.

Interest Coverage Ratio

Our interest coverage ratio, which is derived by dividing profit before finance cost and tax by interest paid at the end of a given period, was 6.7, 8.8 and 15.5 as of December 31, 2012, 2013 and 2014, respectively. The increase from 2012 to 2013 and the increase from 2013 to 2014 was primarily due to our repayment of bank loans and employee borrowings which resulted in the decrease in interest expense, as well as increase in our profit.

CAPITAL COMMITMENTS

The table below sets forth a breakdown of our capital commitments as of the dates indicated:

	As of December 31,		
	2012	2013	2014
	<i>(RMB in millions)</i>		
Contracted, but not provided for:			
Plant and machinery	11.7	3.2	52.8
Authorized, but not contracted for:			
Plant and machinery	—	—	550.4
Total	<u>11.7</u>	<u>3.2</u>	<u>603.2</u>

The capital commitments described above primarily related to the construction of our Dongying Production Plant and our other expansion plan. For details, see “— Capital Expenditures — Planned Capital Expenditures”. We intend to fund these commitments with cash generated from our operations, bank borrowings and proceeds from the Global Offering.

FINANCIAL INFORMATION

Our Directors confirm that there has been no material change in our capital commitments since December 31, 2014 up to the date of this prospectus.

CAPITAL EXPENDITURES

Historical Capital Expenditures

We incurred capital expenditures for our equipment upgrade that could result in cost savings and higher efficiency in the production process. Capital expenditures during these periods were primarily related to property, plant and equipment and were funded with cash from operating activities and bank borrowings.

Planned Capital Expenditures

Our planned capital expenditures in 2015 and 2016 were approximately RMB293.2 million and RMB276.6 million, respectively, which are primarily for the construction of our Dongying Production Plant, expansion and technology upgrade of our production processes and the upgrade of the Dongguang Production Plants. Such planned capital expenditure would be funded with cash from operating activities, bank borrowings and proceeds from the Global Offering. We believe that these sources of funding would be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months. For details, see “Business — Production Plants — Our Expansion Plans”.

Our projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions and economic and regulatory environment. Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus for further information.

CONTINGENT LIABILITIES

We are not currently involved in, and have not been involved in during the three years ended December 31, 2014 and the four months ended April 30, 2015, any material legal or arbitration proceedings.

Please refer to note 32 of the Appendix I to this prospectus for the details of the contingent liabilities during the Track Record Period and as of December 31, 2014. There has been no change in our contingent liabilities since December 31, 2014 and up to the April 30, 2015, being the latest practicable date for the purpose of the indebtedness statement.

OFF-BALANCE SHEET ARRANGEMENTS

As of April 30, 2015, being the date of our most recent financial statements, we did not have any off-balance sheet arrangements.

FINANCIAL INFORMATION

RELATED PARTY TRANSACTIONS

	For the year ended December 31,		
	2012	2013	2014
	<i>(RMB in millions)</i>		
<i>Sales of products</i>			
Yijia Iron Powder ⁽¹⁾	—	12.0	11.1
Shine Chem ⁽²⁾	46.9	11.5	—
Sunchem ⁽³⁾	—	16.3	55.9
Huage Dye ⁽⁴⁾	—	42.6	89.7
	<u>46.9</u>	<u>82.4</u>	<u>156.7</u>
<i>Purchases of products</i>			
Huage Fine Chemical ⁽⁵⁾	0.2	—	—
Yijia Iron Powder ⁽¹⁾	65.1	73.3	66.2
Shine Chem ⁽²⁾	6.8	3.5	—
Sunchem ⁽³⁾	—	—	1.5
	<u>72.1</u>	<u>76.8</u>	<u>67.7</u>
<i>Related party funding (from)</i>			
Huage Holdings ⁽⁶⁾	202.2	209.2	254.9
Huage Fine Chemical ⁽⁵⁾	6.5	—	—
Huage Cangzhou ⁽⁷⁾	—	100.1	41.0
Cavalli ⁽⁸⁾	—	—	11.9
Huage Dye ⁽⁴⁾	—	—	16.0
	<u>208.7</u>	<u>309.3</u>	<u>323.8</u>
<i>Related party funding (to)</i>			
Huage Holdings ⁽⁶⁾	314.9	288.7	229.5
Huage Fine Chemical ⁽⁵⁾	17.7	22.8	—
Huage Cangzhou ⁽⁷⁾	—	24.0	89.8
Cavalli ⁽⁸⁾	45.3	—	26.8
	<u>377.8</u>	<u>335.5</u>	<u>346.1</u>

FINANCIAL INFORMATION

Notes:

- (1) The amounts represent the purchase of iron powder and sale of iron sludge from our Group to Yijia Iron Powder during the Track Record Period. For details, see “Business — Raw Material Procurement and Suppliers — Raw Materials”. We intend to continue to purchase iron powder from Yijia Iron Powder after Listing. For details of the continuing connected transactions with Yijia Iron Powder, see “Connected Transactions — Non-exempt Continuing Connected Transactions — Continuing connected transaction which is subject to the reporting, annual review, announcement, circular and the independent Shareholders’ approval requirements — (3) Framework Purchase Agreement on Iron Powder”.
- (2) For details, see “Business — Sales, Marketing and Customers — Customers”. Shine Chem was an entity controlled by Mr. Ge Yi, our executive Director, Chairman and Chief Executive Officer, and was deregistered on July 18, 2014.
- (3) For details, see “Business — Sales, Marketing and Customers — Customers”. Sunchem is an entity controlled by Mr. Ge Yi, our executive Director, Chairman and Chief Executive Officer.
- (4) The sale of products to Huage Dye by our Group in 2013 and 2014 represents the export of our DSD Acid to India through Huage Dye in light of the lower anti-dumping duties imposed on Huage Dye. The profit that Huage Dye made was minimal. The related party funding from Huage Dye represents a non-trade related funding from Huage Dye after it ceased to be a member of our Group.
- (5) The amounts represent the purchase of inventory and the settlement of related party balance prior to the deregistration of Huage Fine Chemical.
- (6) The amounts represent the borrowing and repayment of advances from Huage Holdings, the holding company of our Group prior to the Reorganization.
- (7) The amounts represent the borrowing and repayment of loans from Huage Cangzhou, an entity controlled by Mr. Ge Yi, our executive Director, Chairman and Chief Executive Officer.
- (8) The amounts represent the borrowing and repayment of advance from Cavalli, our immediate holding company.

FINANCIAL INFORMATION

Amount due to/from Related Parties

The table below sets forth details of our amount due from/ to related parties as of the dates indicated.

	For the year ended December 31,		
	2012	2013	2014
	<i>(RMB in millions)</i>		
Trade receivables:			
Shine Chem	15.5	—	—
Sunchem	—	9.1	18.7
Huage Dye	—	11.2	—
Yijia Iron Powder	—	1.5	1.4
Other receivables:			
Huage Holding	247.4	194.8	—
Huage Dye	—	1.1	1.1
Yijia Iron Powder	—	0.04	—
Weidong, Duan	0.002	—	—
Trade and bills payables:			
Yijia Iron Powder	7.1	10.9	11.8
Sunchem	—	—	0.5
Other payables and accruals:			
Huage Fine Chemical	22.8	—	—
Huage Cangzhou	—	76.1	27.3
Shine Chem	7.5	7.3	—
Huage Holdings	—	—	6.3
Huage Dye	—	—	16.0
Cavalli	15.4	14.9	0.01
Interest-bearing borrowing from employees:			
Borrowing from directors — Dong Zhongmei	0.5	—	—
Borrowing from directors — Duan Weidong	0.5	—	—

Amounts due from related parties and amounts due to related parties are unsecured, interest-free and expected to be repaid on demand. Save as the receivables and payable balances derived from the continuing connected transactions as set out in the section headed “Continuing Connected Transactions”, all amounts due from related parties and amounts due to related parties which are not related to our trading activities were already settled as of the Latest Practicable Date.

It is the view of our Directors that each of the related party transactions set out in note 34 to the Accountants’ Report in Appendix I to this prospectus were conducted in the ordinary and usual course of business and on normal commercial terms between the relevant parties. Our Directors believe that such related party transactions would not distort our track record results or make the historical results not reflective of our future performance. Other than the purchase of iron powder from Yijia Iron

FINANCIAL INFORMATION

Powder, none of the related party transactions set out in Note 34 to the Accountants' Report in Appendix I to this Prospectus will continue after Listing. Furthermore, we have leased certain portion of the premises situated at 6th Floor, Building A, Jiahui International Center, No.14 Jiqingli, Chaoyang District, Beijing, the PRC from Huage Holdings for use as our office and our Dongao Production Plant in relation to the production of, among others, PNT, ONT, MNT, OT and NMP from Dongao Chemicals. These transactions will constitute related party transactions. For details of the continuing connected transactions, see the section headed "Continuing Connected Transactions" in this prospectus.

Guarantee Received from Related Parties

As of December 31, 2012, December 31, 2013 and December 31, 2014, bank loans of RMB132.3 million, RMB78.5 million and RMB34.0 million were guaranteed by our related parties. Please refer to note 26 of Appendix I to this prospectus for more details. Such guarantee arrangement has been terminated as at the Latest Practicable Date.

MARKET RISKS

We are exposed to various types of market risks in the ordinary course of our business, mainly foreign currency risk, interest rate risk, commodity price risk, credit risk and liquidity risk. As our exposure to these risks is kept to a minimum, we have not used any derivatives and other instruments for hedging purposes. We do not hold or issue derivative financial instruments for trading purposes. The board reviews and approves policies for managing each of these risks and they are summarized below.

Interest Rate Risk

Our exposure to interest rate risk relates principally to our short term and long term bank loans with floating interest rate. We mitigate the risk by monitoring closely the movements in interest rates and reviewing its banking facilities regularly. We have not used any interest rate swap to hedge its exposure to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of our profit before tax (through the impact on floating rate borrowings) and our equity.

	For the year ended December 31,					
	2012		2013		2014	
	<i>(RMB in thousands)</i>					
	<i>5% increase</i>	<i>5% decrease</i>	<i>5% increase</i>	<i>5% decrease</i>	<i>5% increase</i>	<i>5% decrease</i>
Increase / (Decrease) in profit before tax	(235)	235	(39)	39	—	—
Increase / (Decrease) in equity.	(185)	185	(29)	29	—	—

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Foreign Currency Risk

Substantially all sales and purchase transactions are dominated in RMB and USD.

In addition, to the extent that we need to convert HK dollars we receive from the Global Offering into Renminbi for our operations, appreciation of the Renminbi against the HK dollar would have an adverse effect on the Renminbi amount we receive from such conversion. Very limited hedging transactions are available in China to reduce our exposure to exchange rate fluctuations. As of the Latest Practicable Date, we had not entered into any hedging transactions to reduce our exposure to foreign currency exchange risk.

Credit Risk

The credit risk of our other financial assets, which consist of cash and cash equivalents, available-for-sale financial assets, prepayments, deposits and other receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

We trade only with related parties and recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts has not been significant.

Since we trade only with related parties and recognized and creditworthy third parties, there is no requirement for collateral.

Liquidity Risk

We aim to maintain sufficient cash and cash equivalents and have available funding through an adequate amount of committed credit facilities to meet our commitments.

SENSITIVITY ANALYSES

Set forth below are sensitivity analyses on the fluctuation in our average selling prices, cost of sales and cost of key raw materials which illustrates the hypothetical effects on our net profit before tax with 5%, 10% and 15% increase or decrease in our average selling prices, cost of sales and cost of key raw materials. Due to a number of assumptions applied, these sensitivity analyses are for illustration only, and the actual results may differ from those illustrated below.

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Average selling prices

For the year ended December 31,	Change in profit for year for change in average selling prices		
	+/- 5%	+/- 10%	+/- 15%
	<i>(RMB in millions)</i>		
2012	41.5	83.0	124.5
2013	43.2	86.4	129.6
2014	44.9	89.8	134.6

Cost of sales

For the year ended December 31,	Change in profit for year for change in cost of sales		
	+/- 5%	+/- 10%	+/- 15%
	<i>(RMB in millions)</i>		
2012	29.7	59.4	89.1
2013	30.3	60.7	91.0
2014	27.8	55.5	83.3

Cost of key raw materials — PNT

For the year ended December 31,	Change in profit for year for change in cost of PNT		
	+/- 5%	+/- 10%	+/- 15%
	<i>(RMB in millions)</i>		
2012	9.5	18.9	28.4
2013	9.7	19.4	29.0
2014	7.6	15.2	22.8

Cost of key raw materials — iron powder

For the year ended December 31,	Change in profit for year for change in cost of iron powder		
	+/- 5%	+/- 10%	+/- 15%
	<i>(RMB in millions)</i>		
2012	3.3	6.6	9.8
2013	3.2	6.4	9.6
2014	2.7	5.4	8.1

For 2012, 2013 and 2014, if our cost of sales increased by 39.7%, 42.3% and 61.6%, respectively, our gross profit would become breakeven.

FINANCIAL INFORMATION

WORKING CAPITAL CONFIRMATION

As of December 31, 2014 and April 30, 2015, we recorded net current liabilities of RMB38.7 million and RMB52.2 million, respectively.

Taking into account our cash generated from operating activities, the net proceeds of the Global Offering and our credit facilities maintained with our banks and financial institutions, we are satisfied that we will have available sufficient working capital for our present requirements, that is, for at least 12 months following the date of this prospectus. After due consideration and discussions with our management and based on the above, the Sole Sponsor has no reason to believe that we cannot meet the working capital requirements for at least 12 months following the date of this prospectus.

During the Track Record Period, our Directors also confirm that they were not aware of any material defaults in payment of trade and non-trade payables and bank borrowings, or breaches of finance covenants. As of April 30, 2015, which is the latest practicable date of our indebtedness statement, our total long-term and short-term borrowings were RMB141.6 million. As of December 31, 2014, we had RMB75 million of bank overdraft facilities of which RMB34 million had been utilized. Our Directors confirm that there has been no material change in our indebtedness or contingencies since April 30, 2015 up to the date of the prospectus. We have not had any material covenants related to our outstanding debt since April 30, 2015 to the date of this prospectus, and we do not have any plan to raise material external debt financing as of the date of this prospectus.

DIVIDEND POLICY

We distributed dividends in the amounts of RMB76.0 million, nil and RMB199.7 million in 2012, 2013 and 2014.

We do not have a fixed dividend policy and cannot guarantee dividends will be paid in the future. Declaration of dividends after Listing, its form, frequency and amount of dividends to be distributed will be subject to, among other things, applicable laws and regulations or financing arrangements that we may enter into in the future, and our Articles of Association, the discretion of our Board of Directors and the approval of our Shareholders, which we expect will take into account factors such as the following:

- our financial results and conditions;
- our Shareholders' interests;
- general business conditions and strategies;

FINANCIAL INFORMATION

- our business development and cash requirements;
- contractual restrictions on the payment of dividends by us to our Shareholders or by our subsidiaries to us;
- taxation considerations;
- possible effects on our creditworthiness;
- statutory and regulatory restrictions; and
- any other factors our Board of Directors may deem relevant.

Subject to the above factors, we currently expect to distribute no less than 25% of our net distributable profit for the two financial years ending December 31, 2015 and 2016. Nevertheless, we cannot guarantee that we will be able to declare or distribute dividends of any amount each year or in any year.

DISTRIBUTABLE RESERVES

As of December 31, 2014, our reserves available for distribution to our equity holders amounted to approximately RMB549.5 million.

FINANCIAL INFORMATION

LISTING EXPENSES

The total amount of listing expenses, commissions and the maximum incentive fee (if any), together with SFC transaction levy and Hong Kong Stock Exchange trading fee that will be borne by us in connection with the Global Offering is estimated to be approximately RMB47.8 million (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised), of which approximately RMB7.6 million were charged to our income statement during the Track Record Period. For the remaining listing expenses in the amount of approximately RMB17.4 million is expected to be charged to our income statement and approximately RMB22.8 million is expected to be capitalized after Listing.

OFFERING STATISTICS

All statistics in this table are based on the assumptions that the Over-allotment Option is not exercised.

	Based on an Offer Price of HK\$4.01 per Share	Based on an Offer Price of HK\$5.51 per Share
Market capitalization ⁽¹⁾	HK\$2,005.0 million	HK\$2,755.0 million
Unaudited pro forma adjusted net tangible assets per Share ⁽²⁾	HK\$1.53	HK\$1.88

Notes:

- (1) The calculation of market capitalization is based on 500,000,000 Shares expected to be in issue following the Global Offering.
- (2) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in “Appendix II — Unaudited Pro Forma Financial Information” of this prospectus and on the basis of 500,000,000 Shares in issue at the respective Offer Prices of HK\$4.01 per Share and HK\$5.51 per Share.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances which would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules had the Shares been listed on the Hong Kong Stock Exchange on that date.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please see the section headed “Business — Development Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$4.76 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$535.1 million (approximately RMB427.4 million), after deduction of underwriting fees and commissions and estimated expenses payable in connection with the Global Offering and assuming the Over-allotment Option is not exercised. We intend to use the net proceeds of the Global Offering for the following purposes:

- approximately 50%, or HK\$267.6 million (approximately RMB213.7 million), will be used to expand our production capacity. In particular, we intend to allocate approximately HK\$62.6 million (approximately RMB50 million) to the construction of office complex of our Dongying Production Plant, approximately HK\$167.4 million (approximately RMB133.7 million) to Phase 1 of the construction of our Dongying Production Plant and approximately HK\$37.6 million (approximately RMB30 million) to Phase 2 of the construction of our Dongying Production Plant. For details, see “Business — Production Plants — Our Expansion Plans — Construction of Dongying Production Plant”;
- approximately 10%, or HK\$53.5 million (approximately RMB42.7 million), will be used to develop our new products such as ONT, OT, 2B Acid and 4B Acid;
- approximately 25%, or HK\$133.8 million (approximately RMB106.9 million), will be used to acquire downstream manufacturers of ONT/OT and/or other chemical product manufacturers. For details, see “Business — Development Strategies — Expand through selected acquisition with the goal to improve our technology, supplement our product offering and create greater economies of scale”;
- approximately 5%, or HK\$26.7 million (approximately RMB21.4 million), will be used to pay the rent for the leasing of our Dongao Production Plant (including the Additional Assets we may lease). For details, see “Continuing Connected Transactions — Non-Exempt Continuing Connected Transactions — Continuing connected transactions which are subject to the reporting, annual review and announcement requirements but exempt from the circular and the independent Shareholders’ approval requirements — (2) Assets Leasing Agreement”; and
- approximately 10%, or HK\$53.5 million (approximately RMB42.7 million), will be used to replenish our working capital.

FUTURE PLANS AND USE OF PROCEEDS

The above allocation of proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range.

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$5.51 per Share, the net proceeds we receive from the Global Offering will increase by approximately HK\$89.5 million. If the Offer Price is set at the low-end of the indicative Offer Price range, being HK\$4.01 per Share, the net proceeds we receive from the Global Offering will decrease by approximately HK\$89.5 million.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the net proceeds into short-term demand deposits with authorized financial institutions and/or licensed banks in Hong Kong.

UNDERWRITING

UNDERWRITERS

Hong Kong Underwriters

Sole Global Coordinator

Haitong International Securities Company Limited

Joint Bookrunners

Haitong International Securities Company Limited
BOCI Asia Limited

Joint Lead Managers

Haitong International Securities Company Limited
BOCI Asia Limited
China Everbright Securities (HK) Limited
Guotai Junan Securities (Hong Kong) Limited

Co-lead Managers

Bright Smart Securities International (H.K.) Limited
Kingsway Financial Services Group Limited
RHB OSK Securities Hong Kong Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting arrangements

The Global Offering is fully underwritten by the Hong Kong Underwriters and the International Offering is expected to be fully underwritten by the International Underwriters on a several basis and subject to agreement on pricing of the Offer Shares between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us. The Hong Kong Underwriting Agreement was entered into on June 22, 2015 and in connection with the International Offering, our Company expects to enter into the International Underwriting Agreement with, among others, the International Underwriters. The Hong Kong Underwriting Agreement is conditional upon (among other things) the International Underwriting Agreement being entered into, and the respective Underwriting Agreements are expected to be inter-conditional.

Hong Kong Underwriting Agreement

Under the Hong Kong Underwriting Agreement, we have agreed to offer the Hong Kong Offer Shares to the public in Hong Kong for subscription on and subject to the terms and conditions of this prospectus and the Application Forms.

UNDERWRITING

Pursuant to the Hong Kong Underwriting Agreement, and conditional upon, *inter alia*, the Listing Committee granting or agreeing to grant the listing of, and permission to deal in, our Shares, in issue and to be issued as mentioned in this prospectus (subject only to allotment and/or despatch of share certificates for the Offer Shares and such other usual conditions for transaction of this nature) and certain other conditions including the Offer Price being determined by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the entering into of the International Underwriting Agreement and the Price Determination Agreement on or before the Price Determination Date, the Hong Kong Underwriters have agreed to subscribe for, or procure subscribers to subscribe for, the Hong Kong Offer Shares which are not taken up under the Hong Kong Public Offering on the terms and conditions of the Hong Kong Underwriting Agreement, this prospectus and the Application Forms.

Grounds for termination

The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) is entitled to terminate the Hong Kong Underwriting Agreement by giving written notice before 8:00 a.m. (Hong Kong time) on the Listing Date (“**Termination Time**”) to our Company if any of the following events shall occur prior to the Termination Time:

- (a) there comes to the notice of any of the Sole Sponsor, the Sole Global Coordinator or any of the Hong Kong Underwriters of any matter or event showing any of the representations, warranties or undertakings contained in the Hong Kong Underwriting Agreement given by our Company or any of the executive Directors and the controlling shareholders to be untrue, inaccurate or misleading in any respect when given or repeated or there has been a breach of any of the warranties or any other obligations imposed on any party to the Hong Kong Underwriting Agreement (other than those undertaken by the Hong Kong Underwriters, the Sole Sponsor and/or the Sole Global Coordinator) which, in any such cases, is considered, in the sole and reasonable opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), to be material and adverse in the context of the Global Offering; or
- (b) any statement contained in this prospectus or the Application Forms has become or been discovered to be untrue, incorrect or misleading in any respect; or
- (c) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the sole and reasonable opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), an omission in the context of the Global Offering; or
- (d) any event, act or omission which gives or is likely to give rise to any liability of our Company or any of the executive Directors and the controlling shareholders arising out of or in connection with any representations, warranties or undertakings contained in the Hong Kong Underwriting Agreement; or
- (e) the International Underwriting Agreement is terminated pursuant to its terms; or

UNDERWRITING

- (f) there shall have developed, occurred, existed or come into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Hong Kong Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
- (i) any new law or regulation or any material change in existing laws or regulations or any material change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the Cayman Islands, the BVI, the PRC, any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to our Group (the “**Relevant Jurisdiction**”); or
 - (ii) any change in, or any event or series of events or development resulting or likely to result in any material change in the local, national, regional or international financial, currency or stock market conditions or prospects, or political, military, industrial or economic conditions or prospects in the Relevant Jurisdiction; or
 - (iii) any change in the conditions of Hong Kong, the US, the PRC or international equity securities or other financial markets; or
 - (iv) the imposition of any moratorium, suspension or restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances or otherwise; or
 - (v) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in the Relevant Jurisdiction; or
 - (vi) any change or prospective change in the business or in the financial or trading position or prospects of any member of the Group; or
 - (vii) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the U.S., the European Union (or any member thereof), the United Nations, Australia on Hong Kong or the PRC; or
 - (viii) a general moratorium on commercial banking activities in the PRC or Hong Kong declared by the relevant authorities; or
 - (ix) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, outbreak of an infectious disease, calamity, crisis, terrorism, strike or lock-out (whether or not covered by insurance); or
 - (x) any other change whether or not ejusdem generis with any of the foregoing,

UNDERWRITING

which, in the sole and reasonable opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters):

- (aa) is or will be material and adverse to the business, financial or trading condition or prospects of the Group taken as a whole or, in the case of sub-paragraph (iv) above, on any present shareholder in his/its capacity as such shareholder of the Company; or
- (bb) has or will have a material adverse effect on the success of the Global Offering as a whole or the level of the Offer Shares being demanded, applied for or accepted, the distribution of the Offer Shares; or
- (cc) for any reason makes it materially impracticable or inadvisable or inexpedient to proceed with the Global Offering as a whole.

For the above purpose, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the US or any change of the value of Hong Kong currency under such system shall be taken as an event resulting in a change in currency conditions.

Undertakings

Undertakings to the Hong Kong Stock Exchange pursuant to the Listing Rules

Under Rule 10.08 of the Listing Rules, no further Shares or securities convertible into our equity securities (whether or not a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such an issue of Shares or our securities will be completed within six months from the Listing Date), except in certain circumstances as prescribed by Rule 10.08 of the Listing Rules.

Under the Hong Kong Underwriting Agreement, our Company has undertaken to and covenanted with the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that, and each of our Controlling Shareholders and our executive Directors has jointly and severally undertaken to and covenanted with the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters to procure (so far as he/it is able to do so) that without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) (such consent not to be unreasonably withheld or delayed) and subject always to the requirements of the Hong Kong Stock Exchange, save for the Offer Shares, the Capitalization Issue, the grant of the Over-allotment Option, any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or otherwise than by way of scrip dividend schemes or similar arrangements in accordance with the Memorandum and the Articles or any consolidation, sub-division or capital reduction of the Shares, our Company shall not:

- (a) allot and issue, accept subscriptions for, offer, sell or contract to sell, grant or agree to grant any option or other right in, directly or indirectly, conditionally or unconditionally, any shares, warrants or other convertible or exchangeable securities carrying the right to subscribe for or exchangeable into shares or other securities of our Company or offer or agree to do any of the foregoing or announce any intention to do so:

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- (i) at any time during the period commencing from the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date (“**First Lock-up Period**”); or
 - (ii) at any time during the six months commencing on the date which the First Lock-up Period expires (the “**Second Lock-up Period**”) so as to result in our Controlling Shareholders, taken together with the other of them, ceasing to be a group of Controlling Shareholders (as defined in the Listing Rules) of our Company; or
- (b) at any time during the First Lock-up Period, subject to the Listing Rules and the Takeovers Codes, our Company shall not make or agree to make any repurchase of Shares or other securities of our Company.

Under Rule 10.07(1) of the Listing Rules, our Controlling Shareholders shall not, and procure that the relevant registered holder(s) shall not:

- (a) during the First Lock-up Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or our securities in respect of which they are shown by this prospectus to be the beneficial owners; or
- (b) at any time during the Second Lock-up Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would cease to be our Controlling Shareholder (as defined in the Listing Rules).

In accordance with Note (3) of Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has also undertaken to us and the Hong Kong Stock Exchange that, during the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is the 12 months from the Listing Date, he/it will:

- (1) when he/it pledges or charges any securities of our Company beneficially owned by him/it in favour of an authorized institution pursuant to Note (2) to Rule 10.07 (2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of securities so pledged or charged; and
- (2) when he/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities of our Company will be disposed of, immediately inform us of such indications.

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Under Note (3) to Rule 10.07 (2) of the Listing Rules, we are required to inform the Hong Kong Stock Exchange as soon as practicable after we have been informed of the matters referred to in (1) or (2) above by any of our Controlling Shareholders and disclose such matters by way of an announcement in compliance with the Listing Rules.

Under the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has jointly and severally undertaken to us, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that, save as (i) pursuant to the Global Offering or the Stock Borrowing Agreement; or (ii) permitted under the Listing Rules:

- (a) he/it shall not, and shall procure that none of his/its associates or any company controlled by him/it or any of his/its associates, nominees or trustees holding in trust for him/it will, at any time during the First Lock-up Period, sell, transfer or otherwise dispose of (other than by way of a security for a bona fide commercial loan in favour of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong (the “**Banking Ordinance**”)), or enter into any agreement (other than by way of a security for a bona fide commercial loan in favour of an authorized institution (as defined in the Banking Ordinance)) to sell, transfer or dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares (or any interest therein) directly or indirectly owned by him/it or in which he/it is, directly or indirectly, interested immediately after completion of the Global Offering and the Capitalization Issue or any interest in any shares in any company controlled by him/it which is the beneficial owner of any of these Shares, or enter into any swap or other arrangements that transfer the economic consequences of ownership of such Shares or interest, whether any of the foregoing transactions or arrangement is to be settled by delivery of such Shares or other securities, in cash or otherwise, or offer or agree to do any of the foregoing or announce any intention to do so, provided that the foregoing restriction shall not apply to any Shares which any of them may acquire or become interested in following the Listing Date (save any Shares returned under the Stock Borrowing Agreement) provided further that any such acquisition would not result in any breach of Rule 8.08 of the Listing Rules;
- (b) each of our Controlling Shareholders shall not, and shall procure that none of his/its associates or any company controlled by him/it or any of his/its associates, nominees or trustees holding in trust for him/it will, at any time during the Second Lock-up Period, sell, transfer or otherwise dispose of (other than by way of a security for a bona fide commercial loan in favour of an authorized institution (as defined in the Banking Ordinance), or enter into any agreement (other than by way of a security for a bona fide commercial loan in favour of an authorized institution (as defined in the Banking Ordinance)) to sell, transfer or dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares (or any interest therein) directly or indirectly owned by him/it or in which he/it is, directly or indirectly, interested immediately after completion of the Global Offering and the Capitalization Issue or any interest in any shares in any company controlled by him/it which is the beneficial owner of any of these Shares, or announce any intention to do so, if, immediately following such action, our Controlling Shareholders, when taken together, would cease to be a group of controlling shareholders (as defined in the Listing Rules) of our Company; and

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- (c) without prejudice to the undertakings as referred to in paragraphs (a) and (b) above, during the period commencing on the date by reference to which disclosure of his/its direct or indirect shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it shall:
 - (i) when he/it pledges or charges or otherwise create any rights of encumbrances over any Shares or other securities of our Company or those of Cavalli beneficially owned by him/it in favour of an authorized institution (as defined in the Banking Ordinance) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) of such pledge or charge or creation of the rights of encumbrances together with the number of the securities so pledged or charged and all other information as requested by us, the Sole Sponsor and/or the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters); and
 - (ii) subsequent to the pledge or charge or creation of rights or encumbrances over our Shares (or interest therein) or other shares or interests as mentioned in sub-paragraph (i) above, when he/it receives any indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged or encumbered securities as referred to in sub-paragraph (i) above will be disposed of, immediately inform us of such indications, and inform the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) as soon as practicable thereafter (taking into account the requirements of applicable laws, rules and regulations) of such indications.

International Underwriting Agreement

In connection with the International Offering, it is expected that our Company, executive Directors and our Controlling Shareholders will enter into the International Underwriting Agreement with, among others, the Sole Sponsor, the Sole Global Coordinator and the International Underwriters on or before the Price Determination Date. It is expected that under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, severally agree to subscribe or procure subscribers to subscribe for the International Offer Shares to be initially being offered under the International Offering (subject to reallocation) on and subject to the terms of the International Underwriting Agreement. The International Underwriting Agreement is expected to contain force majeure provisions as that contained in the Hong Kong Underwriting Agreement as mentioned above. In the event that the International Underwriting Agreement is not entered into on or before the Price Determination Date, or does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed and will lapse.

It is expected that under the International Underwriting Agreement, our Company will grant the Over-allotment Option to the International Underwriters, exercisable at the sole discretion of the Sole Global Coordinator (for itself and on behalf of the International Underwriters) to require our Company at any time within a period commencing from the Listing Date and ending on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, to allot and issue up to an aggregate of 18,750,000 additional new Shares, representing 15% of the Offer Shares initially being offered under the Global Offering, on the same terms as those applicable to the Global Offering, to cover over-allocations in the International Offering.

UNDERWRITING

Commission and expenses

Pursuant to the terms of the Hong Kong Underwriting Agreement, our Company has agreed to pay to the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and, in the case of the International Underwriting Agreement, our Company will agree to pay to the Sole Global Coordinator (for itself and on behalf of the International Underwriters), an underwriting commission of 3.5% of the aggregate final Offer Price payable for the Offer Shares (including the Over-allotment Shares), out of which they will (as the case may be) pay any sub-underwriting commissions. The Sole Global Coordinator may, at our Company's discretion, receive our additional incentive fee of up to 1.0% of the aggregate sale proceeds of the Global Offering, including the proceeds from the exercise of the Over-allotment Option. Assuming the Over-allotment Option is not exercised, based on an Offer Price of HK\$4.76 (being the mid-point of the Offer Price range of HK\$4.01 per Offer Share and HK\$5.51 per Offer Share), such underwriting commission and fees, together with the Hong Kong Stock Exchange listing fee, legal and other professional fees, applicable printing and other expenses relating to the Global Offering are estimated to be about RMB47.8 million in total and are payable by our Company.

Underwriters' interests in our Company

Save for their respective obligations and interests under the Underwriting Agreements as disclosed above and the appointment of the Sole Sponsor as compliance advisor of our Company, none of the Underwriters has any shareholding interest in our Company or any member of our Group or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group nor any interest in the Global Offering.

Minimum Public Float

Our Directors and the Sole Global Coordinator will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.

Sole Sponsor's independence

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

DETERMINING THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Sole Global Coordinator (on behalf of the Underwriters) and our Company on or before the Price Determination Date, which is currently scheduled on Friday, June 26, 2015, or such later date as the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company may agree but in any event no later than on Monday, June 29, 2015. **If, for any reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by Monday, June 29, 2015, the Global Offering will not become unconditional and will lapse.**

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but is not expected to be, lower than the Offer Price range as stated in this prospectus. The Offer Price will not be more than HK\$5.51 per Offer Share and is expected to be not less than HK\$4.01 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interests expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of our Company, reduce the Offer Price range below as stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notice of such a change. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Global Offering statistics as currently set out in the section headed “Summary” of this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any notice being published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) of a reduction in the Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon with our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

We expect to announce the final Offer Price, the level of indication of interests under the International Offering and the basis of allotment of the Hong Kong Offer Shares under the Hong Kong Public Offering on or before Thursday, July 2, 2015 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our Company’s website at www.tsaker.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Results of allocations in the Hong Kong Public Offering, including the Hong Kong identity card/passport/Hong Kong business registration certificate numbers of successful applicants (where supplied) and the number of Offer Shares successfully applied for under WHITE or YELLOW Application Forms or by giving electronic application instructions to HKSCC via CCASS or by applying through HK eIPO White Form service which will be made available as described under the paragraph headed “Publication of results” under the section headed “How to apply for the Hong Kong Offer Shares” of this prospectus.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$5.51 per Offer Share and is expected to be not less than HK\$4.01 per Offer Share. Applicants under the Hong Kong Public Offering should pay, on application, the maximum price of HK\$5.51 per Offer Share plus 1% brokerage, 0.005% Hong Kong Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK\$2,782.76 per board lot of 500 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum price of HK\$5.51 per Offer Share, appropriate refund payments (including the related brokerage, the Hong Kong Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest. Further details are set out in the section headed “How to apply for the Hong Kong Offer Shares” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares is conditional upon the satisfaction of all of the following conditions:

1. Listing

The Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Global Offering, the Capitalization Issue and Shares which fall to be allotted and issued upon the exercise of the Over-allotment Option (and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Hong Kong Stock Exchange).

2. Underwriting Agreements

The entering into of the International Underwriting Agreement between, among others, our Company and the International Underwriters, and the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, among other things, the Offer Price be agreed by no later than the Price Determination Date and the Price Determination Agreement has been duly entered into, and if relevant, as a result of the waiver of any conditions given by the Sole Global Coordinator (for itself and on behalf of the Underwriters)), and not being terminated in accordance with its terms or otherwise. Details of the Hong Kong Underwriting Agreement and grounds for termination are set out in the section headed “Underwriting” in this prospectus. If for any reason, the International Underwriting Agreement and the Price Determination Agreement are not entered into,

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

the Global Offering will not proceed. If these conditions are not fulfilled on or before the time and date specified in the Underwriting Agreements or such later date as the Sole Global Coordinator (for itself and on behalf of the Underwriters) may in its absolute discretion determine, the Global Offering will lapse and your application money will be refunded to you, without interest, and by post at your own risk. The terms on which your application money will be returned to you are set out under the paragraph headed “Refund of your money” in the relevant Application Forms.

In the meantime, your application money will be held in one or more separate bank accounts with the receiving banker other bank(s) licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

THE GLOBAL OFFERING

The Global Offering comprises the International Offering and the Hong Kong Public Offering. A total of 125,000,000 Shares will initially be made available under the Global Offering, of which 112,500,000 Shares, representing 90% of the total number of Shares initially being offered under the Global Offering, will initially be offered for subscription under the International Offering. The remaining 12,500,000 Shares, representing 10% of the total number of Shares initially being offered under the Global Offering, will initially be offered for subscription under the Hong Kong Public Offering. The number of Shares offered for subscription under the International Offering and the Hong Kong Public Offering will be subject to re-allocation on the basis described below and the number of Shares offered for subscription under the International Offering will also be subject to the exercise of the Over-allotment Option below. No pre-emption right or right to subscribe for the Offer Shares has been granted.

THE INTERNATIONAL OFFERING

Our Company is initially offering, at the Offer Price, 112,500,000 Shares (subject to re-allocation as mentioned in the paragraph headed “— Re-allocation of Offer Shares between the Hong Kong Public Offering and the International Offering” below), representing 90% of the total number of Shares being initially offered under the Global Offering (before any exercise of the Over-allotment Option), for subscription by way of International Offering. The International Offering will be managed by the Sole Global Coordinator and is expected to be fully underwritten by the International Underwriters. Pursuant to the International Offering, it is expected that the International Underwriters or any selling agents which they nominate will, on behalf of our Company, conditionally place the International Offer Shares at the Offer Price plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee with selected professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies and fund managers, whose ordinary businesses involve dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. It is expected that the International Underwriting Agreement will be executed on or around the Price Determination Date.

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Allocation of the International Offer Shares to professional, institutional and private investors pursuant to the International Offering will be based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the investor is likely to purchase further Shares, or hold or sell the Shares placed, after Listing. Such allocation is intended to result in a distribution of the International Offer Shares on the basis which would lead to the establishment of a solid broad shareholder base to the benefit of our Company and our Shareholders taken as a whole. Investors to whom International Offer Shares are offered are required to undertake not to apply for the Hong Kong Offer Shares under the Hong Kong Public Offering. The level of indication of interest in the International Offering is expected to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Thursday, July 2, 2015. The International Offering is subject to the conditions stated in the paragraph headed "— Conditions of the Global Offering" above.

OVER-ALLOTMENT OPTION

It is expected that under the International Underwriting Agreement, our Company will grant the Over-allotment Option to the International Underwriters, exercisable at the sole discretion of the Sole Global Coordinator (for itself and on behalf of the International Underwriters) to require our Company at any time within a period commencing from the Listing Date and ending on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, to allot and issue up to an aggregate of 18,750,000 additional new Shares, representing 15% of the Offer Shares initially being offered under the Global Offering, on the same terms as those applicable to the Global Offering, to cover over-allocations in the International Offering. The additional Shares to be allotted and issued pursuant to the exercise of the Over-allotment Option will be allocated to the International Offering and/or to satisfy the Sole Global Coordinator's obligation to return Shares borrowed under the Stock Borrowing Agreement. The Sole Global Coordinator may also cover any over-allocations under the International Offering through the purchase of Shares in the secondary market or otherwise as may be permitted under applicable laws. Any purchases of Shares in the market to cover the over-allocations will be made at prices not exceeding the Offer Price. The number of Shares that may be over-allocated may not be greater than the number of Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option. Assuming the Over-allotment Option is not exercised, the Offer Shares will represent 25% of our Company's enlarged issued share capital immediately after completion of the Global Offering and the Capitalization Issue. If the Over-allotment Option is exercised in full, the Offer Shares (including the Shares allotted and issued pursuant to the exercise of the Over-allotment Option) will represent about 27.7% of the enlarged issued share capital of our Company immediately after completion of the Global Offering, the Capitalization Issue and the exercise of the Over-allotment Option in full. In the event that the Over-allotment Option is exercised, an announcement will be made in English in the South China Morning Post and in Chinese in the Hong Kong Economic Times.

Based on an Offer Price of HK\$4.76 per Offer Share (being the mid-point of the Offer Price range between HK\$4.01 per Offer Share and HK\$5.51 per Offer Share), the net proceeds of the Global Offering, assuming that the Over-allotment Option is not exercised and after deducting related expenses, are estimated to be about HK\$535.1 million. If the Over-allotment Option is exercised in full, our Company will receive additional net proceeds of about HK\$85.2 million, after deducting brokerages, commissions and expenses attributable to the exercise of the Over-allotment Option.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The Hong Kong Public Offering is open to the public as well as to institutional, professional and private investors in Hong Kong. The International Offering involves selective marketing of the International Offer Shares by the International Underwriters to professional, institutional and private investors. Investors may either apply for the Shares under the Hong Kong Public Offering or indicate an interest for the Shares under the International Offering, and may only receive an allocation of Shares under the Hong Kong Public Offering or the International Offering. The Offer Shares are not available for subscription by existing beneficial owners of the Shares, our Directors, chief executive of our Company or any of its subsidiaries or their respective associates, or any other connected persons (as defined in Chapter 1 of the Listing Rules) of our Company or persons who will become connected persons (as defined in Chapter 1 of the Listing Rules) of our Company immediately upon completion of the Global Offering.

THE HONG KONG PUBLIC OFFERING

Our Company is initially offering, at the Offer Price, 12,500,000 Shares (subject to re-allocation as mentioned in the paragraph headed “— Re-allocation of Offer Shares between the Hong Kong Public Offering and the International Offering” below), representing 10% of the total number of Shares being initially offered under the Global Offering, for subscription under the Hong Kong Public Offering (before any exercise of the Over-allotment Option). The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement. Applicants for the Hong Kong Offer Shares are required on application to pay the Offer Price plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee.

The Hong Kong Public Offering is open to all members of the public in Hong Kong. An applicant for Hong Kong Offer Shares will be required to give an undertaking and confirmation in the relevant Application Form submitted by him/her that he/she has not applied for nor taken up any International Offer Shares nor participated in the International Offering. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or is untrue (as the case may be), such applicant’s application under the Hong Kong Public Offering is liable to be rejected.

The total number of the Offer Shares available under the Hong Kong Public Offering is to be divided into two pools of 6,250,000 Hong Kong Offer Shares for each of pool A and pool B, respectively, for allocation purposes:

- Pool A: The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage, the Hong Kong Stock Exchange trading fee and the SFC transaction levy payable) or less; and
- Pool B: The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage, the Hong Kong Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Hong Kong Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B but not both. Multiple applications or suspected multiple applications within either pool or between pools and any application made for more than 100% of the Hong Kong Offer Shares initially available under either pool A or pool B will be rejected.

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering, both in relation to pool A or pool B, will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of the Hong Kong Offer Shares validly applied for by each applicant. When there is over subscription under the Hong Kong Public Offering, allocation of the Hong Kong Offer Shares may involve balloting, which would mean that some applicants may be allotted more Hong Kong Offer Shares than others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares. The results of the Hong Kong Public Offering and basis of allocation of the Hong Kong Offer Shares (with successful applicants' identification document numbers, where appropriate) are expected to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Thursday, July 2, 2015.

Applications under the Hong Kong Public Offering from investors receiving the International Offer Shares under the International Offering will be identified and rejected and investors receiving the Hong Kong Offer Shares under the Hong Kong Public Offering will not be offered the International Offer Shares under the International Offering. Multiple applications or suspected multiple applications or applications for more than 100% of the Hong Kong Offer Shares initially available in either pool A or pool B for public subscription under the Hong Kong Public Offering (i.e. to apply for more than 6,250,000 Hong Kong Offer Shares) are liable to be rejected.

The Hong Kong Public Offering is subject to the conditions as stated in the paragraph headed “— Conditions of the Global Offering” above.

RE-ALLOCATION OF OFFER SHARES BETWEEN THE HONG KONG PUBLIC OFFERING AND THE INTERNATIONAL OFFERING

The allocation of Offer Shares between the International Offering and the Hong Kong Public Offering is subject to re-allocation. If the number of Shares validly applied for in the Hong Kong Public Offering:

- (a) represents 15 times or more but less than 50 times of the number of Shares initially available for subscription under the Hong Kong Public Offering, then 25,000,000 Shares will be re-allocated to the Hong Kong Public Offering from the International Offering, so that an aggregate of 37,500,000 Shares will be available under the Hong Kong Public Offering, representing 30% of the Offer Shares initially available under the Global Offering;

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

- (b) represents 50 times or more but less than 100 times of the number of Shares initially available for subscription under the Hong Kong Public Offering, then 37,500,000 Shares will be re-allocated to the Hong Kong Public Offering from the International Offering, so that an aggregate of 50,000,000 Shares will be available under the Hong Kong Public Offering, representing 40% of the Offer Shares initially available under the Global Offering;
- (c) represents 100 times or more of the number of Shares initially available for subscription under the Hong Kong Public Offering, then 50,000,000 Shares will be re-allocated to the Hong Kong Public Offering from the International Offering, so that an aggregate of 62,500,000 Shares will be available under the Hong Kong Public Offering, representing 50% of the Offer Shares initially available under the Global Offering; and
- (d) in each of the above cases, the number of Shares allocated to the International Offering will be correspondingly reduced, subject to the exercise of the Over-allotment Option.

In all cases, the additional Shares re-allocated to the Hong Kong Public Offering will be allocated, if applicable, equally between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced.

If the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator has the absolute discretion to re-allocate all or any of the unsubscribed Hong Kong Offer Shares originally included in the Hong Kong Public Offering to the International Offering in such number as it deems appropriate to satisfy the demand under the International Offering. If the International Offering is not fully subscribed, the Sole Global Coordinator has the authority to re-allocate all or any unsubscribed International Offer Shares originally included in the International Offering to the Hong Kong Public Offering, in such number as it deems appropriate provided that there is sufficient demand under the Hong Kong Public Offering to take up such unsubscribed International Offer Shares. Details of any re-allocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement, which is expected to be made on Thursday, July 2, 2015.

STABILIZATION AND STOCK BORROWING AGREEMENT

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, agree to purchase or actually purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, to prevent a decline in the initial Hong Kong Public Offering prices of the securities. In Hong Kong, the stabilization price will not exceed the initial Offer Price.

In connection with the Global Offering, the Sole Global Coordinator, as stabilising manager, or any person acting for it, (for itself and on behalf of the Underwriters and not as agent for our Company) may over-allocate Shares or effect transactions with a view to supporting the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there is no obligation on the Sole Global Coordinator to conduct any such stabilization action which, if commenced, may be discontinued at any time at the absolute discretion

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

of the Sole Global Coordinator, its affiliates or any person acting for it, and must be brought to an end after a limited period. The number of Shares that may be over-allocated will not be greater than the maximum number of Shares which may be issued upon exercise of the Over-allotment Option, being 18,750,000 Shares, which is 15% of the Shares initially available under the Global Offering.

Stabilization action cannot be taken to support the price of the Offer Shares for longer than the stabilising period which begins on the Listing Date and ends on the 30th day after the last day for lodging of applications under the Hong Kong Public Offering (the “**Stabilization Period**”). The Stabilization Period is expected to expire on Sunday, July 26, 2015 and that after this date, when no further stabilising action may be taken, demand for our Shares, and therefore its price, could fall.

During the Stabilization Period, the Sole Global Coordinator as stabilising manager or any person acting for it, may purchase or agree to purchase, or offer, the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares, which will be effected in compliance with all applicable laws and regulatory requirements, including the Securities and Futures (Price Stabilizing) Rules made under the SFO. In connection with any such stabilization actions as described above, the Sole Global Coordinator as stabilising manager, or any person acting for it, may allocate a greater number of Shares than the number that is initially offered, or sell or agree to sell Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares. It may close out any such short position by exercising the Over-allotment Option, as described above. It may also agree to sell or sell any Shares acquired by it in the course of any stabilization transactions in order to liquidate any position that has been established by such action.

The Sole Global Coordinator may, in connection with the stabilising action, maintain a long position in the Shares. The size of the long position, and the time period for which the Sole Global Coordinator will maintain such a position during the Stabilization Period, are at the sole discretion of the Sole Global Coordinator and is uncertain. In the event that the Sole Global Coordinator liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Investors should be aware that the price of the Shares cannot be assured to stay at or above its Offer Price by the taking of any stabilising action. Stabilization bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price the investor has paid for the Offer Shares.

In order to facilitate the settlement of over-allocations, the Sole Global Coordinator, as the stabilising manager, or its authorized agents may, among other means, purchase Shares in the secondary market, enter into stock borrowing arrangements with holders of Shares, exercise the Over-allotment Option, engage in a combination of these means or otherwise as may be permitted under applicable laws. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

In this connection, the Sole Global Coordinator will enter into the Stock Borrowing Agreement with Cavalli whereby the Sole Global Coordinator may borrow up to 18,750,000 Shares from Cavalli, equivalent to the maximum number of additional Shares to be offered upon full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. The Stock Borrowing Agreement is not subject to the restrictions of Rule 10.07(1) of the Listing Rules which restricts the disposal of Shares by controlling shareholders following a new listing, provided the following requirements under Rule 10.07(3) of the Listing Rules are complied with:

- the Stock Borrowing Agreement will only be effected by the Sole Global Coordinator as stabilising manager for covering any short position arising from over-allocations under the International Offering prior to the exercise of the Over-allotment Option;
- the maximum number of Shares to be borrowed from Cavalli will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Cavalli or its nominees on or before the third business day, a day that is not a Saturday, Sunday or public holiday in Hong Kong, following the earlier of (i) the last day on the Over-allotment Option may be exercised, and (ii) the day on which the Over-allotment Option is exercised in full;
- borrowing of Shares pursuant to the Stock Borrowing Agreement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and
- no payments will be made to Cavalli in relation to the Stock Borrowing Agreement.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, July 3, 2015, it is expected that dealings in our Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Friday, July 3, 2015. The Shares will be traded in board lots of 500 Shares.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) or, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of shares in our Company and/or any our subsidiaries;
- a Director or chief executive officer of our Company and/or any of our subsidiaries;
- a connected person or a core connected person (as defined in the Listing Rules) of our Company or will become a connected person or a core connected person of our Company immediately upon completion of the Global Offering; or
- an associate or close associate (as defined in the Listing Rules) of any of the above;
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, June 23, 2015 to 12:00 noon on Friday, June 26, 2015 from:

- (i) the following address of the Joint Bookrunners:

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

BOCI Asia Limited
26th Floor, Bank of China Tower
1 Garden Road
Hong Kong

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

(ii) Any of the following branches of the receiving bank:

Bank of China (Hong Kong) Limited

District	Branch Name	Branch Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Shek Tong Tsui Branch	534 Queen's Road West, Shek Tong Tsui
	409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai
	Lee Chung Street Branch	29-31 Lee Chung Street, Chai Wan
Kowloon	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom
	Lam Tin Branch	Shop 12, 49 Kai Tin Road, Lam Tin
New Territories	City One Sha Tin Branch	Shop Nos.24-25, G/F, Fortune City One Plus, No.2 Ngan Shing Street, ShaTin
	Kau Yuk Road Branch	18-24 Kau Yuk Road, Yuen Long

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, June 23, 2015 until 12:00 noon on Friday, June 26, 2015 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited — Tsaker Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

9:00 a.m. to 5:00 p.m. — Tuesday, June 23, 2015
9:00 a.m. to 5:00 p.m. — Wednesday, June 24, 2015
9:00 a.m. to 5:00 p.m. — Thursday, June 25, 2015
9:00 a.m. to 12:00 noon — Friday, June 26, 2015

The application lists will be open from 11:45 a.m. to 12:00 noon on June 26, 2015, the last application day or such later time as described in the paragraph headed "— 10. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to our Company, the Hong Kong Branch Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator, the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorize our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the HK eIPO White Form Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraph headed “— 2. Who Can Apply” above, may apply through the **HK eIPO White Form** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the HK eIPO White Form Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the Hong Kong eIPO White Form

You may submit your application through the HK eIPO White Form Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, June 23, 2015 until 11:30 a.m. on Friday, June 26, 2015 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, June 26, 2015 or such later time under the paragraph headed “— 10. Effects of Bad Weather on the Opening of the Applications Lists” in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Branch Share Registrar.

GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- (if the electronic application instructions are given for your benefits) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that our Company, our Directors, the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, the Hong Kong Branch Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or its respective advisors and agents;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 500 Hong Kong Offer Shares. Instructions for more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, June 23, 2015 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, June 24, 2015 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, June 25, 2015 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, June 26, 2015 — 8:00 a.m.⁽¹⁾ to 12:00 noon

Note (1): These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, June 23, 2015 until 12:00 noon on Friday, June 26, 2015 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, June 26, 2015, the last application day or such later time as described in the paragraph headed “— 10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by us, the Hong Kong Branch Share Registrar, the receiving banks, the Sole Global Coordinator, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the HK eIPO White Form Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, June 26, 2015.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of that company;
- control more than half of the voting power of that company; or
- hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the HK eIPO White Form service in respect of a minimum of 500 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and Conditions of the Global Offering” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, June 26, 2015. Instead they will open between 9:00 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, June 26, 2015 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, July 2, 2015 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on our Company's website at www.tsaker.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at www.tsaker.com and the Hong Kong Stock Exchange's website at www.hkexnews.hk by no later than 8:00 a.m. on Thursday, July 2, 2015;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, July 2, 2015 to 12:00 midnight on Wednesday, July 8, 2015;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, July 2, 2015 to Tuesday, July 7, 2015 (excluding Saturday and Sunday);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, July 2, 2015 to Monday, July 6, 2015 at all the receiving bank branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** Service Provider, you agree that your

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the HK eIPO White Form Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believes that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$5.51 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure and conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, July 2, 2015.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, July 2, 2015. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, July 3, 2015 provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) *If you apply using a **WHITE** Application Form*

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our Company’s Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, July 2, 2015 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation’s chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, July 2, 2015, by ordinary post and at your own risk.

(ii) *If you apply using a **YELLOW** Application Form*

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, July 2, 2015, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, July 2, 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "— 11. Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, July 2, 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) *If you apply through the **HK eIPO White Form** Service*

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from our Company's Hong Kong Branch Share Registrar, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, July 2, 2015, or such other date as notified by our Company in the newspapers as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, July 2, 2015 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) *If you apply via **Electronic Application Instructions** to HKSCC*

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, July 2, 2015, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "— 11. Publication of Results" above on Thursday, July 2, 2015. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, July 2, 2015 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, July 2, 2015. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, July 2, 2015.

15. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

The following is the text of a report received from the reporting accountant of our Company, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in the document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

23 June 2015

The Directors
Tsaker Chemical Group Limited
Haitong International Capital Limited

Dear Sirs,

We set out below our report on the financial information of Tsaker Chemical Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2012, 2013 and 2014 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 December 2012, 2013 and 2014, and the statement of financial position of the Company as at 31 December 2014 together with the notes thereto (the "Financial Information"), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the prospectus of the Company dated 23 June 2015 (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 29 October 2014. Pursuant to a group reorganisation (the "Reorganisation") as set out in note 1 of Section II below, which was completed on 17 December 2014, the Company became the holding company of the subsidiaries comprising the Group. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for the Company since the date of its incorporation as it is not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of its incorporation.

As at the end of the Relevant Periods, the Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company (the “Directors”) have prepared the consolidated financial statements of the Group (the “Underlying Financial Statements”) in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

Directors’ responsibility

The Directors are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Group as at 31 December 2012, 2013 and 2014, and of the Company as at 31 December 2014, and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

I. FINANCIAL INFORMATION

(a) CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December		
		2012	2013	2014
		RMB'000	RMB'000	RMB'000
REVENUE	5	830,161	863,969	897,477
Cost of sales		(594,203)	(606,936)	(555,242)
Gross profit		235,958	257,033	342,235
Other income and gains	5	31,270	21,392	15,894
Selling and distribution expenses		(26,400)	(26,477)	(25,289)
Administrative expenses		(52,480)	(43,517)	(89,675)
Other expenses		(7,319)	(8,809)	(4,534)
Finance costs	6	(26,234)	(20,749)	(11,634)
Exchange losses, net		(1,119)	(4,542)	(763)
PROFIT BEFORE TAX	7	153,676	174,331	226,234
Income tax expense	10	(24,987)	(41,343)	(54,720)
PROFIT FOR THE YEAR		<u>128,689</u>	<u>132,988</u>	<u>171,514</u>
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations		<u>65</u>	<u>803</u>	<u>1,008</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>128,754</u>	<u>133,791</u>	<u>172,522</u>
Profit attributable to:				
Owners of the parent		<u>103,459</u>	<u>109,440</u>	<u>144,859</u>
Non-controlling interests		<u>25,230</u>	<u>23,548</u>	<u>26,655</u>
		<u>128,689</u>	<u>132,988</u>	<u>171,514</u>
Total comprehensive income attributable to:				
Owners of the parent		<u>103,524</u>	<u>110,243</u>	<u>145,867</u>
Non-controlling interests		<u>25,230</u>	<u>23,548</u>	<u>26,655</u>
		<u>128,754</u>	<u>133,791</u>	<u>172,522</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT				
Basic and diluted	14	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

(b) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December		
		2012	2013	2014
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS				
Property, plant and equipment	15	226,989	251,665	323,743
Prepaid land lease payments	16	1,445	1,463	35,486
Available-for-sale investment	18	17,000	—	—
Deferred tax assets	28	9,595	13,862	24,092
Other non-current assets		48	39	25
Total non-current assets		<u>255,077</u>	<u>267,029</u>	<u>383,346</u>
CURRENT ASSETS				
Inventories	19	79,474	89,434	60,383
Trade receivables	20	117,581	103,064	115,097
Notes receivables	21	56,273	64,278	32,566
Prepayments and other receivables	22	267,971	205,176	17,111
Prepaid income tax	10	11,841	—	—
Restricted cash	23	6,373	512	514
Cash and cash equivalents	23	46,701	21,113	95,471
Total current assets		<u>586,214</u>	<u>483,577</u>	<u>321,142</u>
CURRENT LIABILITIES				
Trade payables	24	63,739	129,892	149,144
Other payables and accruals	25	118,997	152,202	107,256
Interest-bearing bank and employee borrowings	26	233,299	113,246	81,000
Income tax payable	10	—	847	22,406
Total current liabilities		<u>416,035</u>	<u>396,187</u>	<u>359,806</u>
NET CURRENT ASSETS / (LIABILITIES)		<u>170,179</u>	<u>87,390</u>	<u>(38,664)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>425,256</u>	<u>354,419</u>	<u>344,682</u>
NON-CURRENT LIABILITIES				
Interest-bearing bank and employee borrowings	26	20,000	20,000	—
Deferred tax liabilities	28	3,212	3,240	—
Deferred income	27	14,040	5,691	7,221
Other financial liability	29	—	—	30,615
Total non-current liabilities		<u>37,252</u>	<u>28,931</u>	<u>37,836</u>
Net assets		<u>388,004</u>	<u>325,488</u>	<u>306,846</u>
EQUITY				
Equity attributable to owners of the parent				
Share capital	30	—	—	6
Reserves	31(a)	314,960	275,688	306,840
		<u>314,960</u>	<u>275,688</u>	<u>306,846</u>
Non-controlling interests		73,044	49,800	—
Total equity		<u>388,004</u>	<u>325,488</u>	<u>306,846</u>

(c) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent									
	Share capital	Share premium	Capital reserve	Safety			Retained profits	Total	Non-controlling interests	Total
				production fund	Statutory reserve	Translation reserve				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012	—	—	11,835	9,711	21,591	(189)	228,644	271,592	63,613	335,205
Profit for the year	—	—	—	—	—	—	103,459	103,459	25,230	128,689
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	—	—	—	—	—	65	—	65	—	65
Total comprehensive income for the year	—	—	—	—	—	65	103,459	103,524	25,230	128,754
Dividend distribution (note 13(1))	—	—	—	—	—	—	(60,156)	(60,156)	(15,799)	(75,955)
Appropriation to safety production fund	—	—	—	5,290	—	—	(5,290)	—	—	—
At 31 December 2012 and 1 January 2013	—	—*	11,835*	15,001*	21,591*	(124)*	266,657*	314,960	73,044	388,004
Profit for the year	—	—	—	—	—	—	109,440	109,440	23,548	132,988
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	—	—	—	—	—	803	—	803	—	803
Total comprehensive income for the year	—	—	—	—	—	803	109,440	110,243	23,548	133,791
Capital contributions from Huage Cangzhou (note 13(2))	—	—	90,000	—	—	—	—	90,000	—	90,000
Deemed disposal of equity interests in subsidiaries (note 13(3))	—	—	(27,955)	—	—	—	—	(27,955)	27,955	—
Net assets retained by shareholders of Huage Dye (note 13(4))	—	—	(211,560)	—	—	—	—	(211,560)	(74,747)	(286,307)
Transfer to statutory reserve	—	—	—	—	3,441	—	(3,441)	—	—	—
Appropriation to safety production fund	—	—	—	6,680	—	—	(6,680)	—	—	—
At 31 December 2013 and 1 January 2014	—	—*	(137,680)*	21,681*	25,032*	679*	365,976*	275,688	49,800	325,488

	Attributable to owners of the parent										
	Share capital	Share premium	Capital reserve	Safety		Statutory reserve	Translation reserve	Retained profits	Total	Non-controlling interests	Total
				production fund	reserve						
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2014	—	—	(137,680)	21,681	25,032	679	365,976	275,688	49,800	325,488	
Profit for the year	—	—	—	—	—	—	144,859	144,859	26,655	171,514	
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	—	—	—	—	—	1,008	—	1,008	—	1,008	
Total comprehensive income for the year	—	—	—	—	—	1,008	144,859	145,867	26,655	172,522	
Capital contributions from Huage Holdings and Cavalli (note 13(5))	—	—	44,766	—	—	—	—	44,766	7,167	51,933	
Dividend distributions to Huage Holdings and Huage Cangzhou (note 13(6))	—	—	—	—	—	—	(151,839)	(151,839)	(47,848)	(199,687)	
Consideration paid to the then shareholders of the subsidiaries (note 13(7))	—	—	(142,343)	—	—	—	—	(142,343)	(35,774)	(178,117)	
Issue of shares (note 30)	6	214,911	(80,210)	—	—	—	—	134,707	—	134,707	
Transfer to statutory reserve	—	—	—	—	18,849	—	(18,849)	—	—	—	
Appropriation to safety production fund	—	—	—	5,553	—	—	(5,553)	—	—	—	
At 31 December 2014	6	214,911*	(315,467)*	27,234*	43,881*	1,687*	334,594*	306,846	—	306,846	

* These reserve accounts comprise the consolidated reserves of RMB314,960,000, RMB275,688,000, and RMB306,840,000 in the consolidated statements of financial position as at 31 December 2012, 31 December 2013 and 31 December 2014, respectively.

(d) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		
		2012	2013	2014
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		153,676	174,331	226,234
Adjustments for:				
Finance costs	6	26,234	20,749	11,634
Interest income	5	(741)	(332)	(277)
Loss on disposal of items of property, plant and equipment	7	3,918	7,542	2,485
Investment income	5	(3,060)	(3,060)	—
Depreciation	7, 15	24,938	29,310	31,419
Amortisation of prepaid land lease payments	7	198	201	584
Amortisation of other non-current assets		504	12	12
Amortisation of deferred income from government grants	5	(2,652)	(2,060)	(920)
Impairment of trade receivable	7	2,883	560	—
Impairment of property, plant and equipment	7	1,615	—	4,590
		207,513	227,253	275,761
Decrease/(increase) in inventories		932	(19,780)	29,050
Decrease/(increase) in trade and notes receivables		(14,150)	(100,709)	19,678
Decrease/(increase) in prepayments and other receivables		7,058	(886)	(4,303)
Increase in trade payables		547	63,702	19,252
Increase in other payables and accruals		35,998	16,657	3,488
Increase in restricted cash		(4,760)	(7,954)	(2)
Cash generated from operations		233,138	178,283	342,924
Interest received		741	332	277
Interest paid		(23,541)	(19,907)	(9,226)
Income tax paid		(27,775)	(6,200)	(46,631)
Net cash flows from operating activities		182,563	152,508	287,344

	Notes	Year ended 31 December		
		2012	2013	2014
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment . . .		(36,273)	(57,877)	(111,419)
Purchase of prepaid land lease payment		—	(221)	(12,435)
Proceeds from disposal of items of property, plant and equipment		391	398	645
Proceeds from disposal of available-for-sale financial assets		600	—	—
Proceeds from governments grants		10,740	7,760	2,450
Investment income	5	3,060	3,060	—
Net cash flows used in investing activities		<u>(21,482)</u>	<u>(46,880)</u>	<u>(120,759)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Funding from related parties		208,698	309,336	323,813
Funding to related parties		(377,830)	(335,477)	(346,102)
Consideration paid to the then shareholders of the subsidiaries	13(7)	—	—	(152,190)
Cash received for share transfer in the prior year	34	45,285	—	—
Cash retained by Huage Dye	13(4)	—	(48,882)	—
Consideration paid for the Transferred Business	13(4)	—	(124,708)	—
Proceeds from bank loans		209,000	279,199	171,000
Repayment of bank loans		(250,720)	(251,630)	(214,831)
Proceeds from employee borrowings		75,230	13,490	—
Repayment of employee borrowings		(67,972)	(62,415)	(8,415)
Dividend paid to Huage Cangzhou	13(6)	—	—	(30,968)
Capital contributions from Huage Cangzhou	13(2)	—	90,000	—
Dividend paid to Huage Dye's shareholders	13(1)	(703)	—	—
Proceeds from issue of shares	30	—	—	134,707
Proceeds from other financial liability	29	—	—	30,615
Net cash flows used in financing activities		<u>(159,012)</u>	<u>(131,087)</u>	<u>(92,371)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS				
		2,069	(25,459)	74,214
Cash and cash equivalents at beginning of year		44,644	46,701	21,113
Effect of foreign exchange rate changes, net		<u>(12)</u>	<u>(129)</u>	<u>144</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR				
	23	<u>46,701</u>	<u>21,113</u>	<u>95,471</u>

(e) STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December 2014
		<i>RMB'000</i>
NON-CURRENT ASSETS		
Investment in a subsidiary	17	80,234
Total non-current assets		<u>80,234</u>
CURRENT ASSETS		
Due from a subsidiary	17	91,785
Cash and cash equivalents	23	73,428
Total current assets		<u>165,213</u>
NET CURRENT ASSETS		<u>165,213</u>
NON-CURRENT LIABILITIES		
Other financial liability	29	30,615
Total non-current liabilities		<u>30,615</u>
Net assets		<u><u>214,832</u></u>
EQUITY		
Share capital	30	6
Reserves	31(b)	214,826
Total equity		<u><u>214,832</u></u>

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is P.O. Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were involved in the following principal activities:

- manufacture and sale of pigment intermediates
- manufacture and sale of dye intermediates

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, a company controlled by Mr. Ge Yi.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganization" in the section headed "Our History and Development" in the Prospectus.

As at the end of the Relevant Periods, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Company name	Place and date of incorporation/ establishment	Nominal value of issued/ registered and fully paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
		<i>RMB'000</i>	%	%	
Tsaker Chemical (Hongkong) Co., Limited (彩客化學(香港)有限公司) Formerly known as "Mark Worldex Limited" . . .	Hong Kong 2 September 2010	26,960	100	—	Investment holding
Tsaker Chemical (Cangzhou) Co., Limited (彩客化學(滄州)有限公司) Formerly known as "Cangzhou Huage Medicine Chemical Co., Limited"	Hebei, People's Republic of China (“PRC”) 23 September 2005	60,000	—	100	Chemical production and sale
Tsaker Chemical (Dongguang) Co., Limited (彩客化學(東光)有限公司) Formerly known as "Huage Chemical (Dongguang) Co., Limited" . .	Hebei, PRC 7 May 2013	50,000	—	100	Chemical production and sale

Company name	Place and date of incorporation/ establishment	Nominal value of issued/ registered and fully paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
		RMB'000	%	%	
Tsaker Chemical (Dongying) Co., Limited (彩客化學(東營)有限公司) Formerly known as "Dongying Huage Chemical Co., Limited"	Hebei, PRC 20 May 2014	30,000	—	100	Chemical production and sale
Tsaker Technology (Beijing) Co., Limited (彩客科技(北京)有限公司) Formerly known as "Beijing Huage Chemical Technology Co., Limited" . . .	Hebei, PRC 17 October 2013	40,000	—	100	Internal technical support

Except for Tsaker Chemical (Hongkong) Co., Limited, which is directly held by the Company, all other subsidiaries are held by the Company indirectly.

The English names of the companies established in the PRC above represent the best efforts by the management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

No audited financial statements have been prepared for the Company since the Company was incorporated in the Cayman Islands where there is no statutory audit requirement.

The statutory financial statements of the companies comprising the Group for the Relevant Periods, or since their respective dates of incorporation/establishment, where this is a shorter period, were prepared in accordance with the relevant accounting principles and financial regulations applicable to their respective jurisdictions and were audited by the certified public accountants as follows:

Entities	Periods	Auditors
Tsaker Chemical (Hongkong) Co., Limited	For the three years ended 28 February 2014	Clement C.W. CHAN & CO., certified public accountants registered in Hong Kong
	For the period from 1 March 2014 to 31 December 2014	Ernst & Young, Hong Kong

Entities	Periods	Auditors
Tsaker Chemical (Cangzhou) Co., Limited	For the two years ended 31 December 2013	Hebei Hua Lion, certified public accountants registered in the PRC
	For the year ended 31 December 2014	Ernst & Young Hua Ming LLP, Beijing, PRC
Tsaker Chemical (Dongguang) Co., Limited	For the period from 7 May 2013 to 31 December 2013	Beijing Xinghua, certified public accountants registered in the PRC
	For the year ended 31 December 2014	Ernst & Young Hua Ming LLP, Beijing, PRC
Tsaker Technology (Beijing) Co., Limited	For the year ended 31 December 2014	Ernst & Young Hua Ming LLP, Beijing, PRC
Tsaker Chemical (Dongying) Co., Limited	From the period from 20 May 2014 to 31 December 2014	Ernst & Young Hua Ming LLP, Beijing, PRC

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the paragraph headed “Reorganisation” in the section headed “History and Development” in the Prospectus, the Company became the holding company of the companies now comprising the Group on 17 December 2014. The companies and the business now comprising the Group were under the common control of the controlling shareholder, Mr. Ge Yi, before and after the Reorganisation. Accordingly, for the purpose of this report, the Financial Information has been prepared on a combined basis by applying the principles of pooling of interests as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the controlling shareholder, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2012, 2013 and 2014 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the controlling shareholder’s perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries and/ or businesses hold by parties other than the controlling shareholder, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of pooling of interests.

All intra-group transactions and balances have been eliminated on consolidation.

The 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 RMB38,664,000 as at 31 December 2014. 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 fiscal year because the Group has obtained banking facilities of RMB200,000,000 in February 2015 and also extended a short-term bank loan of RMB30,000,000 for one year in February 2015.

2.2 BASIS OF PREPARATION

This Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2014, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods. The Financial Information has been prepared under the historical cost convention, presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in this Financial Information.

HKFRS 9	<i>Financial Instruments</i> ⁴
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i> ²
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ²
HKFRS 14	<i>Regulatory Deferral Accounts</i> ⁵
HKFRS 15	<i>Revenue from Contracts with Customers</i> ³
Amendments to HKAS 1	<i>Disclosure Initiative</i> ²
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ²

Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> ²
Amendments to HKAS 19	<i>Defined Benefit Plans: Employee Contributions</i> ¹
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i> ²
<i>Annual Improvements 2010-2012 Cycle</i>	Amendments to a number of HKFRSs ¹
<i>Annual Improvements 2011-2013 Cycle</i>	Amendments to a number of HKFRSs ¹
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs ²

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 January 2018

⁵ Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

The Group is in the process of making an assessment of the impact of these changes, and initially anticipates that the application of the new and revised HKFRSs will have no impact on the financial position or performance of the Group upon adoption, except those discussed below.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5%
Machinery and equipment	9% to 19%
Office equipment	18% to 32%
Motor vehicles	9% to 24%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, machinery and equipment under construction or installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Research and development costs

All research costs are charged to profit or loss as incurred.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in administrative expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment

exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Available-for-sale financial investments

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest-bearing bank and employee borrowings and other financial liability.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing bank loans and borrowings from employees are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss as other income over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from processing services, when processing services are rendered and when it is probable that the economic benefits associated with such services will flow to the Group; and
- (c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Pension scheme

Employees of the Group's subsidiaries in Mainland China are members of the state-sponsored pension scheme operated by the Mainland China government. The subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions. The contributions are charged to profit or loss as they become payable.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

This Financial Information is presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the Company is United States dollars. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain entities within the Group are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Group at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences or tax losses can be utilised. Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with tax planning strategies.

Impairment provision of receivables

A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that a trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to trade and other receivables are discounted if the effect of discounting is material. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statements of profit or loss and other comprehensive income. When a trade and other receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are recognised as income in profit or loss. The impairment is subject to management's assessment at the end of the reporting period, and hence, the provision amount is subject to uncertainty.

Property, plant and equipment - recoverable amount

In accordance with the Group's accounting policy, each asset or cash-generating unit is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, an estimate of the recoverable amount is performed and an impairment loss is recognised to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash-generating group of assets is measured at the higher of fair value less costs of disposal and value in use.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

Value in use is generally determined as the present value of the estimated future cash flows of those expected to arise from the continued use of the asset in its present form and its eventual disposal. Present values are determined using a risk-adjusted pre-tax discount rate appropriate to the risks inherent in the asset. Future cash flow estimates are based on expected production and sales volumes, selling prices (considering current and historical prices, price trends and related factors) and operating costs. This policy requires management to make these estimates and assumptions which are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact on the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be impaired and the impairment would be charged against profit or loss.

Property, plant and equipment - estimated useful lives and the residual values

The Group's management determines the estimated useful lives and residual values (if applicable) and consequently related depreciation/amortisation charges for its property, plant and equipment. These estimates are based on the historical experience of the actual useful lives of

property, plant and equipment of similar nature and functions. Management will increase the depreciation/amortisation charge where useful lives are less than previously estimated lives, and it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore in depreciation/amortisation expense in future periods.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and has two reportable operating segments as follows:

- (a) the pigment intermediates segment produces pigment intermediates products for use in the production of pigment; and
- (b) the dye intermediates segment produces dye intermediates products for use in the production of dye related products.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated mainly based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except the profit or loss for the corporate is excluded from such measurement.

The measurement of segment assets and liabilities is the same with that of total assets and total liabilities for the consolidated statement of financial position, excluding assets and liabilities related to the corporate.

Year ended 31 December 2012	Pigment intermediates	Dye intermediates	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue:			
Revenues from external customers	228,532	601,629	<u>830,161</u>
Segment results	41,394	113,119	154,513
<i>Reconciliation</i>			
Elimination of intersegment transactions			(810)
Corporate and other unallocated expenses			<u>(27)</u>
Profit before tax			<u>153,676</u>
Segment assets	401,770	448,369	850,139
<i>Reconciliation</i>			
Elimination of intersegment receivables			(7,068)
Corporate and other unallocated assets.			49
Elimination of unrealised profit in inventories			<u>(1,829)</u>
Total assets			<u>841,291</u>
Segment liabilities	155,695	274,652	430,347
<i>Reconciliation</i>			
Elimination of intersegment payables . .			(7,068)
Corporate and other unallocated liabilities			<u>30,008</u>
Total liabilities.			<u>453,287</u>
Other segment information			
Impairment losses recognised in profit and loss for trade receivables	2,883	—	2,883
Impairment losses recognised in profit and loss for property, plant and equipment.	—	1,615	1,615
Depreciation and amortisation	7,462	17,674	25,136
Capital expenditure	7,818	39,082	46,900

Year ended 31 December 2013	Pigment intermediates	Dye intermediates	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue:			
Revenues from external customers	192,579	671,390	<u>863,969</u>
Segment results	7,977	167,144	175,121
<i>Reconciliation</i>			
Elimination of intersegment transactions			(564)
Corporate and other unallocated expenses			<u>(226)</u>
Profit before tax			<u>174,331</u>
Segment assets	382,106	336,940	719,046
<i>Reconciliation</i>			
Elimination of intersegment receivables			(6,070)
Corporate and other unallocated assets.			39,800
Elimination of unrealised profit in inventories			<u>(2,170)</u>
Total assets			<u>750,606</u>
Segment liabilities	129,004	272,968	401,972
<i>Reconciliation</i>			
Elimination of intersegment payables . .			(6,070)
Corporate and other unallocated liabilities			<u>29,216</u>
Total liabilities.			<u>425,118</u>
Other segment information			
Impairment losses recognised in profit and loss for trade receivables	560	—	560
Depreciation and amortisation	8,290	21,221	29,511
Capital expenditure	9,956	13,759	23,715

Year ended 31 December 2014	Pigment intermediates	Dye intermediates	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue:			
Revenues from external customers	185,043	712,434	<u>897,477</u>
Segment results	13,393	233,810	247,203
<i>Reconciliation</i>			
Elimination of intersegment transactions			2,314
Corporate and other unallocated expenses			<u>(23,283)</u>
Profit before tax			<u>226,234</u>
Segment assets	217,593	479,069	696,662
<i>Reconciliation</i>			
Elimination of intersegment receivables			(177,451)
Corporate and other unallocated assets.			185,710
Elimination of unrealised profit in inventories			<u>(433)</u>
Total assets			<u>704,488</u>
Segment liabilities	243,481	261,006	504,487
<i>Reconciliation</i>			
Elimination of intersegment payables . .			(177,451)
Corporate and other unallocated liabilities			<u>70,606</u>
Total liabilities.			<u>397,642</u>
Other segment information			
Impairment losses recognised in profit and loss for property, plant and equipment	4,590	—	4,590
Depreciation and amortisation	9,357	21,577	30,934
Capital expenditure	72,896	54,930	127,826

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

	Year ended 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	405,049	439,850	424,135
India	107,398	120,501	120,465
Germany	85,422	64,919	82,964
United States	41,599	60,379	76,118
Taiwan	26,645	31,274	61,283
Indonesia	50,323	62,102	52,040
Spain	11,294	11,604	27,170
Japan	16,563	12,244	14,324
Italy	26,396	23,825	7,654
Turkey	9,359	10,248	7,939
Korea	5,556	3,815	3,096
Britain	3,171	2,969	2,034
Hong Kong	27,416	203	102
Other countries	13,970	20,036	18,153
	<u>830,161</u>	<u>863,969</u>	<u>897,477</u>

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

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

(b) Information of major customers

In 2012 and 2013, the Group did not have any revenue from sales to a single customer which accounted for 10% or more of the Group's total revenue.

In 2014, revenue of approximately RMB145,647,000 was derived from sales by the dye intermediates segment to a group of entities under the control of Mr. Ge Yi.

In addition, revenue of approximately RMB108,389,000 was derived from sales by the dye intermediates segment to a single customer.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the Relevant Periods.

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

	Year ended 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue			
Sale of goods	812,623	849,168	848,273
Processing income	17,538	14,801	49,204
	<u>830,161</u>	<u>863,969</u>	<u>897,477</u>
Other income and gains			
Bank interest income	741	332	277
Government grants*	2,652	2,060	920
Sale of materials and scrap	24,164	15,510	13,890
Investment income	3,060	3,060	—
Others	653	430	807
	<u>31,270</u>	<u>21,392</u>	<u>15,894</u>
	<u>861,431</u>	<u>885,361</u>	<u>913,371</u>

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank loans and employee borrowings			
wholly repayable within five years	22,493	17,266	9,244
Other finance costs	4,494	4,875	6,103
Less: Interest capitalised	(753)	(1,392)	(3,713)
	<u>26,234</u>	<u>20,749</u>	<u>11,634</u>

During the years ended 31 December 2012, 2013 and 2014, the capitalisation rate is 8.93%, 7.30% and 7.70%, respectively.

7. PROFIT BEFORE TAX

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

	Notes	Year ended 31 December		
		2012	2013	2014
		RMB'000	RMB'000	RMB'000
Cost of inventories sold		594,203	606,936	555,242
Depreciation	15	24,938	29,310	31,419
Research and development costs		18,181	12,779	19,382
Minimum lease payments under operating leases for land and buildings		265	517	163
Amortisation of prepaid land lease payments	16	198	201	584
Auditors' remuneration		55	47	2,413
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):				
Wages, salaries and welfare		37,484	50,249	66,246
Pension scheme contributions		8,886	10,212	24,044
Exchange losses, net		1,119	4,542	763
Impairment of property, plant and equipment	15	1,615	—	4,590
Impairment of trade receivables	20	2,883	560	—
Loss on disposal of items of property, plant and equipment		<u>3,918</u>	<u>7,542</u>	<u>2,485</u>

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

(a) Executive directors and non-executive directors

Certain of the Company's directors received salaries and benefits from the subsidiaries now comprising the Group for their services provided. The compensation paid to executive and non-executive directors during the Relevant Periods were as follows:

2012	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:				
Mr. Ge Yi ⁽¹⁾	—	—	—	—
Mr. Duan Weidong ⁽²⁾	—	74	14	88
Ms. Dong Zhongmei ⁽²⁾	—	74	14	88
Mr. Shi Qiang ⁽³⁾	—	74	—	74
Ms. Jin Ping ⁽²⁾	—	62	19	81
	—	284	47	331
Non-executive directors:				
Mr. Xiao Yongzheng ⁽²⁾	—	—	—	—
Mr. Fontaine Alain Vincent ⁽⁴⁾	—	—	—	—
Total	—	284	47	331

2013	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:				
Mr. Ge Yi ⁽¹⁾	—	—	—	—
Mr. Duan Weidong ⁽²⁾	—	120	19	139
Ms. Dong Zhongmei ⁽²⁾	—	153	19	172
Mr. Shi Qiang ⁽³⁾	—	98	—	98
Ms. Jin Ping ⁽²⁾	—	100	19	119
	—	471	57	528
Non-executive directors:				
Mr. Xiao Yongzheng ⁽²⁾	—	—	—	—
Mr. Fontaine Alain Vincent ⁽⁴⁾	—	—	—	—
Total	—	471	57	528

2014	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:				
Mr. Ge Yi ⁽¹⁾	—	—	—	—
Mr. Duan Weidong ⁽²⁾	—	124	19	143
Ms. Dong Zhongmei ⁽²⁾	—	147	19	166
Mr. Shi Qiang ⁽³⁾	—	232	—	232
Ms. Jin Ping ⁽²⁾	—	131	19	150
	—	634	57	691
Non-executive directors:				
Mr. Xiao Yongzheng ⁽²⁾	—	—	—	—
Mr. Fontaine Alain Vincent ⁽⁴⁾	—	—	—	—
Total	—	634	57	691

(1) Mr. Ge Yi was appointed as the sole director on 29 October 2014, and as an executive director of the Company on 5 March 2015.

(2) Appointed as directors of the Company on 5 March 2015.

(3) Appointed as directors of the Company on 5 March 2015 and resigned on 3 April 2015.

(4) Appointed as directors of the Company on 3 April 2015.

(b) Independent non-executive directors

Mr. Zhu Lin, Mr. Yu Miao and Mr. Ho Kenneth Kai Chung were appointed as independent non-executive directors of the Company on 5 March 2015. No director fee or other emoluments were paid to them during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included three directors in the years ended 31 December 2012 and 2013, and four directors in the year ended 31 December 2014, details of whose remuneration are set out in note 8 above. Details of the remuneration of the highest paid employees who are non-director of the Company for the Relevant Periods are as follows:

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	142	241	126
Pension scheme contributions	29	38	19
	171	279	145

The number of non-director highest paid employees whose remuneration fell within the following band is as follows:

Number of employee

	Year ended 31 December		
	2012	2013	2014
Nil to HK\$1,000,000	2	2	1
	<u>2</u>	<u>2</u>	<u>1</u>

10. INCOME TAX

Cayman Islands

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

Hong Kong

Under the current income tax laws of Hong Kong, companies are subject to Hong Kong profits tax at 16.5% on assessable profits arising in or derived from Hong Kong. Tsaker Chemical (Hongkong) Co., Ltd. did not generate any income which is subject to Hong Kong profits tax during the Relevant Periods.

PRC

Effective from 1 January 2008, the PRC's statutory income tax rate is 25%. The Company's PRC subsidiaries are subject to income tax at 25% unless otherwise specified.

Pursuant to the PRC Corporate Income Tax Law, a high-new technology enterprise shall be entitled to a preferential tax rate of 15% for three years since it was officially endorsed. Hebei Huage Dye Chemical Co., Ltd. in the PRC obtained official endorsement as a high-new technology enterprise for the years from 2010 to 2012. In 2013, the statutory tax rate at 25% was applied.

Pursuant to the PRC Corporate Income Tax Law and related laws and regulations, Tsaker Chemical (Cangzhou) Co., Limited withholds corporate income tax at the rate of 5% when it distributes dividends to Tsaker Chemical (Hongkong) Co., Limited in respect of earnings generated commencing from 1 January 2008.

	Year ended 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current — PRC			
Charge for the year	27,775	49,976	68,190
Deferred (note 28)	(2,788)	(8,633)	(13,470)
Total tax charge for the year	<u>24,987</u>	<u>41,343</u>	<u>54,720</u>

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

	Year ended 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	<u>153,676</u>	<u>174,331</u>	<u>226,234</u>
Tax at the statutory income tax rate (25%)	38,419	43,583	56,559
Tax losses not recognised	7	57	—
The effect of preferential tax rate	(12,416)	—	—
Non-deductible expenses	342	409	477
Income not subject to tax	(459)	(765)	—
Additional deduction of research and development costs	(1,324)	(1,969)	(2,316)
Withholding tax	<u>418</u>	<u>28</u>	<u>—</u>
Total income tax expense	<u>24,987</u>	<u>41,343</u>	<u>54,720</u>

11. ARRANGEMENTS WITH CHINA CHEM CO., LTD.

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

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

12. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT

There is no profit or loss which has been dealt with in the financial statements of the Company since its establishment on 29 October 2014.

13. NOTES TO THE CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

- (1) The distribution of dividend in 2012 represented the dividend paid by Hebei Huage Dye Chemical Co., Ltd. ("Huage Dye") to its shareholders: Huage Holdings Group Co., Ltd. ("Huage Holdings") and Mr. Ge Jianhua, in February 2012 at an aggregate amount of RMB75,955,000. The dividend distribution to Huage Holdings was settled through netting off against a receivable due from Huage Holdings to Huage Dye whereas the dividend distribution to Mr. Ge Jianhua (a non-controlling shareholder) was settled by cash. The net assets and businesses of Huage Dye formed part of the Group prior to the Transferred Business transaction in September 2013 as summarised in note (4) below.
- (2) Capital contributions in 2013 represented (a) a contribution of RMB50 million in cash by Huage Cangzhou for the establishment of Tsaker Chemical (Dongguang) Co., Ltd. ("Tsaker Dongguang") in May 2013; and (b) a contribution of RMB40 million in cash by Huage Cangzhou for the establishment of Tsaker Technology (Beijing) Co., Ltd. ("Tsaker Beijing") in October 2013.
- (3) After a series of capital reduction and equity transfer in 2013, the equity interests of Mr. Ge Yi and Mr. Ge Jianhua in Huage Holdings were decreased and increased, respectively, resulting in a deemed disposal of the Group's beneficial interests in its subsidiaries to the non-controlling shareholder.

- (4) As part of the Reorganisation, the Group through its wholly-owned subsidiary, Tsaker Dongguang entered into an asset transfer agreement with Huage Dye in September 2013 (which was supplemented by a supplementary agreement dated 10 October 2013). Pursuant to the above agreements, Huage Dye transferred the business and certain operating assets relating to the dye production (“Transferred Business”) (including, among others, fixed assets, raw materials, work-in-progress, construction-in-progress, land use rights, trade payables and advance to suppliers) to Tsaker Dongguang for a cash consideration of approximately RMB124.71 million. Following the Transferred Business transaction, Huage Dye was retained by its original shareholders, thereby ceasing to be part of the Group afterward. Details of the carrying amount of the assets (including the cash consideration paid for the Transferred Business) and liabilities of Huage Dye immediately after the Transferred Business transaction are summarised as follows:

	Notes	As at 30 September 2013
		<i>RMB'000</i>
Property, plant and equipment	15	461
Available-for-sale investment	18	17,000
Deferred tax assets	28	4,394
Inventories		9,821
Trade receivables		72,018
Notes receivables		30,102
Prepayments and other receivables		142,881
Restricted cash		13,815
Cash and cash equivalents		173,590*
Trade payables		(1,786)
Other payables and accruals		(31,110)
Interest-bearing bank and employee borrowings		(98,698)
Income tax payable		(31,088)
Deferred income		(14,049)
Other liabilities		<u>(1,044)</u>
Net assets		<u>286,307</u>

* Including cash consideration paid on the Transferred Business of approximately RMB124.71 million.

- (5) Capital contributions in 2014 represented (a) a contribution by Huage Holdings to Tsaker Chemical (Cangzhou) Co., Limited (“Tsaker Cangzhou”) in the form of land use rights of approximately RMB25 million; and (b) a contribution by Cavalli to Tsaker Chemical (Hong Kong) Co., Limited (“Tsaker Hong Kong”) through capitalisation of an amount due by Tsaker Hong Kong to Cavalli of approximately RMB27 million.

- (6) Dividend distributions in 2014 represented (a) dividend paid by Tsaker Cangzhou to its then shareholder, Huage Holdings, in August 2014 at an amount of approximately RMB168 million which was settled through netting off against a payable by Huage Holdings to Tsaker Cangzhou; and (b) cash dividend paid by Tsaker Dongguang to Huage Cangzhou in January 2014 at an amount of approximately RMB31 million.
- (7) As part of the Reorganisation of the Group in preparing for the listing of the shares of the Company on the Stock Exchange, the Group underwent, among others, the following reorganisation transactions between April and November 2014: (a) cash consideration of approximately RMB64 million was declared to pay to Huage Cangzhou for all its equity interests in Tsaker Dongguang to Tsaker Cangzhou pursuant to an equity transfer agreement dated 28 February 2014; (b) cash consideration of approximately RMB88 million to Huage Holdings for all its 75% equity interests in Tsaker Cangzhou to Tsaker Hong Kong pursuant to an equity transfer agreement dated 25 September 2014; and (c) consideration of approximately RMB26 million paid by Tsaker Cangzhou in November 2014 to Huage Cangzhou, through netting off against a receivable from Huage Cangzhou, for all its equity interests in Tsaker Beijing.
- (8) No dividend has been paid or declared by the Company since the date of its incorporation.

14. EARNINGS PER SHARE ATTRIBUTABLE TO OWNER OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation, and the preparation of the results of the Group for the Relevant Periods on a combined basis as disclosed in note 2.1 above.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and equipment	Office equipment	Motor vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2012						
At 1 January 2012:						
Cost	61,348	197,373	4,585	4,007	53,154	320,467
Accumulated depreciation and impairment.	(24,314)	(79,758)	(3,020)	(2,424)	—	(109,516)
Net carrying amount	<u>37,034</u>	<u>117,615</u>	<u>1,565</u>	<u>1,583</u>	<u>53,154</u>	<u>210,951</u>
At 1 January 2012, net of accumulated depreciation and impairment						
	37,034	117,615	1,565	1,583	53,154	210,951
Additions	16	2,469	392	57	43,966	46,900
Disposals	(2,487)	(1,751)	(71)	—	—	(4,309)
Depreciation provided during the year.	(4,237)	(19,475)	(630)	(596)	—	(24,938)
Impairment	—	—	—	—	(1,615)	(1,615)
Transfers	13,944	69,810	—	—	(83,754)	—
At 31 December 2012, net of accumulated depreciation and impairment						
	<u>44,270</u>	<u>168,668</u>	<u>1,256</u>	<u>1,044</u>	<u>11,751</u>	<u>226,989</u>
At 31 December 2012:						
Cost	69,511	262,186	3,565	4,059	13,366	352,687
Accumulated depreciation and impairment	(25,241)	(93,518)	(2,309)	(3,015)	(1,615)	(125,698)
Net carrying amount	<u>44,270</u>	<u>168,668</u>	<u>1,256</u>	<u>1,044</u>	<u>11,751</u>	<u>226,989</u>

	Buildings	Machinery and equipment	Office equipment	Motor vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2013						
At 31 December 2012 and 1 January 2013:						
Cost	69,511	262,186	3,565	4,059	13,366	352,687
Accumulated depreciation and impairment.	(25,241)	(93,518)	(2,309)	(3,015)	(1,615)	(125,698)
Net carrying amount	<u>44,270</u>	<u>168,668</u>	<u>1,256</u>	<u>1,044</u>	<u>11,751</u>	<u>226,989</u>
At 1 January 2013, net of accumulated depreciation and impairment						
	44,270	168,668	1,256	1,044	11,751	226,989
Additions	605	4,864	848	631	55,051	61,999
Disposals	(398)	(7,010)	(26)	(118)	—	(7,552)
Distribution to shareholders of Huage Dye (note 13(4))	—	—	(9)	(380)	(72)	(461)
Depreciation provided during the year.	(5,010)	(23,196)	(786)	(318)	—	(29,310)
Transfers	207	10,452	315	—	(10,974)	—
At 31 December 2013, net of accumulated depreciation and impairment	<u>39,674</u>	<u>153,778</u>	<u>1,598</u>	<u>859</u>	<u>55,756</u>	<u>251,665</u>
At 31 December 2013:						
Cost	64,993	244,741	4,217	1,529	57,371	372,851
Accumulated depreciation and impairment	(25,319)	(90,963)	(2,619)	(670)	(1,615)	(121,186)
Net carrying amount	<u>39,674</u>	<u>153,778</u>	<u>1,598</u>	<u>859</u>	<u>55,756</u>	<u>251,665</u>

	Buildings	Machinery and equipment	Office equipment	Motor vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2014						
At 31 December 2013 and 1 January 2014:						
Cost	64,993	244,741	4,217	1,529	57,371	372,851
Accumulated depreciation and impairment.	(25,319)	(90,963)	(2,619)	(670)	(1,615)	(121,186)
Net carrying amount	<u>39,674</u>	<u>153,778</u>	<u>1,598</u>	<u>859</u>	<u>55,756</u>	<u>251,665</u>
At 1 January 2014, net of accumulated depreciation and impairment						
	39,674	153,778	1,598	859	55,756	251,665
Additions	9,270	6,554	3,805	1,020	90,568	111,217
Disposals	—	(2,988)	—	(142)	—	(3,130)
Depreciation provided during the year.	(5,442)	(24,508)	(1,146)	(323)	—	(31,419)
Impairment	(53)	(4,537)	—	—	—	(4,590)
Transfers	<u>49,185</u>	<u>12,512</u>	<u>—</u>	<u>—</u>	<u>(61,697)</u>	<u>—</u>
At 31 December 2014, net of accumulated depreciation and impairment						
	<u>92,634</u>	<u>140,811</u>	<u>4,257</u>	<u>1,414</u>	<u>84,627</u>	<u>323,743</u>
At 31 December 2014:						
Cost	123,448	260,227	8,022	2,249	86,242	480,188
Accumulated depreciation and impairment	(30,814)	(119,416)	(3,765)	(835)	(1,615)	(156,445)
Net carrying amount	<u>92,634</u>	<u>140,811</u>	<u>4,257</u>	<u>1,414</u>	<u>84,627</u>	<u>323,743</u>

At 31 December 2012 and 2013, none of the Group's property, plant and equipment was pledged to secure bank loans or general banking facilities granted to the Group.

As at 31 December 2014, buildings with a net book value of RMB38,384,000 was pledged by Tsaker Technology (Beijing) Co., Limited to secure bank loans of RMB35,000,000 (note 26(b)).

As at 31 December 2014, certain of the Group's buildings with an aggregate net book value of RMB13,327,000 was pledged to secure bank loans of RMB34,000,000 (note 26(b)).

Impairment losses of RMB1,615,000 and RMB4,590,000 were provided for certain idle property, plant and equipment of the Group which became unusable or technically obsolete during the years ended 31 December 2012 and 2014, respectively. Impairment was provided for the full amount of the carrying values of these assets as they did not have any resale value.

Included in the property, plant and equipment as at 31 December 2012, 2013 and 2014 were certain buildings with net book values of RMB4,633,000, RMB24,207,000 and RMB7,679,000 respectively of which the property certificates have not been obtained.

The directors of the Company are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Directors of the Company are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at the end of each of the Relevant Periods.

16. PREPAID LAND LEASE PAYMENTS

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January	1,841	1,643	1,664
Addition	—	222	37,583
Amortisation during the year	(198)	(201)	(584)
Carrying amount at 31 December	1,643	1,664	38,663
Current portion (included in prepayments, and other receivables)	(198)	(201)	(3,177)
Non-current portion	<u>1,445</u>	<u>1,463</u>	<u>35,486</u>

The leasehold land is situated in Mainland China and is held under a medium-term lease.

At 31 December 2012, the Group's prepaid land lease payments with a net carrying amount of approximately RMB1,643,000 was pledged to secure a bank loan of RMB25,000,000 (note 26(b)) granted to the Group. As at 31 December 2013 and 2014, the prepaid land lease payment was amounting to RMB1,664,000 and RMB10,779,000, respectively, were pledged to secure bank loans of RMB16,000,000 and RMB34,000,000, respectively, granted to the Group (note 26(b)).

Pursuant to an equity transfer agreement dated 9 October 2014 entered into by Tsaker Cangzhou and the then independent sole beneficial owner of Huayu Chemical Plant, Huagu Chemical Plant was acquired by Tsaker Cangzhou for a cash consideration of approximately RMB17.95 million. The acquisition was accounted for as an asset acquisition for purchasing land and other assets.

17. INVESTMENT IN A SUBSIDIARY AND DUE FROM A SUBSIDIARY

	<u>Company</u>
	<u>31 December 2014</u>
	<i>RMB'000</i>
Unlisted shares, at cost	<u>80,234</u>

The amounts due from a subsidiary of approximately RMB92 million at 31 December 2014 included in the Company's current assets are unsecured, interest-free and repayable on demand.

18. AVAILABLE-FOR-SALE INVESTMENT

	<u>As at 31 December</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted equity investment, at cost	<u>17,000</u>	<u>—</u>	<u>—</u>

The unlisted equity investment, representing the unlisted equity investment owned by Huage Dye before the distribution as described in note 13(4), was stated at cost less impairment because the range of reasonable fair value estimation is so significant that the Directors are of the opinion that the fair value cannot be measured reliably.

19. INVENTORIES

	<u>As at 31 December</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	21,309	33,255	24,189
Work in progress	12,347	15,874	11,235
Finished goods	45,818	40,305	24,959
	<u>79,474</u>	<u>89,434</u>	<u>60,383</u>

At 31 December 2012, 2013 and 2014, none of the Group's inventories was pledged as security for the Group's bank loans.

20. TRADE RECEIVABLES

	As at 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	120,813	106,507	118,540
Impairment	(3,232)	(3,443)	(3,443)
	<u>117,581</u>	<u>103,064</u>	<u>115,097</u>

The Group's trading terms with its customers are mainly on credit, except for new customers and small sized customers, where payment in advance is normally required. The credit period is generally one month for domestic customers, extending up to three months for overseas customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control on certain of its outstanding receivables.

Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged 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:

	As at 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	75,079	80,431	55,687
1 months to 2 months	18,858	17,174	36,414
2 months to 3 months	12,583	4,674	17,549
3 months to 4 months	6,900	33	1,447
Over 4 months	4,161	752	4,000
	<u>117,581</u>	<u>103,064</u>	<u>115,097</u>

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

	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	349	3,232	3,443
Impairment losses recognised	2,883	560	—
Impairment provision written off	—	(349)	—
At 31 December	<u>3,232</u>	<u>3,443</u>	<u>3,443</u>

As at 31 December 2012, 2013 and 2014, provision for impairment of trade receivables is a provision for individually impaired trade receivables with a carrying amount before provision of RMB3,232,000, RMB3,443,000, and RMB3,443,000, respectively. The individually impaired receivables mainly relate to customers which are in unexpected difficult economic situations and it was expected that these receivables would not be recovered.

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

	As at 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	91,528	84,925	70,198
Less than 1 month past due	9,808	10,788	6,204
1 to 3 months past due.	12,014	6,599	38,582
Over 3 months past due	4,231	752	113
	<u>117,581</u>	<u>103,064</u>	<u>115,097</u>

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.

As at 31 December 2012, trade receivables in an aggregate amount of approximately RMB29.2 million were pledged as security for bank loans (note 26(b)).

21. NOTES RECEIVABLES

Notes receivables of the Group are all bank acceptance notes and are usually settled within six months from their respective dates of issue. None of the notes receivables as at the end of each of the Relevant Periods was past due.

Transferred financial assets that are not derecognised in their entirety:

The Group endorsed certain notes receivables accepted by banks in Mainland China (the "Endorsed Notes") with an aggregate carrying amount of RMB23,233,000, RMB26,321,000 and RMB25,390,000 as at 31 December 2012, 2013 and 2014, respectively, to certain of its suppliers in order to settle trade payables due to such suppliers (the "Endorsement"). In the opinion of the Directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Notes, and accordingly, it continued to recognise the full carrying amounts

of the Endorsed Notes and the associated other payables. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Notes, including the sale, transfer or pledge of the Endorsed Notes to any other third parties. None of the Endorsed Notes settled during the Relevant Periods have been recouped as at the end of each of the Relevant Periods.

Transferred financial assets that are derecognised in their entirety:

The Group endorsed certain notes receivables accepted by banks in the PRC (the “Derecognised Notes”) to certain of its suppliers in order to settle the trade payables due to such suppliers with an aggregate carrying amount of RMB103,824,000, RMB172,049,000 and RMB226,959,000 as at 31 December 2012, 2013 and 2014, respectively. The Derecognised Notes have a maturity from one to six months at the end of the respective reporting periods. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Notes have a right of recourse against the Group if the PRC banks default (the “Continuing Involvement”). In the opinion of the Directors of the Company, the Group has transferred substantially all risks and rewards relating to the Derecognised Notes. Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts. In the opinion of the Directors of the Company, the fair values of the Group’s Continuing Involvement in the Derecognised Notes are not significant.

For the three years ended 31 December 2014, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Notes. No gains or losses were recognised from the Continuing Involvement, both during the Relevant Periods or cumulatively. Details of notes receivables pledged as security for bank loans are summarised in note 26(b).

22. PREPAYMENTS AND OTHER RECEIVABLES

	Notes	As at 31 December		
		2012	2013	2014
		RMB'000	RMB'000	RMB'000
Advance to suppliers		11,004	6,251	9,585
Prepaid land lease	16	198	201	3,177
Due from related parties	34(b)	247,408	195,951	1,130
Other receivables		9,361	2,773	3,219
		<u>267,971</u>	<u>205,176</u>	<u>17,111</u>

None of the above assets is impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

The other receivables are unsecured, interest-free and have no fixed terms of repayment.

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Notes	Group		
		As at 31 December		
		2012	2013	2014
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and bank balances		53,074	21,625	95,985
Less: Restricted cash	(a)	(6,373)	(512)	(514)
Cash and cash equivalents		<u>46,701</u>	<u>21,113</u>	<u>95,471</u>
Denominated in RMB	(b)	44,932	19,483	16,664
Denominated in other currencies		<u>1,769</u>	<u>1,630</u>	<u>78,807</u>
Cash and cash equivalents		<u>46,701</u>	<u>21,113</u>	<u>95,471</u>

	Company
	As at 31 December 2014
	<i>RMB'000</i>
Cash and bank balances	<u>73,428</u>
Denominated in United States dollars	<u>73,428</u>

Notes:

- (a) As at 31 December 2012, 2013 and 2014, the Group's bank balances of approximately RMB1,323,000, RMB512,000 and RMB514,000, respectively, were deposited at banks as a safety production guarantee fund pursuant to the related government regulations. As at 31 December 2012, restricted cash of RMB5,050,000 was deposited for the issuance of letters of credit.
- (b) RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

24. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each reporting period, based on the invoice date, is as follows:

	As at 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	43,796	73,136	83,489
1 months to 2 months	5,641	44,440	30,264
2 months to 3 months	3,538	2,590	15,379
Over 3 months	10,764	9,726	20,012
	<u>63,739</u>	<u>129,892</u>	<u>149,144</u>

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

25. OTHER PAYABLES AND ACCRUALS

	Notes	As at 31 December		
		2012	2013	2014
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Advances from customers		2,776	5,694	843
Accrued salaries, wages and benefits		29,913	17,712	20,918
Accruals		9,264	1,805	480
Due to related parties	34(b)	45,626	98,272	49,601
Payables under Endorsed Notes				
arrangement	21	23,233	26,321	25,390
Other payables		8,185	2,398	10,024
		<u>118,997</u>	<u>152,202</u>	<u>107,256</u>

The above amounts are unsecured, interest-free and have no fixed terms of repayment.

26. INTEREST-BEARING BANK AND EMPLOYEE BORROWINGS

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Current			
Borrowings from employees — unsecured	69,037	8,415	—
Bank loans — unsecured	51,648	36,500	12,000
Bank loans — secured	112,614	68,331	69,000
	233,299	113,246	81,000
Non-current			
Bank loans — secured	20,000	20,000	—
	20,000	20,000	—
	253,299	133,246	81,000
Analysed into:			
Bank loans repayable:			
Within one year	164,262	104,831	81,000
In the second to fifth years	20,000	20,000	—
	184,262	124,831	81,000
Borrowings from employees repayable:			
Within one year	69,037	8,415	—
	69,037	8,415	—
	253,299	133,246	81,000

Borrowings from employees have no fixed payment terms, with an annual interest rate of 10%.

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

	2012	2013	2014
	%	%	%
Fixed-rate loans	5.60-8.00	5.60-8.40	5.88-8.10
Floating-rate loans	8.86-9.18	8.10-8.86	—

Notes:

- (a) The Group had unsecured banking facilities amounting to RMB120,000,000 for the year ended 31 December 2012, of which RMB15,148,000 had been utilised as at 31 December 2012. These banking facilities were guaranteed by Huage Holdings.

The Group had banking facilities amounting to RMB75,000,000 for the year ended 31 December 2014, including a banking facility of RMB45,000,000 secured by the land use rights and buildings of Tsaker Chemical (Dongguang) Co., Limited and Tsaker Chemical (Cangzhou) Co., Limited and jointly guaranteed by Mr. Ge Yi and Ms. Qi Lin, the wife of Mr. Ge Yi, and a banking facility of RMB30,000,000 secured by the available-for-sale financial assets of a related party, Huage Dye. RMB34,000,000 had been utilised as at 31 December 2014 under the banking facility of RMB45,000,000.

(b) Certain of the Group's bank loans are secured:

	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
1) by the Group's land use rights (with a net carrying amount of RMB1,643,000 at 31 December 2012 and RMB1,664,000 at 31 December 2013) and Dongguang Jindu Hotel Limited's land use rights *	25,000	16,000	—
2) by the Group's notes receivables (with an aggregate net carrying amount of RMB27,434,000 at 31 December 2012 and RMB9,831,000 at 31 December 2013, respectively).	27,434	9,831	—
3) by the Group's trade receivables (with an aggregate net carrying amount of RMB29,207,000 at 31 December 2012) *	28,000	—	—
4) by Huage Holdings' land use rights and buildings . . . *	20,000	62,500	—
5) by Huage Real Estate Development Limited's land use rights *	32,180	—	—
6) by Tsaker Beijing's buildings (with an aggregate net carrying amount of RMB38,384,000 at 31 December 2014).	—	—	35,000
7) by certain of the Group's land use rights (with an aggregate net carrying amount of RMB10,779,000 at 31 December 2014) and certain of the Group's buildings (with an aggregate net carrying amount of RMB13,227,000 at 31 December 2014), and jointly guaranteed by Mr. Ge Yi and Ms. Qi Lin *	—	—	34,000
Total	<u>132,614</u>	<u>88,331</u>	<u>69,000</u>

Huage Holdings, Huage Real Estate Development Limited, Dongguang Jindu Hotel Limited and Hebei Huage Dye Chemical Co., Ltd. are related companies which are controlled by Mr. Ge Yi.

* These secured bank loans were guaranteed by related parties. Among the unsecured loans, bank loans in an aggregate amount of RMB27,148,000 (including RMB15,148,000 in note(a) above) were guaranteed by related parties as at 31 December 2012 (2013 and 2014: Nil).

27. DEFERRED INCOME

Deferred income represents the balance of government grants received and will be recognised as other income and gains when all conditions have been fulfilled.

28. DEFERRED TAX

The component of deferred tax assets of the Group is as follows:

	Provision for inventory	Impairment of trade receivables	Impairment of property, plant and equipment	Government grants	Accrued expenses	Disposal of fixed assets	Change of tax base of property, plant and equipment/ intangible assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2012									
At 1 January	272	87	1,353	988	1,300	2,339	—	50	6,389
Deferred tax credited / (charged) to profit or loss during the year (note 10)	(272)	721	404	2,522	(182)	30	—	(17)	3,206
At 31 December	—	808	1,757	3,510	1,118	2,369	—	33	9,595
2013									
At 1 January	—	808	1,757	3,510	1,118	2,369	—	33	9,595
Deferred tax credited / (charged) to profit or loss during the year (note 10)	—	140	(664)	1,143	662	(58)	7,433	5	8,661
Decrease due to the Transferred Business (note 13(4))	—	(87)	(404)	(3,513)	(390)	—	—	—	(4,394)
At 31 December	—	861	689	1,140	1,390	2,311	7,433	38	13,862

	Impairment of trade receivables		Impairment of property, plant and equipment		Government grants		Accrued expenses		Disposal of fixed assets		Change of tax base of property, plant and equipment/intangible assets		Tax loss		Others		Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2014																			
At 1 January	861	689	1,140	1,140	1,390	2,311	7,433	—	38	13,862									
Deferred tax credited / (charged) to profit or loss during the year (note 10)	—	1,147	382	382	1,932	—	(118)	6,905	(18)	10,230									
At 31 December	861	1,836	1,522	1,522	3,322	2,311	7,315	6,905	20	24,092									

The Group has cumulative tax loss arising in Mainland China of RMB27,619,000 as at 31 December 2014 that will expire in four to five years. Deferred tax assets have been recognised in respect of these losses as it is considered probable that tax profits will be available against which the tax losses can be utilised.

The component of deferred tax liabilities of the Group is as follows:

	<u>Withholding tax</u>
	<i>RMB'000</i>
At 1 January 2012	2,794
Deferred tax charged to profit or loss during the year (note 10).	418
As at 31 December 2012 and 1 January 2013.	3,212
Deferred tax charged to profit or loss during the year (note 10).	28
As at 31 December 2013 and 1 January 2014.	3,240
Deferred tax credited to profit or loss during the year (note 10)	(3,240)
As at 31 December 2014	<u>—</u>

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributable by those subsidiaries established in Mainland China. At 31 December 2014, no deferred tax has been recognised for withholding taxes that would be payable in the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, these subsidiaries will not distribute such earnings in the foreseeable future as such earnings will be utilised for the Group's expansion.

29. OTHER FINANCIAL LIABILITY

On 30 December 2014, the Company has entered into a share subscription agreement (the "Share Subscription Agreement") with a third party ("Pre-IPO Investor") to issue for 2,800 ordinary shares of the Company with a total consideration of US\$5 million or equivalent to approximately RMB31 million.

Pursuant to the terms of the Share Subscription Agreement, the Pre-IPO Investor has been granted a put option to require the Company or such other person or entity as agreed by the Company and the Pre-IPO Investor to purchase a portion of or all of the shares held by the Pre-IPO Investor on or before 30 June 2016 upon the occurrence of the event that an initial public offering of the Company's shares on the Main Board of the Hong Kong Stock Exchange has not been consummated by 31 December 2015.

The consideration received from the Pre-IPO Investor was accounted for as other financial liability and measured at amortised cost with an effective interest rate of 18%.

30. SHARE CAPITAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 29 October 2014 with initial authorised share capital of US\$50,000 divided into 5,000,000 shares of a par value of US\$0.01 each. The issued share capital as at 31 December 2014 was US\$1,000 for US\$0.01 each.

Upon the completion of the Reorganisation on 17 December 2014, the Company became the holding company of the Group.

The movement of share capital of the Company is as below:

Shares	Number of shares	Share capital <i>US\$</i>	Issued share capital equivalent to <i>RMB'000</i>
Authorised:			
On 29 October 2014 (date of incorporation) and as at 31 December 2014 at US\$0.01 each	<u>5,000,000</u>	<u>50,000.00</u>	
Issued and fully paid:			
Issued and allotted on 29 October 2014 (date of incorporation) at US\$0.01 each.	1	0.01	—
Issue of new shares at US\$0.01 each	<u>99,999</u>	<u>999.99</u>	<u>6</u>
At 31 December 2014, at US\$0.01 each.	<u>100,000</u>	<u>1,000.00</u>	<u>6</u>

* On 27 November 2014, the one ordinary share allotted to the first subscriber was transferred to Cavalli as the sole member of the Company. On 9 December 2014, the Company issued 9,999 shares to Cavalli in exchange for its equity interests in Tsaker Hong Kong at an aggregate consideration of approximately RMB80 million which was determined based on the net assets of Tsaker Hong Kong. On 24 December 2014, the Company further issued 87,200 shares to Cavalli for an aggregate cash consideration of US\$22 million or equivalent to approximately RMB134 million.

On 30 December 2014, 2,800 ordinary shares were issued to the Pre-IPO Investor for a total cash consideration of US\$5 million or equivalent to approximately RMB31 million. The par value of the shares issued amounting to RMB171.44 was credited to share capital while the value of the remaining balance was accounted for as other financial liability (note 29).

31. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity on pages 5-6 of the Financial Information.

(a) Group**Statutory reserve**

In accordance with the PRC regulations and the articles of association of the companies now comprising the Group, before distributing the net profit of each year, companies of the Group registered in the PRC are required to set aside 10% of their statutory net profit for the year after offsetting any prior year's losses as determined under relevant PRC accounting standards to the statutory surplus reserve fund. When the balance of this reserve reaches 50% of each company's share capital, any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior years' losses or to issue bonus shares. However, the statutory surplus reserve fund must be maintained at a minimum of 25% of each entity's share capital after such issuance.

Safety production fund

Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety of the PRC, the Group is required to set aside an amount to a safety production fund at a certain percentage (less than RMB10 million: 4%, from RMB10 million to RMB100 million: 2%, from RMB100 million to RMB1 billion: 0.5%, greater than RMB1 billion: 0.2%) of the previous year's operating revenue. The fund can be used for the improvement of safety, and is not available for distribution to shareholders. The balance of the safety production fund in equity represents the safety fund that was set aside but not yet used.

Capital reserve

Share capital of the Group's subsidiaries before the incorporation of the Company is recorded as capital reserve.

Capital reserve also included the difference between the consideration paid by the Company for acquisition of subsidiaries pursuant to the Reorganisation and the net assets of the subsidiaries being acquired at the time of the Reorganisation.

(b) Company

The amounts of the Company's reserves and their movements are presented below:

	Share premium	Translation reserve	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2014	—	—	—
Issue of shares (note 30)	214,911	—	214,911
Other comprehensive income:			
Exchange difference on translation of the Company's net assets	—	(85)	(85)
At 31 December 2014	<u>214,911*</u>	<u>(85)*</u>	<u>214,826</u>

* Representing total reserves of the Company of RMB214,826,000 as at 31 December 2014.

32. CONTINGENT LIABILITIES

During the Relevant Periods and as at 31 December 2014, the Group had the following contingent liabilities:

- (1) Tsaker Cangzhou and Tsaker Dongguang had failed to obtain construction land use planning permit, construction work planning permit and commencement of construction work permit prior to commencing the construction of their projects ("Relevant Constructions"), primarily because of an inadvertent error of the Group's administration staff for failing to appreciate such legal requirements. As advised by the PRC legal counsel of the Company, as Tsaker Cangzhou and Tsaker Dongguang did not hold such construction work planning permits, the Group may be ordered to stop the construction, and a rectification order and a fine ranging between 5% to 10% of the construction cost may be imposed. After considering the advice from the Company's PRC legal counsel, in the opinion of the Directors, the probability that the related government agency will impose any penalty on the Group is relatively low. Accordingly, no provision has been made in the Financial Information of the Group.
- (2) Tsaker Dongguang and Tsaker Cangzhou did not attend to "three simultaneities" procedures for the prevention and control of occupational disease hazards (collectively, the "Occupational Disease Three Simultaneities") for certain construction projects. As advised by the PRC legal counsel of the Company, in the event of a failure to perform the Occupational Disease Three Simultaneities, the related government agency may issue warnings, order to make corrections within a specified time limit and a fine with an amount between RMB100,000 and RMB500,000. After considering the advice from the Company's PRC legal counsel, in the opinion of the Directors, the probability that the relevant authority will impose any penalty on the Group is relatively low. Accordingly, no provision has been made in the Financial Information of the Group.

- (3) Tsaker Cangzhou and Tsaker Dongguang had not designed, constructed and operated the facilities relating to work safety simultaneously (“Three Simultaneities on Safety Facilities”) for certain construction projects.

As advised by the PRC legal counsel of the Company, in the event of failure in Three Simultaneities on Safety Facilities, the Group may be ordered to cease construction for rectification within the prescribed period and a fine of no less than RMB500,000 and no more than RMB1,000,000. Failure to conduct diagnosis of safety design within a specific time could lead to suspension of operation for rectification, failing which could lead to a shut down. After considering the advice from the Company’s PRC legal counsel, in the opinion of the Directors, the probability that the relevant authority will impose any penalty on the Group is relatively low. Accordingly, no provision has been made in the Financial Information of the Group.

33. COMMITMENTS

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

	<u>As at 31 December</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contracted, but not provided for:			
Plant and machinery	11,702	3,237	52,821
Authorised, but not contracted for:			
Plant and machinery	<u>—</u>	<u>—</u>	<u>550,339</u>
	<u>11,702</u>	<u>3,237</u>	<u>603,160</u>

The Group has no significant operating lease commitment during the Relevant Periods.

34. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in this financial information, the Group had the following transactions with related parties during the Relevant Periods:

	Notes	Year ended 31 December		
		2012	2013	2014
		RMB'000	RMB'000	RMB'000
Sale of products	(i)			
Dongguang Yijia Iron Powder Co. Ltd.		—	11,959	11,075
Shine Chem Limited		46,907	11,534	—
Sunchem International Trading Pte. Ltd.		—	16,307	55,904
Hebei Huage Dye Chemical Co., Ltd.		—	42,617	89,743
		<u>46,907</u>	<u>82,417</u>	<u>156,722</u>
Purchase of materials	(i)			
Hebei Huage Fine Chemical Co., Ltd.		235	—	—
Dongguang Yijia Iron Powder Co. Ltd.		65,077	73,296	66,200
Shine Chem Limited		6,776	3,509	—
Sunchem International Trading Pte. Ltd.		—	—	1,494
		<u>72,088</u>	<u>76,805</u>	<u>67,694</u>
Related party funding from	(ii)			
Huage Holdings		202,198	209,209	254,927
Hebei Huage Fine Chemical Co., Ltd.		6,500	—	—
Huage Chemical (Cangzhou) Co., Ltd.		—	100,127	41,017
Cavalli Enterprises Inc.		—	—	11,869
Hebei Huage Dye Chemical Co., Ltd.		—	—	16,000
		<u>208,698</u>	<u>309,336</u>	<u>323,813</u>
Related party funding to	(ii)			
Huage Holdings		314,852	288,682	229,486
Hebei Huage Fine Chemical Co., Ltd.		17,700	22,795	—
Huage Chemical (Cangzhou) Co., Ltd.		—	24,000	89,815
Cavalli Enterprises Inc.		45,278	—	26,801
		<u>377,830</u>	<u>335,477</u>	<u>346,102</u>

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Payments on behalf of Dongguang Yijia Iron Powder Co., Ltd.	475	456	337
Property leasing fee paid to Huage Holdings	265	265	155
Purchase of buildings from Huage Holdings	—	—	3,219
Directors and key management members of the Company:			
Car usage fee paid to Mr. Ge Yi	180	105	300

On 11 April 2011, Huage Holdings purchased a 27.67% equity interest in Tsaker Cangzhou from Tsaker Hong Kong for a consideration of US\$7.32 million or equivalent to approximately RMB45,285,000. The consideration was received by Tsaker Hong Kong in 2012 when it became a subsidiary of Cavalli.

Interest-bearing borrowings:

2012

	Note	Borrowings received	Repayment of borrowings	Interest paid
		RMB'000	RMB'000	RMB'000
Dong Zhongmei	(iii)	682	716	54
Duan Weidong	(iii)	468	299	30
		<u>1,150</u>	<u>1,015</u>	<u>84</u>

2013

	Note	Borrowings received	Repayment of borrowings	Interest paid
		RMB'000	RMB'000	RMB'000
Dong Zhongmei	(iii)	95	454	45
Duan Weidong	(iii)	81	468	47
		<u>176</u>	<u>922</u>	<u>92</u>

Notes:

- (i) In the opinion of the Directors of the Group, 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) Funding from and funding to related parties are mainly for meeting capital requirements of the Group during the Relevant Periods. These fundings are unsecured, interest-free and have no fixed repayment terms and were included in other payables and accruals, and prepayments and other receivables, respectively, of the consolidated statements of financial position at the respective ends of the Relevant Periods.
- (iii) These are interest-bearing borrowings from certain directors and the officers of the Group, as part of the borrowings from employees, with an annual interest rate of 10%.

(b) Outstanding balances with related parties:

The Group had outstanding balances with the following related parties:

	Relationship with the Group	As at 31 December		
		2012	2013	2014
		RMB'000	RMB'000	RMB'000
Trade receivables:				
Shine Chem Limited	Controlled by Mr. Ge Yi	15,491	—	—
Sunchem International Trading Pte. Ltd.	Controlled by Mr. Ge Yi	—	9,138	18,650
Hebei Huage Dye Chemical Co., Ltd.	Controlled by Mr. Ge Yi	—	11,163	—
Dongguang Yijia Iron Powder Co. Ltd.	Controlled by Mr. Ge Yi's relative	—	1,466	1,425
		<u>15,491</u>	<u>21,767</u>	<u>20,075</u>
Other receivables:				
Huage Holdings	Controlled by Mr. Ge Yi	247,406	194,784	—
Dongguang Yijia Iron Powder Co. Ltd.	Controlled by Mr. Ge Yi's relative	—	37	—
Duan Weidong	Director	2	—	—
Hebei Huage Dye Chemical Co., Ltd.	Controlled by Mr. Ge Yi	—	1,130	1,130
		<u>247,408</u>	<u>195,951</u>	<u>1,130</u>
Trade and bills payables:				
Dongguang Yijia Iron Powder Co. Ltd.	Controlled by Mr. Ge Yi's relative	7,051	10,929	11,800
Sunchem International Trading Pte. Ltd.	Controlled by Mr. Ge Yi	—	—	486
		<u>7,051</u>	<u>10,929</u>	<u>12,286</u>
Other payables and accruals:				
Hebei Huage Fine Chemical Co., Ltd.	Controlled by Mr. Ge Yi	22,795	—	—
Huage Chemical (Cangzhou) Co., Ltd.	Controlled by Mr. Ge Yi	—	76,127	27,330
Shine Chem Limited	Controlled by Mr. Ge Yi	7,478	7,253	—
Cavalli Enterprises Inc.	Parent company	15,353	14,892	13
Huage Holdings	Controlled by Mr. Ge Yi	—	—	6,258
Hebei Huage Dye Chemical Co., Ltd.	Controlled by Mr. Ge Yi	—	—	16,000
		<u>45,626</u>	<u>98,272</u>	<u>49,601</u>
Borrowings from employees:				
Borrowing from a director — Dong Zhongmei*	Director	454	—	—
Borrowing from a director — Duan Weidong*	Director	468	—	—
		<u>922</u>	<u>—</u>	<u>—</u>

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

* The maximum outstanding amounts of borrowings recorded by Huage Dye from Dong Zhongmei and Duan Weidong during the year ended 31 December 2012 are RMB969,045 and RMB767,743, respectively. The maximum outstanding amounts of interest-bearing borrowings from the above two individuals during the year ended 30 September 2013 were RMB454,000 and RMB468,000, respectively.

(c) Guarantees received from related parties

As at 31 December 2012, 31 December 2013 and 31 December 2014, certain bank loans were guaranteed by the related parties (note 26).

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

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Compensation paid to key management personnel (note 8)	331	528	691

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:

Financial assets

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Loans and receivables			
Trade and notes receivables	173,854	167,342	147,663
Financial assets included in prepayments, deposit and other receivables.	256,769	198,724	4,349
Restricted cash	6,373	512	514
Cash and cash equivalents	46,701	21,113	95,471
Available-for-sale investment	17,000	—	—
	<u>500,697</u>	<u>387,691</u>	<u>247,997</u>

Financial liabilities at amortised cost

	As at 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	63,739	129,892	149,144
Financial liabilities included in other payables and accruals	86,308	128,796	85,495
Interest-bearing bank and employee borrowings . . .	253,299	133,246	81,000
Other financial liability	—	—	30,615
	<u>403,346</u>	<u>391,934</u>	<u>346,254</u>

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**(a) Fair value**

The carrying amounts and fair values of the Group's and Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amount			Fair value		
	2012	2013	2014	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing bank and other borrowings	253,299	133,246	81,000	251,821	131,768	81,000
Other financial liability . . .	—	—	30,615	—	—	30,615
	<u>253,299</u>	<u>133,246</u>	<u>111,615</u>	<u>251,821</u>	<u>131,768</u>	<u>111,615</u>

The fair values of long-term interest-bearing loans and borrowings and other financial liability have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

(b) Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments for which fair values are disclosed:

As at 31 December 2012

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing bank and other borrowings	—	251,821	—	251,821
Other financial liability	—	—	—	—
	<u>—</u>	<u>251,821</u>	<u>—</u>	<u>251,821</u>

As at 31 December 2013

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing bank and other borrowings	—	131,768	—	131,768
Other financial liability	—	—	—	—
	<u>—</u>	<u>131,768</u>	<u>—</u>	<u>131,768</u>

As at 31 December 2014

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Interest-bearing bank and other borrowings	—	81,000	—	81,000
Other financial liability	—	30,615	—	30,615
	—	111,615	—	111,615

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise bank loans, employee borrowings, amounts due from and due to related parties, other financial liability and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The management reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to interest rate risk relates principally to the Group's short term and long term bank loans with floating interest rate. The Group mitigates the risk by monitoring closely the movements in interest rates and reviewing its banking facilities regularly. The Group has not used any interest rate swap to hedge its exposure to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate loans) and the Group's equity.

	Increase/ (decrease) in interest rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	%	RMB'000	RMB'000
Year ended 31 December 2012.....	5	(235)	(185)
	(5)	235	185
Year ended 31 December 2013	5	(39)	(29)
	(5)	39	29
Year ended 31 December 2014*.....	5	—	—
	(5)	—	—

* During the year ended 31 December 2014, the Group did not have any bank loans with floating interest rate.

Foreign currency risk

Substantially all sales and purchase transactions are denominated in RMB and US dollars. Management has assessed the Group's exposure to foreign currency risk by using a sensitivity analysis on the change in foreign exchange rate of the United States dollars ("USD"), to which the Group is mainly exposed to during the Relevant Periods.

As at 31 December 2014, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, net profit for the year would have been approximately RMB4,989,000 (2012: RMB2,139,000; 2013: RMB863,000) lower/higher, mainly as a result of foreign exchange gains/losses arising from translation of USD-denominated trade receivables and payables.

Credit risk

The Group trades only with related parties and recognised creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, and deposits and other receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with related parties and recognised creditworthy third parties, there is no requirement for collateral.

Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents and the Group has available funding through an adequate amount of committed credit facilities to meet its commitments.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods based on the contractual undiscounted payments, is as follows:

As at 31 December 2012						
	On demand	Less than 6 months	6 to 12 months	1 to 2 years	Over 2 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing bank and employee borrowings*	75,941	124,652	45,897	1,476	20,615	268,581
Trade payables	43,796	19,943	—	—	—	63,739
Other payables and accruals	86,308	—	—	—	—	86,308
	<u>206,045</u>	<u>144,595</u>	<u>45,897</u>	<u>1,476</u>	<u>20,615</u>	<u>418,628</u>
As at 31 December 2013						
	On demand	Less than 6 months	6 to 12 months	1 to 2 years	Over 2 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing bank and employee borrowings*	9,257	54,917	56,609	20,650	—	141,433
Trade payables	73,136	56,756	—	—	—	129,892
Other payables and accruals	128,796	—	—	—	—	128,796
	<u>211,189</u>	<u>111,673</u>	<u>56,609</u>	<u>20,650</u>	<u>—</u>	<u>400,121</u>

As at 31 December 2014					
On demand	Less than 6 months	6 to 12 months	1 to 2 years	Over 2 years	Total
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing bank and employee borrowings* . .	—	36,211	47,797	—	84,008
Trade payables	83,489	65,655	—	—	149,144
Other payables and accruals	85,495	—	—	—	85,495
Other financial liability* . .	—	—	—	36,126	36,126
	<u>168,984</u>	<u>101,866</u>	<u>47,797</u>	<u>36,126</u>	<u>354,773</u>

* Interest-bearing bank and employee borrowings, and other financial liability include principal and interest.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group's strategy was to maintain the gearing ratio at a healthy capital level in order to support its business. The principal strategies adopted by the Group include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The gearing ratios were as follows:

	Note	2012	2013	2014
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total debt*		253,299	133,246	111,615
Total equity		<u>388,004</u>	<u>325,488</u>	<u>306,846</u>
Gearing ratio		<u>65.28%</u>	<u>40.94%</u>	<u>36.37%</u>

* Total debt comprises interest-bearing bank, employee borrowings, and other financial liability.

38. EVENTS AFTER THE REPORTING PERIOD

In January 2015, the Group leased the production plant (including all the existing assets including factory premises, land, equipment and facilities in relation to the production of mononitrotoluene) from Shengli Oil Field Dongao Chemicals Co., Ltd., a company established under the laws of the PRC on 15 March 2004, and a wholly-owned subsidiary of Huage Holdings located in Dongying, Shandong Province, the PRC with an annual leasing fee amounting to RMB16.2 million.

On 12 June 2015, the Company has resolved to issue, under certain conditions 374,900,000 shares, by way of capitalising such sum standing to the credit of the share premium of the Company, to the shareholders whose names appear on the register of members of the Company before listing on a pro rata basis.

On 17 June 2015, the Company, Haitong International Capital Limited and Haitong International Securities Company Limited have entered into cornerstone investment agreement (the "**Cornerstone Investment Agreement**"), with Winshare Hongtai (Shenzhen) Investment Partnership (Limited Partnership) (the "**Cornerstone Investor**"), pursuant to which the Cornerstone Investor has agreed to purchase at the Offer Price the number of Offer Shares (rounded down to the nearest whole board lot of 500 Shares) that may be purchased in an amount of US\$25 million (approximately HK\$195 million). The subscription obligation of the Cornerstone Investor is subject to, among other things, the certain conditions precedent being satisfied or waived in accordance with the terms of the Cornerstone Investment Agreement.

39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or its subsidiaries in respect of any period subsequent to 31 December 2014.

Yours faithfully,
Ernst & Young
Certified Public Accountants
 Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, our Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for information purposes only. The pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following pro forma adjusted consolidated net tangible assets of our Group have been prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the HKICPA for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on our consolidated net tangible assets as at 31 December 2014 as if it had taken place on 31 December 2014.

The pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as at 31 December 2014 or any future date. It is prepared based on our consolidated net tangible assets as at 31 December 2014 as set out in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as described below. The pro forma adjusted consolidated net tangible assets does not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Consolidated net tangible assets attributable to the owners of the Company as at 31 December 2014	Estimated net proceeds from the Global Offering	Pro forma adjusted consolidated net tangible assets	Pro forma adjusted consolidated net tangible assets per share	
	<i>RMB'000</i> <i>Note 1</i>	<i>RMB'000</i> <i>Note 2</i>	<i>RMB'000</i>	<i>RMB</i> <i>Note 3</i>	<i>(HK\$ equivalent)</i> <i>Note 4</i>
Based on an offer price of HK\$4.01 per Share .	244,091	359,472	603,563	1.21	1.53
Based on an offer price of HK\$5.51 per Share .	244,091	498,953	743,044	1.49	1.88

Note:

- (1) The consolidated net tangible assets of our Group attributable to owners of the Company as at 31 December 2014 is extracted from the Accountants' Report as set out in Appendix I to this prospectus, which is based on the audited consolidated equity attributable to owners of our Company as at 31 December 2014 of RMB306,846,000 less deferred tax asset and prepaid land lease payment as of 31 December 2014 of RMB24,092,000 and RMB38,663,000.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (2) The estimated net proceeds from the Global Offering are based on estimated offer prices of HK\$4.01 or HK\$5.51 per Share after deduction of the underwriting fees and other related expenses payable by the Company and 125,000,000 Shares expected to be issued under the Global Offering, taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option. Estimated net proceeds from the Global Offering is converted into RMB at an exchange rate of HK\$1.00 to RMB0.7889.
- (3) The pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 500,000,000 Shares are in issue assuming that the Global Offering has been completed on 31 December 2014 and an Offer Price of HK\$4.01 per Share, being the low end of the Offer Price range, and 500,000,000 Shares are in issue assuming that the Global Offering has been completed on 31 December 2014 and an Offer Price of HK\$5.51 per Share, being the high end of the Offer Price range, excluding Shares which may be issued upon the exercise of the Over-allotment Option.
- (4) The pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.7889.
- (5) No adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to 31 December 2014.

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

To the Directors of Tsaker Chemical Group Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Tsaker Chemical Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 December 2014, and related notes as set out on pages II-1 of the Prospectus issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II (A) to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group’s financial position as at 31 December 2014 as if the transaction had taken place at 31 December 2014. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the year ended 31 December 2014, on which an accountant’s report has been published.

Directors’ responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Reporting Accountant’s responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to *AG7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong
23 June 2015

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND COMPANIES LAW OF THE CAYMAN ISLANDS

SUMMARY OF THE CONSTITUTION OF THE COMPANY

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on October 29, 2014 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and the Amended and Restated Articles of Association (the "**Articles**").

1 MEMORANDUM OF ASSOCIATION

- (a) The Memorandum was adopted on June 12, 2015 and states, inter alia, that the liability of members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.
- (c) The Memorandum is available for inspection at the address specified in Appendix V to this prospectus in the section headed "Appendix V — 2. Documents Available For Inspection".

2 ARTICLES OF ASSOCIATION

The Articles were adopted on June 12, 2015 and effective on the Listing Date and include provisions to the following effect:

(a) **Classes of Shares**

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is US\$10,000,000 divided into 1,000,000,000 shares of US\$0.01 each.

(b) **Directors**

(i) *Power to allot and issue Shares*

Subject to the provisions of the Companies Law and the Memorandum and Articles, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND COMPANIES LAW OF THE CAYMAN ISLANDS

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Company may by ordinary resolution determine, or if there has not been any such determination or so far as the same shall not make specific provision, as the Directors may determine. Subject to the Companies Law, the Memorandum and the Articles and to any special rights conferred on any shareholders or attaching to any class of shares, any share may be issued on terms that it is, or at the option of the Company or the holder thereof is, liable to be redeemed.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(iii) *Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(iv) *Loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors and associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(v) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

Subject to the Companies Law and the Articles, no Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND COMPANIES LAW OF THE CAYMAN ISLANDS

at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may subsequently be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Board in respect of any contract or arrangement or any other proposal whatsoever in which he or any of his Close Associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving of any security or indemnity either (a) to the Director or his Close Associate(s) in respect of money lent by him or any of them or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries, or (b) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his Close Associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (ii) any proposal concerning an offer of the shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his Close Associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iii) any proposal concerning any other company in which the Director or his Close Associate(s) is/are interested only, whether directly or indirectly, an officer or an executive or a shareholder or in which the Director or his Close Associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his Close Associates is derived), or of the voting rights;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or our subsidiaries including (a) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his Close Associate(s) may benefit, or (b) the adoption, modification or operation of a pension fund or retirement, death or disability benefit scheme which relates both to a Director, his Close Associate(s) and employees of the Company or of any of our subsidiaries and does not provide in respect of any Director or his Close Associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND COMPANIES LAW OF THE CAYMAN ISLANDS**

- (v) any contract or arrangement in which the Director or his Close Associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only if his/their interest in shares or debentures or other securities of the Company.

(vi) *Remuneration*

The Directors shall be entitled to receive by way of ordinary remuneration for their services such sum as shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel, hotel and other expenses, reasonably incurred by them in or about the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of the managing director, joint managing director, deputy managing director or an executive Director or a Director appointed to any other office in the management of the Company may be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such ordinary remuneration as the recipient may be entitled to receive as a Director.

(vii) *Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at that meeting.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND COMPANIES LAW OF THE CAYMAN ISLANDS

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director). The Company may by ordinary resolution appoint another person in his stead. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. Subject to the Articles and the Companies Law, the Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

A Director need not hold any qualification shares. No Director shall be required to vacate office or be ineligible for re-election or re-appointment as Director and no person shall be ineligible for appointment as a Director by reason only of his having attained any particular age.

The office of a Director shall be vacated:

- (aa) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (bb) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (cc) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles;

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- (ff) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (gg) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(viii) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

The rights of the Directors to exercise these powers may only be varied by a special resolution.

(ix) *Register of Directors and Officers*

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar of Companies of the Cayman Islands within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(x) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Unless otherwise determined, two Directors shall be a quorum. Subject to the Articles, questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) **Alteration to constitutional documents**

No alteration or amendment to the Memorandum or Articles may be made except by special resolution.

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(d) **Variation of rights of existing shares or classes of shares**

The rights attached to the shares or any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting (other than at an adjourned meeting) shall be two persons holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class, and at any adjourned meeting of such holders, two holders present in person (or in the case of a corporation, by its duly authorized representative) or by proxy, and that any holder of shares of the class present in person (or in the case of corporation, by its duly authorised representative) or by proxy may demand a poll.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith or by the redemption or purchase of shares of any class by the Company.

(e) **Alteration of Capital**

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (i) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

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- (ii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by the Company in general meeting, as the Directors may determine provided always that where the Company issues shares which do not carry voting rights, the words “non-voting” shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words “restricted voting” or “limited voting”;
- (iii) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

(f) Special resolution - majority required

A “special resolution” is defined in the Articles to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

In contrast, an “ordinary resolution” is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

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(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member of the Company who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or proxy shall have one vote, and on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member of the Company is, under the Listing Rules, required to abstain from voting on any particular resolution or is restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote, whether on a show of hands or on a poll, by any person authorised in such circumstances to do so and such person may vote on a poll by proxy.

Save as expressly provided in the Articles or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be counted in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded or otherwise required under the Listing Rules. A poll may be demanded by:

- (i) the chairman of the meeting; or
- (ii) at least three members of the Company present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and entitled to vote; or
- (iii) any member or members of the Company present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members of the Company having the right to attend and vote at the meetings; or

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- (iv) any member or members of the Company present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right; or
- (v) if required by the Listing Rules, by any Director or Directors who, individually, or collectively, hold proxies in respect of shares representing five per cent or more of the total voting rights at such meeting.

On a poll votes may be given either personally or by proxy.

If a recognised clearing house (or its nominee) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee) which he represents as that recognised clearing house (or its nominee) could exercise if it were an individual member of the Company holding the number and class of shares specified in such authorisation.

(h) Annual general meetings

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the Stock Exchange may authorise) shall elapse between the date of one annual general meeting of the Company and that of the next.

(i) Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law. The Board shall cause books of account to be retained for a minimum of five years from the date they are prepared.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and,

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in any other case, since the preceding account, together with a balance sheet as at the date at which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

(j) Notice of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company other than those who, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

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All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (a) the declaration and sanctioning of dividends;
- (b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;
- (c) the election of Directors whether by rotation or in place of those retiring;
- (d) the appointment of auditors;
- (e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;
- (f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20 per cent. (or such other percentage as may from time to time be specified in the Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and
- (g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

(k) Transfer of Shares

Any member may transfer all or any of his shares by an instrument of transfer in the usual or common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

The Directors may, in their absolute discretion, and without giving any reason therefor, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve, or any share issued under any share incentive scheme for employees upon which a restriction

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on transfer imposed thereby still subsists, and it may also, without prejudice to the foregoing generality, refuse to register a transfer of any share to more than four joint holders or a transfer of any share (not being a fully paid up share) on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (i) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (ii) the instrument of transfer is in respect of only one class of shares;
- (iii) the instrument of transfer is properly stamped (in circumstances where stamping is required); and
- (iv) a fee of such maximum as the Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the instrument of transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement published on the Exchange's website or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

(l) Power of the Company to purchase its own Shares

Subject to the Companies Law, or any other law and subject to the rights conferred on the holders of any class of shares, the Company shall have the power to purchase or otherwise acquire all or any of its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and provided always that any such purchase or other acquisition shall only be made in accordance with any relevant code, rules or regulations issued by the Exchange or the Securities and Futures Commission of Hong Kong from time to time in force.

(m) Power of any subsidiary of the Company to own Shares

There are no provisions in the Articles relating to the ownership of shares by a subsidiary.

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(n) Dividends and other methods of distributions

Subject to the Companies Law and Articles, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or payable except out of the profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be payable at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Unless otherwise directed by the Board, any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect

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of the joint holding to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets, or any part thereof, and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

(o) **Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

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The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

(p) Calls on Shares and forfeiture of Shares

The Directors may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment) pay to the Company at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum or any instalment payable in respect of a call shall not be paid on or before the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15 per cent. per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

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The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment on or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Board thinks fit.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15 per cent. per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

(q) Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement published on the Exchange's website, or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK\$2.50 (or such higher amount as may from time to time be permitted under the Listing Rules) as the Directors may determine for each inspection.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND COMPANIES LAW OF THE CAYMAN ISLANDS

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

Any corporation which is a member of the Company may, by resolution of its directors or other governing body or by power of attorney, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of members of any class of shares of the Company and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of the Company and where a corporation is so represented, it shall be treated as being present at any meeting in person.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph (d) above.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority shareholders in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(t) Procedure on liquidation

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND COMPANIES LAW OF THE CAYMAN ISLANDS

(u) Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (i) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) the Company has not during that time or before the expiry of the three month period referred to in (iv) below received any indication of the whereabouts or existence of the member; (iii) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (iv) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

COMPANIES LAW OF THE CAYMAN ISLANDS AND TAXATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 October 2014 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

Set out below is a summary of certain provisions of the Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

As an exempted company, the Company must conduct its operations mainly outside of the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND COMPANIES LAW OF THE CAYMAN ISLANDS

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. The share premium account may be applied by a company subject to the provisions of its memorandum and articles of association in such manner as the company may from time to time determine including, but without limitation:

- (i) in paying distributions or dividends to members;
- (ii) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (iii) in redeeming or purchasing its shares as provided in the Companies Law;
- (iv) in writing off:
 - (aa) the preliminary expenses of the company; or
 - (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or
- (v) in providing for the premium payable on redemption of any shares or of any debentures of the company.

No dividend or distribution may be paid to members out of the share premium account unless immediately following the date of the proposed payment, the company is able to pay its debts as they fall due in the ordinary course of business.

A company may issue preference shares and redeemable preference shares.

The Companies Law does not contain any express provisions dealing with the variation of rights of holders of different classes of shares.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands against the provision of financial assistance for the purchase, subscription or other acquisition of its shares, though on English common law principles, the directors have a duty to act in good faith for a proper purpose in the best interests of the company, and moreover, there are restrictions on any act which amounts to a reduction of capital. Accordingly, it may, depending on the circumstances be legitimate for the directors to authorize the provision by a company of financial assistance for the purchase, subscription or other acquisition of its own shares, or the shares of its holding company.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND COMPANIES LAW OF THE CAYMAN ISLANDS

(d) Redemption and Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its articles of association, issue redeemable shares and, purchase its own shares or vary the rights attaching to any shares to provide that such shares are redeemable, including any redeemable shares. Purchases and redemptions may only be effected out of the profits of the company, out of the share premium account or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the company or out of the company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any purchase by a company of its own shares may be authorised by its directors or otherwise by or in accordance with the provisions of its articles. If the articles of association do not authorize the manner of purchase, the directors of a company may determine the manner or any of the terms of a redemption or purchase, if so authorized to do so in the company's articles of association or pursuant to a shareholder resolution. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital for a redemption or purchase of a company's own shares is not lawful unless immediately following the date of the proposed payment the company is able to pay its debts as they fall due in the ordinary course of business. The shares so purchased or redeemed by a company shall not be treated as cancelled but shall be classified as treasury shares if a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares, b) the relevant provisions of the memorandum and articles of association (if any) are complied with and c) if the company is authorized in accordance with its memorandum and articles of association or by a resolution of directors of the company to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. The Companies Law sets out detailed provisions as to exercise of rights attached to treasury shares and treatment of any consideration received by a company for such shares.

A company is not prohibited from purchasing and may purchase its own subscription warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its articles of association.

(e) Dividends and distributions

A company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND COMPANIES LAW OF THE CAYMAN ISLANDS

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal (b) an act which constitutes a fraud against the minority and the wrong doers are themselves in control of the company, or (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the court shall direct.

Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company shall be wound up.

Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the memorandum and articles of association of the company.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary is required, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

The Companies Law requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company. A company is required to keep such books of account as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions and shall cause all books of account to be retained for a minimum period of 5 years from the date on which they are prepared.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND COMPANIES LAW OF THE CAYMAN ISLANDS

(j) Taxation

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of the present legislation. As an exempted company, our Company has received from the Governor-in-Counsel of the Cayman Islands pursuant to the Tax Concessions Law (2011 Revision) of the Cayman Islands, an undertaking that in the event of any change to the foregoing, our Company, for a period of 20 years from the date of the grant of the undertaking, will not be chargeable to tax in the Cayman Islands on its income or its capital gains arising in the Caymans Islands or elsewhere and that dividends of our Company will be payable without deductions of Cayman Islands tax. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Shares.

(k) Stamp duty

Certain documents (which do not include contract, notes for the sale and purchase of, or instruments of transfer of, shares in Cayman Islands companies) are subject to stamp duty which is generally calculated on an ad valorem basis.

(l) Loans to directors

The Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

Neither the members of a company nor the general public have the right to inspect the register of directors and officers, the minutes, accounts or, in the case of any exempted company, the register of members. The register of mortgages and charges must be kept at the registered office of the company and must be open to inspection by any creditor or member at all reasonable times.

Members of the public have no right to inspect the constitutive documents of a company but the memorandum and articles of association must be forwarded to any member of the company upon request. If no articles of association have been registered with the Registrar of Companies, each member has the right to receive copies of special resolutions of members upon request upon payment of a nominal fee.

The location of the registered office of a company is available to the general public upon request to the Registrar of Companies.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands., as the company may determine from time to time. The Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND COMPANIES LAW OF THE CAYMAN ISLANDS

Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available, at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2014 Revision) of the Cayman Islands.

(o) **Winding up**

A company may be wound up by the Cayman Islands court on application presented by the company itself, its creditors or its contributors. The Cayman Islands court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Cayman Islands court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum of association expires, or the event occurs on the occurrence of which the memorandum of association provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where a resolution has been passed for the voluntary winding up of a company, the court may make an order that the winding up should continue subject to the supervision of the court with such liberty to creditors, contributors or others to apply to the court as the court may think fit.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purposes of winding up the affairs of the company and distributing its assets. The liquidator shall apply to the Court for an order that the liquidation continues under the supervision of the Court unless, within twenty-eight days of the commencement of the liquidation, the directors have signed a declaration of solvency in respect of the Company.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least twenty-one days notice which shall be published in the Cayman Islands and the liquidator shall convene a general meeting of the company at the end of the first year from the commencement of the winding up and at the end of each subsequent year and such meetings shall be held within three months of each anniversary.

(p) **Mergers**

A merger of two or more constituent companies under Cayman Islands law requires a plan of merger or consolidation to be approved by the directors of each constituent company and authorization by (a) a special resolution of the shareholders and (b) such other authorization, if any, as may be specified in such constituent company's articles of association.

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A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders of that Cayman subsidiary if a copy of the plan of merger is given to every member of that Cayman subsidiary to be merged unless that member agrees otherwise. For this purpose a subsidiary is a company of which at least ninety percent (90%) of the issued shares entitled to vote are owned by the parent company.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain circumstances, a dissentient shareholder of a Cayman constituent company is entitled to payment of the fair value of his shares upon dissenting to a merger or consolidation. The exercise of appraisal rights will preclude the exercise of any other rights save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

(q) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer, A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND COMPANIES LAW OF THE CAYMAN ISLANDS

GENERAL

Travers Thorp Alberga, our Company's legal advisors on Cayman Islands law, have sent to our Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Appendix V — 2. Documents Available For Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. INCORPORATION**

Our Company was incorporated as an exempted company in the Cayman Islands under the Companies Law on October 29, 2014. Our registered office is at P.O. Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands. We have established a place of business in Hong Kong at 36th Floor, Tower Two Times Square, 1 Matheson Street, Causeway Bay, Hong Kong, which was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on March 5, 2015. Ms. Leung Suet Lun, who resides in Hong Kong, has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as its principal place of business in Hong Kong as set out above.

As our Company was incorporated in the Cayman Islands, it operates subject to the relevant laws of the Cayman Islands, a summary of which is set out in Appendix III to this prospectus.

2. CHANGE IN SHARE CAPITAL OF OUR COMPANY

As at the date of our incorporation, our Company was authorized to issue 5,000,000 Shares with par value of US\$0.01 each. The following sets out the changes in our Company's share capital since the date of its incorporation:

- (a) On October 29, 2014, our Company was incorporated as an exempted limited liability company under the laws of the Cayman Islands with a share capital of US\$50,000 divided into 5,000,000 ordinary shares of par value of US\$0.01 each. Upon incorporation, one Share was allotted and issued to International Corporation Services Ltd. as the first subscriber, and such Share was transferred to Cavalli as sole member of our Company on November 27, 2014.
- (b) On December 9, 2014, 9,999 Shares were issued to Cavalli as a consideration for Cavalli transferring 34,174,000 ordinary shares, representing 100% of the shareholding in Tsaker Hong Kong, to our Company pursuant to a share swap agreement dated December 9, 2014 entered into between our Company and Cavalli.
- (c) On December 24, 2014, our Company further allotted and issued 87,200 Shares to Cavalli for a cash consideration of US\$22,000,000, details of which are more particularly disclosed in the section headed "Our History and Development — Reorganization — (9) Issue of Shares of our Company and Pre-IPO Investment by Transfar".
- (d) On December 30, 2014, our Company allotted and issued 2,800 Shares to Transfar for a cash consideration of US\$5,000,000 as pre-IPO investment. For further details on the terms of the investment by Transfar, see "Our History and Development — Pre-IPO Investment".

Other than pursuant to the Global Offering and the Capitalization Issue (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), the Company does not have any present intention to issue any part of the authorized but unissued Shares and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save for aforesaid and as mentioned in the paragraph headed “— A. Further Information about our Company and our Subsidiaries — 3. Resolutions in Writing of the Shareholders of our Company” below and in the section headed “Our History and Development” in this prospectus, there has been no alteration in our Company’s share capital since the date of our incorporation.

3. RESOLUTIONS IN WRITING OF THE SHAREHOLDERS OF OUR COMPANY

Pursuant to the written resolutions passed by the Shareholders on June 12, 2015, the following resolutions, among other resolutions, were duly passed:

- (a) our Company approved and adopted the Memorandum and the Articles of Association conditional upon and with effect from the listing of the Shares on the Main Board of the Stock Exchange on the Listing Date;
- (b) our Company’s authorized share capital was increased from US\$50,000 to US\$10,000,000 by the creation of a further 995,000,000 Shares of par value US\$0.01 each;
- (c) conditional upon (i) the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering and the Capitalization Issue (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option); (ii) the entering into of the Price Determination Agreement on the Price Determination Date; and (iii) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming unconditional and remaining unconditional and not having been terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - (i) the Global Offering and the Over-allotment Option was approved and the Directors were authorized to allot and issue our Shares pursuant to the Global Offering and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option;
 - (ii) conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorized to capitalize US\$3,749,000 from the share premium account of our 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 of our Company whose names appearing on the register of members of our Company at the close of business on June 12, 2015 (or as such

Shareholders may direct) in proportion (as nearly as possible without fractions so that no fraction of a share shall be allotted and issued) to their then respective shareholdings in our Company and so that such Shares to be allotted and issued shall rank *pari passu* in all respects with the then existing issued Shares; and

- (iii) the proposed Listing of our Shares on the Main Board be approved and the Directors be authorized to implement such Listing;
- (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with the Shares, otherwise than pursuant to, or in consequence of, a rights issue, the exercise of any subscription rights which may be granted under any scrip dividend scheme or similar arrangements, exercise of any options which may be granted under any option scheme of our Company from time to time adopted, any adjustment of rights to subscribe for Shares under options and warrants or similar rights to subscribe for Shares or such securities convertible into Shares, or a special authority granted by our Shareholders, and to make or grant offers, agreements and options which might require exercise of such power, with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, and (bb) the aggregate nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (e) below;
- (e) a general unconditional mandate was given to our Directors authorizing them to exercise all powers of our Company to purchase or repurchase the Shares on the Hong Kong Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Hong Kong Stock Exchange for this purpose, with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option; and
- (f) the general unconditional mandate as mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above.

Each of the general mandates referred to in paragraphs (d) and (e) above will remain in effect until the earlier of (i) the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law of the Cayman Islands or the Articles of Association to be held; and (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

4. CORPORATE REORGANIZATION

The companies comprising our Group underwent the Reorganization in preparation for the Listing. For information relating to the Reorganization, please refer to the section headed “Our History and Development” in this prospectus.

5. CHANGES IN SHARE CAPITAL OF OUR SUBSIDIARIES

Our subsidiaries are referred to in the Accountants’ Report in Appendix I to this prospectus. The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

(a) *Tsaker Hong Kong*

Pursuant to the written resolution of the sole shareholder of Tsaker Hong Kong dated December 4, 2014, the director of Tsaker Hong Kong was authorized to allot shares of up to HK\$34,164,000 and further pursuant to the written resolutions of the sole director of Tsaker Hong Kong dated December 4, 2014, 34,164,000 shares of Tsaker Hong Kong were allotted to Cavalli for capitalization of a shareholder’s loan in the sum of HK\$34,164,000 due to Cavalli.

Pursuant to a share swap agreement dated December 9, 2014 entered into between our Company and Cavalli, Cavalli transferred 34,174,000 ordinary shares, representing 100% of the shareholding in Tsaker Hong Kong, to our Company for a consideration of 9,999 shares issued to Cavalli. The consideration was properly and legally settled on December 9, 2014.

(b) *Tsaker Cangzhou*

On July 10, 2014, the board of directors of Tsaker Cangzhou passed resolutions to approve the increase in the registered share capital of Tsaker Cangzhou from RMB25,580,000 to RMB60,000,000 and the increase in the total investment amount from RMB51,160,000 to RMB85,580,000. The increase in registered capital and total investment amount were completed on July 22, 2014.

On September 25, 2014, Huage Holdings and Tsaker Hong Kong entered into an equity transfer agreement pursuant to which Huage Holdings agreed to transfer 75% of the equity interest in Tsaker Cangzhou to Tsaker Hong Kong at a consideration of approximately RMB88 million. The equity transfer was completed on October 10, 2014. Upon completion, Tsaker Cangzhou became a wholly-owned subsidiary of Tsaker Hong Kong.

On December 15, 2014, the board of directors of Tsaker Cangzhou passed resolutions to approve the increase in the registered share capital of Tsaker Cangzhou from RMB60,000,000 to RMB125,000,000 and the increase in the total investment amount from RMB85,580,000 to RMB190,580,000. The increase in registered capital and total investment amount were completed on January 20, 2015.

(c) *Tsaker Dongguang*

On May 7, 2013, Tsaker Dongguang was established under the laws of the PRC with a registered capital of RMB50,000,000, which was fully paid up. Tsaker Dongguang was held as to 100% by Huage Cangzhou.

On February 28, 2014, Huage Cangzhou and Tsaker Cangzhou entered an equity transfer agreement pursuant to which Huage Cangzhou agreed to transfer all its equity interests in Tsaker Dongguang to Tsaker Cangzhou at a cash consideration of RMB64.19 million. The equity transfer was completed on July 29, 2014. Upon completion, Tsaker Dongguang became a wholly-owned subsidiary of Tsaker Cangzhou.

On January 7, 2015, Tsaker Cangzhou passed a resolution to approve the increase in the registered share capital of Tsaker Dongguang from RMB50,000,000 to RMB66,000,000. The increase in registered share capital was completed on January 8, 2015.

(d) *Tsaker Beijing*

On October 17, 2013, Tsaker Beijing was established under the laws of the PRC with a registered capital of RMB40,000,000, which was fully paid up. Tsaker Beijing was held as to 100% by Huage Cangzhou.

On October 31, 2014, Huage Cangzhou and Tsaker Cangzhou entered an equity transfer agreement pursuant to which Huage Cangzhou agreed to transfer all its equity interests in Tsaker Beijing to Tsaker Cangzhou at a cash consideration of approximately RMB26.60 million. Tsaker Beijing became a wholly-owned subsidiary of Tsaker Cangzhou on November 6, 2014.

(e) *Tsaker Dongying*

On May 20, 2014, Tsaker Dongying was established under the laws of the PRC with a registered capital of RMB30,000,000 and was fully paid up. Tsaker Dongying was held as to 100% by Tsaker Cangzhou.

For further details, please refer to the section headed “Our History and Development” in this prospectus.

Save as set out above, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. CORPORATE INFORMATION OF OUR SUBSIDIARIES

A summary of the corporate information and the particulars of our subsidiaries are set out in the “Accountants’ Report” set out in Appendix I to this prospectus.

Save for the subsidiaries mentioned in the Accountants’ Report in Appendix I to this prospectus, our Company has no other subsidiaries.

7. REPURCHASE OF OUR SHARES

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Main Board to repurchase their securities on the Hong Kong Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) *Shareholders' approval*

All proposed repurchases of securities on the Hong Kong Stock Exchange by a company with a primary listing on the Hong Kong Stock Exchange must be approved in advance by an ordinary resolution of its shareholders, either by way of general mandate or by specific approval of a particular transaction.

(Note: Pursuant to resolution in writing passed by the Shareholders of our Company on June 12, 2015, a general unconditional mandate (the “Repurchase Mandate”) was granted to the Directors authorizing the repurchase by our Company of Shares with an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued as mentioned herein. Please see “—3. Resolutions in Writing of the Shareholders of our Company” for details.)

(ii) *Source of funds*

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. The Articles and the laws of the Cayman Islands provide that our Company may not repurchase its own shares unless (i) the value of our Company's assets exceeds its liabilities, and (ii) our Company is able to pay its debts as they fall due. A listed company may not repurchase its own securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange from time to time.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) Share capital

Exercise in full of the Repurchase Mandate, on the basis of 500,000,000 Shares in issue immediately after Listing, could accordingly result in up to 50,000,000 Shares being repurchased by our Company during the period until:

- (i) the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of the Shareholders in a general meeting, either unconditionally or subject to conditions;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law of the Cayman Islands or the Articles to be held; and
- (iii) the time on which the Repurchase Mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting,

whichever occurs first.

(e) General

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares to us or our subsidiaries.

Our Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

No core connected person has notified us that he/she/it has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of a securities repurchase pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Codes. Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Codes as a result of any such increase. Save as aforesaid, our Directors are not aware of any other consequences which may arise under the Takeovers Codes if the Repurchase Mandate is exercised.

If the Repurchase Mandate is fully exercised immediately following completion of the Global Offering and the Capitalization Issue, the total number of Shares which will be repurchased pursuant to the Repurchase Mandate will be 50,000,000 Shares (being 10% of the aggregate nominal amount of the share capital of our Company in issue based on the aforesaid assumptions). Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue could only be implemented with the approval of the Hong Kong Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Repurchase Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. SUMMARY OF MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by us or any of our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) an asset restructuring agreement (資產重組協議) entered into between Huage Dye and Huage Chemical (Dongguang) Co., Ltd. (華歌化學(東光)有限公司) (“**Huage Dongguang**”) dated September 30, 2013 (the “**Asset Restructuring Agreement**”) in relation to Huage Dongguang’s acquisition of, among others, certain operating assets owned by Huage Dye for a consideration to be determined in accordance with the audited value of, among others, the relevant assets to be conducted by a qualified accounting firm; Huage Dongguang is now known as Tsaker Dongguang;
- (b) a supplemental agreement to the Asset Restructuring Agreement (資產重組協議之補充協議) entered into between Huage Dye and Huage Dongguang dated October 10, 2013 in relation to, among other matters, fixing of the consideration for the transaction contemplated under the Asset Restructuring Agreement to RMB124,708,256.55;
- (c) an equity transfer agreement (股權轉讓協議) entered into between Huage Cangzhou, Cangzhou Huage Medicine Co., Ltd. (滄州華戈醫藥化學有限公司) (“**Cangzhou Huage**”) and Huage Dongguang dated February 28, 2014 in relation to the transfer of 100% equity interest in Huage Dongguang by Huage Cangzhou to Cangzhou Huage for a consideration of RMB64,189,600; Cangzhou Huage is now known as Tsaker Cangzhou;
- (d) an equity transfer agreement (股權轉讓協議) entered into between Huage Holdings and Mark Worldex Limited (萬世豐有限公司) dated September 25, 2014 in relation to the transfer of 75% equity interest in Cangzhou Huage by Huage Holdings to Mark Worldex Limited for a consideration of RMB88,000,000; Mark Worldex Limited is now known as Tsaker Hong Kong;



- (e) an equity transaction contract (產權交易合同) entered into between China National Chemical Construction Corporation (中國化工建設總公司) and Cangzhou Huage dated October 9, 2014 in relation to the transfer of 100% equity interest in Huayu Chemical Plant by China National Chemical Construction Corporation to Cangzhou Huage for a consideration of RMB17,949,100;
- (f) an equity transfer agreement (股權轉讓協議) entered into between Huage Cangzhou and Tsaker Cangzhou dated October 31, 2014 in relation to the transfer of 100% equity interest in Beijing Huage Chemical Technology Co., Ltd. (北京華歌化學科技有限公司) by Huage Cangzhou to Tsaker Cangzhou for a consideration of RMB26,600,000; Beijing Huage Chemical Technology Co., Ltd. is now known as Tsaker Beijing;
- (g) a share swap agreement entered into between Cavalli and our Company dated December 9, 2014 in relation to the sale and transfer of 34,174,000 ordinary shares in Tsaker Hong Kong, being its entire issued shares, from Cavalli to our Company and as consideration, 9,999 Shares, credited as fully paid, were allotted and issued to Cavalli;
- (h) an instrument of transfer entered into between Cavalli and our Company dated December 9, 2014 for the transfer of 34,174,000 ordinary shares in Tsaker Hong Kong as referred to in item (g) above;
- (i) bought and sold notes executed by Cavalli and our Company dated December 9, 2014 for the transfer of 34,174,000 ordinary shares in Tsaker Hong Kong as referred to in item (g) above;
- (j) a subscription agreement entered into between our Company and Transfar dated December 20, 2014, pursuant to which Transfar agreed to subscribe for 2,800 Shares at a total subscription price of US\$5,000,000;
- (k) an investors' rights agreement entered into between Cavalli, Mr. Ge Yi, our Company and Wider Pacific dated March 10, 2015 in relation to the rights and obligations of the parties thereto relating to the management of our Company, the transfer of Shares and other matters of our Company;
- (l) the Deed of Non-competition;
- (m) the deed of indemnity dated June 12, 2015 executed by each of Mr. Ge Yi and Cavalli in favour of our Company (for itself and as trustee for its subsidiaries), further details of which are set out in the section headed “— D. Other Information — 1. Estate Duty, Tax and other Indemnities” in this Appendix;
- (n) a cornerstone investment agreement dated June 17, 2015 entered into between our Company, Winshare Hongtai (Shenzhen) Investment Partnership (Limited Partnership), the Sole Sponsor and the Sole Global Coordinator, details of which are set out in the section headed “Cornerstone Investor” in this prospectus; and
- (o) the Hong Kong Underwriting Agreement.

2. INTELLECTUAL PROPERTY RIGHTS OF OUR GROUP

(a) Trademarks

(i) Trademarks applied by our Group

As of the Latest Practicable Date, we applied for the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Application	Application Number	Applicant	Class ⁽¹⁾	Application Date
1.	彩客	PRC	16277239	Tsaker Cangzhou	1	January 30, 2015 ⁽²⁾
2.	TSAKER	PRC	16277328	Tsaker Cangzhou	1	January 30, 2015 ⁽²⁾
3.	TSAKER	PRC	16277505	Tsaker Cangzhou	2	January 30, 2015 ⁽²⁾
4.		PRC	N/A ⁽²⁾	Tsaker Cangzhou	1	N/A ⁽³⁾
5.		PRC	N/A ⁽²⁾	Tsaker Cangzhou	2	N/A ⁽³⁾

Notes:

- The class number represents the specifications of products or services which are in the process of registration. Detailed specifications of products or services represented by that class number are set out in the relevant application forms.
- We made an application for registration to the Trademark Office of the State Administration for Industry & Commerce of the PRC and as of the Latest Practicable Date our application has been accepted.
- We made an application for registration to the Trademark Office of the State Administration for Industry & Commerce of the PRC and as at the Latest Practicable Date, our application has not been accepted.

(ii) Trademark licensed to be used by our Group in the PRC

As of the Latest Practicable Date, we were licensed to use the following trademark which we consider to be material to the business of our Group in the PRC:


No.	Trademark	Registration Number	Licensor	Licensee	Class ⁽¹⁾	Trademark Expiry Date	License Expiry Date
1.	彩客	6398090	Shanghai Hongdu Enterprise Management Co., Ltd. (上海虹都企业管理有限公司)	Tsaker Cangzhou	2	March 27, 2020	The completion of trademark transfer ⁽²⁾

Notes:

- The class number represents the specifications of products or services which are in the process of trademark transfer. Detailed specifications of products or services represented by that class number are set out in the relevant application form.
- As at the Latest Practicable Date, the trademark is under the transfer process by Shanghai Hongdu Enterprise Management Co., Ltd. (上海虹都企业管理有限公司) to Tsaker Cangzhou.

(iii) Trademarks registered by our Group in Hong Kong

As of the Latest Practicable Date, we registered the following trademarks which we consider to be material to the business of our Group in Hong Kong:

No.	Trademark	Registration Number	Owner	Class ⁽¹⁾	Registration Date
1.	TSAKER	303136338	Tsaker Hong Kong	1, 2	September 16, 2014
2.	彩客	303136329	Tsaker Hong Kong	1, 2	September 16, 2014
3.		303114567	Tsaker Hong Kong	1, 2	August 26, 2014

Note:

- The class number represents the specifications of products or services which have already been registered. Detailed specifications of products or services represented by that class number are set out in the relevant certificates of registration of trademark.

(b) Patents*(i) Patents registered by our Group in the PRC*

As of the Latest Practicable Date, we registered the following patents which we consider to be material to the business of our Group in the PRC:

No.	Owner	Patent Number	Patent Name	Announcement Date
1.	Tsaker Dongguang and Huage Holdings	ZL 2011 1 0096699.2	A method of high-temperature hydrogenation to prepare 4,4'-Diaminostilbene-2,2'-disulfonic acid (一種高溫加氫還原製備4,4'-二氨基二苯乙炔2,2'-二磺酸的方法)	January 8, 2014
2.	University of Tianjin and Tsaker Dongguang	ZL 2011 1 0334898.2	Preparation method of 4-amino-4-sulfo-benzoic acid (4—氨基—2—磺酸基苯甲酸的製備方法)	November 20, 2013
3.	University of Tianjin and Tsaker Dongguang	ZL 2011 1 0334897.8	Preparation method and application of TIO ₂ load Ni-Au-Pt nanocomposite metal catalyst (TiO ₂ 負載Ni-Au-Pt納米複合金屬催化劑及製備方法和應用)	November 6, 2013
4.	Tsaker Cangzhou	ZL 2011 1 0217616.0	A preparation method of 2,5-dimethoxy-4-chloro-nitrobenzene hydrogenation catalyst (一種2,5—二甲氧基—4—氯硝基苯加氫催化劑的製備方法)	September 18, 2013
5.	Tsaker Cangzhou	ZL 2010 1 0172867.7	Method to prepare maleic acid dimethyl ester (製備順丁烯二酸二甲酯的方法)	November 14, 2012
6.	Tsaker Dongguang and Huage Holdings	ZL 2011 1 0096725.1	A preparation method of highly selective hydrogenation catalyst 4,4'-Diaminostilbene-2,2'-disulfonic acid (一種高選擇性DSD酸加氫催化劑的製備方法)	August 22, 2012

No.	Owner	Patent Number	Patent Name	Announcement Date
7.	Tsaker Dongguang and Huage Holdings	ZL 2011 1 0096698.8	A recycle method of 4,4'-Diaminostilbene-2,2'-disulfonic acid hydrogenation catalyst precious metal scrap (一種加氫製備DSD酸廢催化劑中貴金屬的回收方法)	July 25, 2012

(ii) *Patents licensed to be used by our Group in the PRC*

As of the Lastest Practicable Date, we were licensed to use the following patent which we consider to be material to the business of our Group in the PRC:

No	Owner	Licensee	Patent Number	Patent Name	Authorization Announcement Date	License Expiry Date
1.	Nanjing University (南京大學) and Jiangsu Nanda Environmental Technology Co., Ltd. (江蘇南大環保科技有限公司)	Tsaker Dongguang	ZL 2006 1 0038630.3	A treatment and resourcfulization method of oxidation wastewater produced from 4, 4'-diaminostilbene-2, 2'-disulfonic acid (一種4,4'-二氨基二苯乙 烯-2, 2'-二磺酸生產氧化 廢水的治理及資源化方法)	November 18, 2009	March 5, 2026

(c) **Domain name**(i) *Domain name registered by our Group in the PRC*

As of the Latest Practicable Date, the following domain name was registered and principally used by our Group in our business operations:

No.	Domain Name	Registrant	Place of Registration	Date of Registration	Expiry Date
1.	tsaker.com	Tsaker Cangzhou	PRC	September 10, 2014	September 10, 2017

Save as disclosed herein, there are no other patents, trademarks or other intellectual property rights which are material in relation to our business.

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. DIRECTORS

(a) Disclosure of interest — interests and short positions of the Directors and the chief executives of our Company in the shares, underlying shares and debentures of our Company and its associated corporations

Immediately upon completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised), the interest or short position of Directors or chief executives of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company, once the Shares are listed are as follows:

(i) *Interest in our Company*

<u>Name of Director</u>	<u>Nature of interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding</u>
Mr. Ge Yi	Interest in controlled corporation	333,904,000	66.8%

(ii) *Interest in associated corporation*

<u>Name of Director</u>	<u>Name of associated corporation</u>	<u>Nature of interest</u>	<u>Number of shares</u>	<u>Percentage shareholding</u>
Mr. Ge Yi	Cavalli	Beneficial owner	50,000	100%

(b) Particulars of service contracts

Each of the executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated in accordance with the terms of the service contracts.

Each of the non-executive Directors and the independent non-executive Directors has signed a letter of appointment with our Company for a term of three year commencing from the Listing Date, which may be terminated in accordance with the terms of the letter of appointment.

(c) Directors' remuneration

The aggregate amount of fees, salaries, contributions to pension scheme, discretionary bonuses, housing and other allowances and other benefits in kind granted to our Directors in respect of each of the three years ended December 31, 2012, 2013 and 2014 were approximately RMB331,000, RMB528,000 and RMB1,021,000, respectively.

Under the arrangements in force at the date of this prospectus, our Directors will be entitled to receive remuneration and benefits in kind which, for the year ending December 31, 2015, is expected to be approximately RMB4,337,800 in aggregate.

None of the Directors or any past Directors or the five highest paid individuals of any members of our Group has been paid any sum of money for the three years ended December 31, 2014 (i) as an inducement to join or upon joining our Company; or (ii) for loss of office as a Director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind for the three years ended 2014.

2. SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately following completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised), the following persons (other than the Directors and chief executives of our Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

<u>Name of Shareholder</u>	<u>Nature of interest</u>	<u>Number of Shares⁽¹⁾</u>	<u>Approximate percentage of shareholding</u>
Cavalli	Beneficial owner	333,904,000 (L)	66.8%
Mr. Ge Yi ⁽²⁾	Interest in controlled corporation	333,904,000 (L)	66.8%
Ms. Qi Lin ⁽³⁾	Interest of spouse	333,904,000 (L)	66.8%
Wider Pacific ⁽⁴⁾	Beneficial owner	30,596,000 (L)	6.1%
Winshare Hongtai (Shenzhen) Investment Partnership (Limited Partnership) ⁽⁵⁾	Beneficial owner	40,966,000 (L) ⁽⁶⁾	8.2%

Notes:

- The letter "L" denotes a person's long position in such Share.
- Cavalli is wholly-owned by Mr. Ge Yi. For the purpose of Part XV of the SFO, Mr. Ge Yi is deemed to be interested in our Shares held by Cavalli.
- Ms. Qi Lin is the spouse of Mr. Ge Yi. Under the SFO, Ms. Qi Lin is deemed to be interested in the same number of Shares in which Mr. Ge Yi is interested.
- Pursuant to the Exchangeable Bond, Wider Pacific is entitled to exchange the Exchangeable Bond into Shares upon completion of the Global Offering. For details of the Exchangeable Bond, please refer to "Our History and

Development — Pre-IPO Investment — B. Pre-IPO Investment by Wider Pacific” of this prospectus. Wider Pacific, a company incorporated under the laws of the BVI, is controlled by Ocean Equity Partners Fund L.P. (“Ocean Equity”) which is an exempted limited partnership registered in the Cayman Islands. The general partner of Ocean Equity is Ocean Equity Partners Fund GP Limited.

5. Pursuant to the Cornerstone Investment Agreement as further detailed in the section headed “Cornerstone Investor”, Winshare Hongtai (Shenzhen) Investment Partnership (Limited Partnership) (“Cornerstone Investor”) has agreed to purchase at the Offer Price the number of Offer Shares that may be purchased in an amount of US\$25 million. To the best knowledge of our Directors, the general partner of the Cornerstone Investor is Chengdu Winshare Private Equity Fund Management Co., Ltd. (成都文軒股權投資基金管理有限公司).

To the best knowledge of our Directors and based on the information available in public domain, the limited partners of the Cornerstone Investor who contributed more than one-third of the capital to the Cornerstone Investor are (i) Winshare Hengxin (Shenzhen) Equity Investment Fund Partnership (Limited Partnership) (成都文軒股權投資基金管理有限公司), the limited partner who contributed the most capital to which is Winshare Investment Co., Ltd. (文軒投資有限公司), which in turn is controlled by Xinhua Winshare Publishing and Media Co., Ltd (00811.HK), and 54.96% of shares of which is beneficially held by Sichuan Development (Holdings) Co., Ltd.; and (ii) Ping An UOB Wealthtone Asset Management Co., Ltd (深圳平安大華匯通財富管理有限公司), which is wholly-owned by Ping An UOB Fund Management Co., Ltd 平安大華基金管理有限公司, and which in turn is controlled by Ping An Insurance (Group) Company of China, Ltd. (601318.SH, 2318.HK).

6. Assuming the Offer Price at HK\$4.76, being the mid-point of the stated Offer Price range set forth in this prospectus.

3. AGENCY FEES OR COMMISSIONS RECEIVED

The Underwriters will receive an underwriting commission as referred to under the section headed “Underwriting — Underwriting Arrangements and Expenses — Commission and expenses” in this prospectus.

4. DISCLAIMERS

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executives of our Company has any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once the Shares are listed;
- (b) none of our Directors has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering and the Capitalization Issue, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital (together with particular, if any options in respect of such capital) carrying rights to vote in all circumstances at general meetings of any member of our Group; and

- (f) none of our Directors, their respective associates (as defined under the Listing Rules) or shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. ESTATE DUTY, TAX AND OTHER INDEMNITIES

Our Controlling Shareholders have entered into a deed of indemnity with and in favour of each member of our Company (being the deed of indemnity referred to in the section headed “— B. Further Information about our Business — 1. Summary of Material Contracts” in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, (i) taxation resulting from income, profits or gains earned, accrued or received which any member of our Group may be subject and payable on or before the Listing Date; and (ii) any losses suffered or incurred by any member of our Group arising out of any non-tax claims against any member of our Group to the extent that such losses relate to acts or omission or transactions entered into by any member of our Group on or prior to the Listing Date. Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries.

Each of our Controlling Shareholders has also jointly and severally undertaken to indemnify and keep each of our Group members fully indemnified against all claims, losses, liabilities, damages, costs, charges, fees, expenses, fines suffered or incurred by any of our Group members as a result of or in connection with any of the following, including but not limited to:

- (a) any non-compliance of operation of the business of our Group, including those referred to in the sub-section headed “Legal Proceedings and Compliance” in the section headed “Business” in this prospectus;
- (b) any non-compliance of operation of the business of Huage Dye; and
- (c) the corporate reorganization of our Group as referred to in the sub-section headed “Reorganization” in the section headed “Our History and Development” in the prospectus.

2. LITIGATION

As at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

3. THE SOLE SPONSOR

The Sole Sponsor has declared its independence pursuant to Rule 3A.07 of the Listing Rules. The Sole Sponsor has made an application on our behalf to the Listing Committee of the Hong Kong Stock Exchange for listing of, and permission to deal in, our Shares, including any Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

We have entered into an engagement agreement with the Sole Sponsor, pursuant to which we agreed to pay HK\$6.8 million to the Sole Sponsor to act as the sponsor to our Company in the Global Offering.

4. PRELIMINARY EXPENSES

The preliminary expenses of our Company are approximately US\$4,900 and were borne by our Company.

5. NO MATERIAL ADVERSE CHANGE

Saved as disclosed in this prospectus, the Directors confirm that there has been no material adverse change in our Group's financial or trading position since December 31, 2014 (being the date on which our latest audited financial statements were made up).

6. PROMOTER

Our Company has no promoter for the purposes of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor is any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

7. COMPLIANCE ADVISOR

Our Company has appointed Haitong International Capital Limited as the compliance advisor upon Listing in compliance with Rule 3A.19 of the Listing Rules.

8. TAXATION OF HOLDERS OF SHARES

(a) Hong Kong

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Our Directors have been advised that no material liability for estate duty under the laws of Hong Kong would be likely to fall upon any member of our Group.

(b) Cayman Islands

There is, at present, no direct taxation in the Cayman Islands and interest, dividends and gains payable to our Company will be received free of all Cayman Islands taxes.

Our Company is registered as an “exempted company” pursuant to the Companies Law. Our Company has received an undertaking from the Governor in Cabinet of the Cayman Islands to the effect that, for a period of 20 years from November 11, 2014, no law that thereafter is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to our Company or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable (i) on or in respect of the shares or debentures or other obligations of our Company, or (ii) by way of the withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (2011 Revision) of the Cayman Islands.

Accordingly, it is not envisaged that our Company will be subject to any taxation in the Cayman Islands other than in relation to incidental registry fees and stamp duties on certain instruments entered into by it.

There are currently no withholding taxes or exchange control regulations in the Cayman Islands applicable to our Company or its Shareholders.

(c) Consultation with professional advisors

Intending holders of the Shares are recommended to consult their professional advisors if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the Global Offering accepts responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

For potential investors who are non-PRC resident enterprises, please also refer to “Risk Factors — Risks Relating to the PRC — The strengthened scrutiny over acquisition and disposition transactions by the PRC tax authorities may have an adverse impact on us or your disposition of our Shares” and “Regulatory Overview” for details.

9. QUALIFICATION OF EXPERTS

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

Name	Qualifications
Haitong International Capital Limited . . .	Licensed to conduct type 6 (advising on corporate finance) regulated activity under the SFO
Ernst & Young	Certified Public Accountants
Haiwen & Partners	PRC Legal Advisors

Name	Qualifications
Travers Thorp Alberga	Cayman Islands attorneys-at-law
Frost & Sullivan	Industry consultant

10. CONSENT OF EXPERTS

Each of the experts named in paragraph 9 of this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

11. INTERESTS OF EXPERTS IN OUR COMPANY

Save as disclosed in this prospectus, none of the experts named in paragraph 9 of this Appendix (a) is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group; and (b) has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

12. BINDING EFFECT

This prospectus will have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

13. MISCELLANEOUS

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

- (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in our Company or any of our subsidiaries.
- (b) Save as disclosed in this prospectus, there are no founder, management or deferred shares or any debentures in our Company or any of our subsidiaries.
- (c) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.
- (d) The principal register of members of our Company will be maintained in the Cayman Islands by International Corporation Services Ltd. and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless the Directors otherwise agree, all transfers and other documents of title of Shares must be lodged for registration with and registered by Tricor Investor Services Limited and may not be registered on the principal register of members in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS.
- (e) Save as disclosed in this prospectus, no equity or debt securities of any company within our Group is presently listed on any stock exchange or traded on any trading system nor is any listing or permission to deal being or proposed to be sought.
- (f) Our Directors have been advised that, under the Companies Law, the use of a Chinese name by our Company does not contravene the Companies Law.
- (g) Save as disclosed in this prospectus, our Company has no outstanding convertible debt securities or debentures.
- (h) There is no arrangement under which future dividends are waived or agreed to be waived.
- (i) Our Company has not engaged any financial advisor in connection with the Global Offering.

14. BILINGUAL PROSPECTUS

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) copies of the material contracts referred to the section headed “Appendix IV — Statutory and General Information — B. Further Information about our Business — 1. Summary of Material Contracts” in this prospectus; and
- (c) the written consents referred to in the section headed “Appendix IV — Statutory and General Information — D. Other Information — 10. Consent of Experts” in this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Jones Day, 31st Floor, Edinburgh Tower, The Landmark, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association of our Company;
- (b) the Accountants’ Report and the report on the unaudited pro forma financial information prepared by Ernst & Young, the texts of which are set out in Appendices I and II to this prospectus respectively;
- (c) the audited financial statements of the companies comprising our Group for each of the three years ended December 31, 2014 (or for the period since their respective dates of incorporation where it is shorter);
- (d) the legal opinions issued by Haiwen & Partners, our PRC Legal Advisor, in respect of certain aspects of our Group and the property interests of our Group;
- (e) the letter of advice prepared by Travers Thorp Alberga, our Cayman legal advisor, summarizing certain aspects of Companies Law referred to in Appendix III to this prospectus;
- (f) the material contracts referred to the section headed “Appendix IV — Statutory and General Information — B. Further Information about our Business — 1. Summary of Material Contracts” in this prospectus;
- (g) the written consents referred to in the section headed “Appendix IV — Statutory and General Information — D. Other Information — 10. Consent of Experts” in this prospectus;
- (h) the service contracts and letters of appointment of our Directors; and
- (i) the Companies Law.



TSAKER CHEMICAL GROUP LIMITED
彩客化學集團有限公司*

