THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your Shares in Tsaker Chemical Group Limited, you should hand this circular together with the accompanying form of proxy at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

TSAKER

Tsaker Chemical Group Limited

彩客化學集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1986)

(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN THE TARGET COMPANY; AND (2) NOTICE OF EGM

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

Quam CAPITAL 華富嘉洛企業融資

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Circular. A letter from the Board is set out on pages 6 to 16 of this Circular. A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders is set out on pages 17 to 18 of this Circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 32 of this Circular.

A notice convening the EGM to be held at 1804A, 18/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong, at 10:15 a.m. on 17 June 2016 or immediately after the conclusion of the AGM, whichever is later is set out on pages EGM-1 to EGM-3 of this Circular. If you are not able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

* *For identification purpose only*

25 May 2016

CONTENTS

In this circular, the following terms shall have the following meanings unless the context otherwise requires:

"Acquisition"	the conditional acquisition of the entire equity interests in the Target Company by Tsaker Dongying at a consideration of RMB17,361,000 (equivalent to approximately HK$20,668,000)
"Agreement"	the agreement dated 4 May 2016 and entered into between Tsaker Dongying and Huage Holdings in relation to the Acquisition, the major terms of which are set out in the section headed "The Agreement" in the "Letter from the Board" in this circular
"AGM"	the annual general meeting of the Company to convened and held at 10:00 a.m. on Friday, 17 June 2016, the notice of which is set out in the circular of the Company dated 21 April 2016, and any adjournment thereof
"Articles"	the articles of association of the Company, as amended from time to time
"Assets"	the assets (including all the existing assets including factory premises, land, equipment and facilities in relation to the production of, among others, (i) PNT, ONT and MNT with an aggregate annual designed production capacity of 80,000 tonnes of mononitrotoluene; and (ii) NMP with an annual designed production capacity of 6,000 tonnes) which has been leased from the Target Company under the New Assets Leasing Agreement and operated by Tsaker Dongying and located in Dongying, Shandong Province, the PRC
"associate(s)"	has the meaning ascribed to it under Chapter 14A of the Listing Rules
"Board"	the board of Directors
"CCT Announcement"	the announcement of the Company dated 17 March 2016 regarding the continuing connected transactions contemplated under the New Assets Leasing Agreement
"Company"	Tsaker Chemical Group Limited (彩客化學集團有限公司*), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange

"Completion"	completion of the Agreement, which shall take place on the Completion Date
"Completion Date"	the date on which (i) all the conditions precedent to the Acquisition have been fulfilled or waived (if applicable); and (ii) the registration of the transfer of the entire equity interests in the Target Company was completed
"connected person"	has the meaning ascribed to it under the Listing Rules
"Consideration"	RMB17,361,000 (equivalent to approximately HK$20,668,000), being the consideration for the Acquisition
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"DATA"	2,5-Dianilinoterephthalic acid, which is used as an intermediate of quinacridone pigments
"Director(s)"	the director(s) of the Company
"DMSS"	Dimethyl 1,4-Cylohexanedione-2,5-dicarboxylate, is used for the production of quinacridone pigments and photosensitive polymer
"Dongao Arrangement"	leasing of the Former Assets or the Assets (if applicable) of the Target Company by the Group
"DSD Acid"	4,4'-Diaminostilbene-2,2'-disulfonic acid, which is used as an intermediate of dyes, fluorescent whitening agents and pesticides
"Enlarged Group"	the Group immediately after Completion
"EGM"	an extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder

"Former Assets"	the assets (including all the existing assets including factory premises, land, equipment and facilities in relation to the production of, among others, (i) PNT, ONT and MNT with an aggregate annual designed production capacity of 40,000 tonnes of mononitrotoluene; and (ii) NMP with an annual designed production capacity of 6,000 tonnes) which are leased from the Target Company under the former assets leasing agreement and the New Assets Leasing Agreement and operated by Tsaker Dongying and located in Dongying, Shandong Province, the PRC
"Group"	collectively, the Company and its subsidiaries from time to time
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huage Holdings"	Huage Holdings Group Co., Ltd.* (華戈控股集團有限公司), a company established under the laws of the PRC and was held as to approximately 71.44% and 28.56% of equity interests respectively by (i) Mr. Ge Yi, an executive Director, the Chairman, the chief executive officer and one of the controlling shareholders of the Company, and (ii) Mr. Ge Jianhua, the father of Mr. Ge Yi, as at the Latest Practicable Date
"Independent Board Committee"	the independent board committee, comprising all independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder
"Independent Shareholders"	the Shareholders, other than the Shareholders who have a material interest in the transactions contemplated under the Agreement (i.e. Shareholders other than Mr. Ge Yi and his associates)
"Latest Practicable Date"	20 May 2016, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange

"MNT"	3-nitrotoluene or meta-nitrotoluene, which is used as agricultural chemical intermediates, pharmaceutical intermediates, and dye and pigment intermediates
"New Assets Leasing Agreement"	the new assets leasing agreement dated 17 March 2016 entered into between Tsaker Dongying and the Target Company, pursuant to which the Target Company agreed to lease to Tsaker Dongying the Assets
"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.
"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
"PNT"	4-nitrotoluene or para-nitrotoluene, which is used as the raw materials for dye intermediates and pigment intermediates, including DSD Acid
"PRC" or "China"	the People's Republic of China, which for the purposes of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Business Day"	any day(s) (excluding Saturday(s), Sunday(s) and statutory holiday(s)) in the PRC
"Prospectus"	the prospectus of the Company dated 23 June 2015
"Quam Capital" or "Independent Financial Adviser"	Quam Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Agreement
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"Share(s)"	ordinary shares of US$0.01 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	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 and a directly wholly-owned subsidiary of Huage Holdings as at the Latest Practicable Date
"Tsaker Dongying"	Tsaker Chemical (Dongying) Co., Ltd.* (彩客化學(東營)有限公司), a company established under the laws of the PRC and an indirectly wholly-owned subsidiary of the Company
"%"	per cent

* *For identification purposes only*

For the purpose of this circular, unless otherwise specified, conversions of RMB into HK$ are based on the approximate exchange rate of HK$1.00 to RMB0.84.

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)

Executive Directors:
Mr. Ge Yi *(Chairman and Chief executive officer)*
Mr. Duan Weidong
Ms. Dong Zhongmei
Ms. Jin Ping

Non-executive Directors:
Mr. Xiao Yongzheng
Mr. Fontaine Alain Vincent

Independent non-executive Directors:
Mr. Ho Kenneth Kai Chung
Mr. Zhu Lin
Mr. Yu Miao

Registered office:
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Principal place of business in Hong Kong:
36th Floor, Tower Two
Times Square 1 Matheson Street
Causeway Bay
Hong Kong

25 May 2016

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN THE TARGET COMPANY

To the Shareholders

Dear Sir or Madam,

I. INTRODUCTION

Reference is made to the announcement of the Company dated 4 May 2016 in relation to, among other matters, the transactions contemplated under the Agreement.

The purpose of this circular is to provide you with, among other matters, (i) further information on the Agreement and the transactions contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM and the form of proxy.

* *For identification purpose only*

II. DISCLOSEABLE AND CONNECTED TRANSACTION

THE AGREEMENT

Date: 4 May 2016

Parties: (1) Tsaker Dongying, a wholly-owned subsidiary of the Company; and

(2) Huage Holdings.

As at the Latest Practicable Date, Huage Holdings was held as to approximately 71.44% by Mr. Ge Yi and approximately 28.56% of equity interests by Mr. Ge Jianhua, who is the father of Mr. Ge Yi.

Subject matter

Pursuant to the Agreement, Tsaker Dongying agreed to acquire and Huage Holdings agreed to sell the entire equity interests in the Target Company, subject to the terms contained therein.

The Target Company is a limited liability company established in the PRC. The Target Company is wholly-owned by Huage Holdings.

Consideration and payment method:

The Consideration is RMB17,361,000 (equivalent to approximately HK$20,668,000) and shall be payable to Huage Holdings by Tsaker Dongying in the following manner:

1. RMB5,208,300 (equivalent to approximately HK$6,200,000), being 30% of the Consideration, shall be payable within 30 days from signing of the Agreement as a deposit and part payment (the "**Deposit**") of the Consideration; and

2. the remaining balance of RMB12,152,700 (equivalent to approximately HK$14,468,000), being 70% of the Consideration, shall be payable within 30 days from the Completion Date.

The Consideration shall be paid by Tsaker Dongying by transferring the amount payable to a bank account designated by Huage Holdings.

As set out in the Prospectus and the New Assets Leasing Agreement, Tasker Dongying has an option to purchase the whole or part of the 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. The Consideration was determined after arm's length negotiation between Tsaker Dongying and Huage Holdings with reference to the appraised net asset value of the Target Company of approximately RMB17,361,000 (equivalent to approximately HK$20,668,000) as at 29 February 2016, as appraised by an independent valuer.

In the event that the registration of the transfer of the entire equity interests in the Target Company from Huage Holdings to Tsaker Dongying is not completed within 60 PRC Business Days from the date of fulfilment of all conditions precedent as stated in the Agreement (or by any date as mutually agreed between Huage Holdings and Tsaker Dongying in writing),

(i) Tsaker Dongying shall have a right to terminate the Agreement by giving a written notice to Huage Holdings;

(ii) the Deposit (without interest) shall be returned to Tsaker Dongying in full amount within 15 PRC Business Days from the date of termination; and

(iii) no party to the Agreement shall have any claim against or liability to the other party, save in respect of any antecedent breaches of the Agreement.

In addition, in the event that the Agreement is terminated pursuant to the Agreement, the Deposit or the Consideration (if applicable) shall be returned to Tsaker Dongying in full amount (without interest) within 15 PRC Business Days from the date of termination.

The Consideration shall be funded by the internal resources of the Group. As disclosed in the annual report of the Company for the year ended 31 December 2015, the cash and bank balances of the Group amounted to approximately RMB192.9 million (equivalent to approximately HK$229.6 million). Based on the (i) consolidated management accounts of the Group for the four months ended 30 April 2016; and (ii) information currently available to the Company, the cash and bank balances of the Group amounted to approximately RMB153.3 million (equivalent to approximately HK$182.5 million). The Directors are of the view that there is sufficient working capital of the Group to finance the Consideration.

In addition, there was also a loan (the "**Loan**") owed by the Target Company to Huage Holdings, and the Loan, as at the Latest Practicable Date, amounted to approximately RMB175 million (equivalent to approximately HK$208 million). As set out in the Agreement, the Loan would be repayable at the discretion of the Company, and it was also agreed that the repayment would be subject to the condition that (a) there is sufficient working capital for the operation of the Group for the upcoming 12 months thereof; (b) the repayment of the Loan would not lead to net current liabilities of the Company on a consolidated basis; and (c) the repayment of the Loan would be made in accordance with the Listing Rules (if applicable). It is intended that the repayment of the Loan, if made, will be financed by internal resources of the Group.

Despite the net losses of the Target Company for the two years ended 31 December 2015 and the outstanding Loan to be repaid, having considered (i) such net losses were mainly attributable to the production of mononitrotoluene as well as OT and NMP which was ceased after entering into of the Dongao Arrangement and therefore was not relevant to the Group in considering the Acquisition (details of which are set out in the paragraph headed "III. Information on the Company and the Target Company" below); (ii) the Loan was given by Huage Holdings to the Target Company for the capital expenditure of land acquisition and construction of the Former Assets and the Assets, and the repayment thereof is considered to be reasonable after the acquisition of the Target Company; (iii) the benefit of the Acquisition, including cessation of the uncommon Dongao Arrangement in order to gain absolute ownership of the Assets and reduce costs incurred for the leasing of the Assets; (iv) successful expansion and development of the Group's production of PNT, ONT/OT and MNT and the positive outlook on the contribution of the production and sale of mononitrotoluene to the Group in the medium and long term; and (v) neither interest nor pledge is required for the Loan, it would only be repayable at the discretion of the Company and that the repayment thereof is subject to certain conditions as abovementioned, in which the Directors consider repayment thereof would not cause material adverse effect on the Company, the Directors believe that the terms of the Agreement and the Acquisition, including the Consideration, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Further details regarding the financial information of the Target Company for the two years ended 31 December 2015 and the benefits of the Acquisition are set out in the paragraph headed "III. Information on the Company and the Target Company" and "IV. Reasons for and benefits of the transactions contemplated under the Agreement" below respectively.

Conditions precedent

Completion is conditional upon the following conditions having been fulfilled or waived (as the case may be):

a. the information regarding Huage Holdings and the Target Company disclosed to Tsaker Dongying during the due diligence exercise is true, accurate, and not misleading, and the results of the due diligence results are satisfactory to Tsaker Dongying;

b. there are no material changes in the major businesses of the Target Company;

c. there are no material adverse changes in the status and structure of the assets of the Target Company; there are no events that would adversely affect the financial position, prospects and assets of the Target Company; there are no circumstances that would lead to the discontinuation of operation of the Target Company; no pledge, mortgage or other encumbrances are created over the equity interests of the Target Company;

d. all relevant representations and warranties of each of the parties to the Agreement have been given;

e. the passing of board resolutions and shareholders' resolutions of the Target Company to approve the Agreement and the transactions contemplated thereunder;

f. the passing of resolution(s) at the EGM in accordance with the Listing Rules and all other applicable laws and regulations to approve the Agreement and the transactions contemplated thereunder, if necessary; and

g. Tsaker Dongying and the Group having obtained all necessary consents and approvals for the Acquisition, if necessary.

Pursuant to the Agreement, conditions numbered (f) and (g) may not be waived. Unless mutually agreed between Huage Holdings and Tsaker Dongying, all of the above conditions in full shall be fulfilled within 60 PRC Business Days from the date of signing of the Agreement (except when parties to the Agreement mutually agreed otherwise).

Completion

Completion shall take place on the Completion Date.

III. INFORMATION ON THE COMPANY AND THE TARGET COMPANY

The Company is an investment holding company. The Group is principally engaged in the production of a number of fine chemicals function as critical dye, pigment intermediates and agriculture chemicals intermediates.

The Target Company is principally engaged in the leasing of its assets to the Group under the New Assets Leasing Agreement for the production of mononitrotoluene (consisting of PNT, ONT and MNT) as well as OT and NMP. The Target Company was established on 15 March 2004. Huage Holdings acquired the entire equity interests in the Target Company from an independent third party on 11 September 2014 at a consideration of approximately RMB24.6 million (equivalent to approximately HK$29.3 million). Before the commencement of the Dongao Arrangement in January 2015, the Target Company was principally engaged in the production of mononitrotoluene as well as OT and NMP, which was ceased after entering into of the Dongao Arrangement, details of which are set out in the Prospectus. Therefore, the Target Company recorded revenue and net loss from the production of mononitrotoluene as well as OT and NMP before the Dongao Arrangement. As there was no material losses after the cessation of the production of mononitrotoluene as well as OT and NMP, the losses recorded for the year ended 31 December 2014 was no longer relevant to the Group in considering the Acquisition. On the other hand, the Dongao Arrangement does not result in any material profits and loss, given that the rental income is approximately equal to the depreciation.

According to the unaudited accounts of the Target Company, the net asset value of the Target Company was approximately RMB17.5 million (equivalent to approximately HK$20.8 million) as at 31 December 2015. The net loss of the Target Company before and after taxation and extraordinary items for the year ended 31 December 2015 was approximately

RMB5.7 million (equivalent to approximately HK$6.8 million) and RMB5.6 million (equivalent to approximately HK$6.7 million) respectively. The net loss of the Target Company before and after taxation and extraordinary items for the year ended 31 December 2014 was approximately RMB5.6 million (equivalent to approximately HK$6.7 million) and RMB8.4 million (equivalent to approximately HK$10.0 million) respectively. As explained above, the losses for the year ended 31 December 2014 was mainly attributable to certain one off restructuring costs, production of mononitrotoluene as well as OT and NMP, while the losses for the year ended 31 December 2015 was mainly attributable to the sale of agricultural chemical intermediates products produced in the prior years, which was ceased after entering into the leasing arrangement, while there was no material losses from the leasing of the Former Assets. As at the Latest Practicable Date, (i) the annual designed production capacity of PNT, ONT and MNT of the Assets amounted to an aggregate of 80,000 tonnes of mononitrotoluene (which was fully utilised); and (ii) the annual production capacity of NMP, amounted to 6,000 tonnes.

Prior to Completion, the Target Company was wholly-owned by Huage Holdings. Upon Completion, the Target Company will become an indirectly wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the consolidated financial statements of the Company.

As at the Latest Practicable Date, the Loan amounted to approximately RMB175 million (equivalent to approximately HK$208 million). Pursuant to the Agreement, the repayment of the Loan by the Target Company is at the discretion of the Company, but any repayment of the Loan shall be subject to the following conditions (i) when there is sufficient working capital for the operation of the Group for the upcoming 12 months thereof; (ii) the repayment of the Loan would not lead to net current liabilities of the Company on a consolidated basis; and (iii) the repayment of the Loan would be made in accordance with the Listing Rules, if applicable. The Loan is unsecured and carries no interest rate. Upon Completion, the Loan would constitute a continuing connected transaction for the Company. Given (i) the Loan is conducted on normal commercial terms or better; and (ii) it would not be secured by the assets of the Group, the Loan will be fully exempted from announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

IV. REASONS FOR AND BENEFITS OF THE TRANSACTIONS CONTEMPLATED UNDER THE AGREEMENT

As disclosed in the Prospectus, which was published on 23 June 2015, the Group was then principally engaged in the production of DSD Acid, DMSS and DATA as well as other fine chemicals in small amount. The Group commenced the production of PNT, ONT, MNT, OT and NMP in February 2015. As the production of PNT, ONT, MNT and OT was then at an initial stage, the Directors were of the view that the production of such products should be conducted through the Dongao Arrangement, rather than acquiring the entire equity interests in the Target Company, as the leasing of the Former Assets would minimise capital expenditure and investment in order to reduce the risk on capital expenditure commitment at such initial stage. The Directors did not then consider acquiring the Target Company when the Prospectus was published as the production of PNT, ONT, MNT and OT was then at an initial stage and there were uncertainties as to the financial performance for the production of PNT, ONT, MNT and OT produced at the Former Assets.

As further disclosed in the Prospectus, the Directors were then of the view that the Dongao Arrangement and the production of PNT would enable the Group to have stable source of PNT for its production of DSD Acid, which enabled the Group to capture the advantage of vertical integration and also to enter into the markets of ONT/OT, MNT and NMP, without significant capital commitment. It was considered that the Dongao Arrangement provided flexibility to the Group in terms of its working capital, and reduced the Group's risk of capital commitment and operational risk of entering into new markets of ONT/OT, MNT and NMP.

As at the Latest Practicable Date and as disclosed in the CCT Announcement, the Group has leased the Former Assets from the Target Company since January 2015 by entering into the Former Assets leasing agreement with the Target Company, and subsequently leased the Assets (in light of the expansion of production capacity of the Group) since March 2016 by entering into the New Assets Leasing Agreement with the Target Company, for the production of PNT, ONT, MNT, OT and NMP. Since entering into the Dongao Arrangement, the Group has become more familiar with the production techniques of mononitrotoluene, whereby the production thereof has ramped up and normalised within the expectations of the Group. The utilisation rate of the production plants at the Assets has increased correspondingly in accordance with the production level. The Directors are of the view of the Group is able to increase its market share in the mononitrotoluene industry with an increase in production capacity as well as production efficiency. As at the Latest Practicable Date, (i) the annual designed production capacity of PNT, ONT and MNT of the Assets amounted to an aggregate of 80,000 tonnes of mononitrotoluene (which was fully utilised); and (ii) the annual production capacity of NMP amounted to 6,000 tonnes. Based on the information available, the Directors believe the Group is currently one of the largest mononitrotoluene producers in the world in terms of production capacity. As such, given the sales performance, profitability and production volume of mononitrotoluene were better than the Group's expectation, the Directors consider the Group has successfully entered into the mononitrotoluene market and enjoys a significant presence in the agricultural chemical intermediate industry, especially herbicides (as ONT/OT are mainly consumed in the agricultural industry).

As disclosed in the CCT Announcement, the Group has been expanding its production capacities of ONT, MNT and PNT. The Directors are of the view that the Assets are crucial to the operation of the Group. Based on the past operational results and financial performance for the production of ONT/OT, MNT and NMP since the commencement of the Dongao Arrangement, the Directors are of the view that the production of ONT/OT, MNT and NMP at the Assets has matured in all material aspects, and the ONT/OT, MNT and NMP markets have good prospects. The Directors remain optimistic that the production and sale of mononitrotoluene would deliver good financial return to the Group in the medium and long term. The capital expenditure to build out and ramp up the Assets has been spent while ongoing maintenance cost is expected to be minimal and can be supported sufficiently by the Group's operating cash flow.

The Directors consider that the Dongao Arrangement was entered into taking into account the then prevailing circumstances at the time. Having considered all the facts and development that took place since the Dongao Arrangement as explained above, in particular the successful expansion and development of the Group's production of PNT, ONT/OT and MNT and the positive outlook on the contribution of the production and sale of mononitrotoluene to the Group in the medium and long term, the Directors believe that it would be in the interests of the Company and its Shareholders as a whole to acquire the Target Company, thereby owning and having absolute control over the Assets. Besides, the Directors also consider the Dongao Arrangement was a special arrangement entered into in light of the then circumstances and situation of the Group, and they believe that the Acquisition, resulting in the Group owning and operating the Assets directly would be a more common and normal way for production based industrial companies. As a result of the development as mentioned above, the Directors started to consider the feasibility to acquire the Target Company in late February 2016, considerations having given to, including others, structure of the acquisition, whether to acquire the Target Company or the Assets direct, consideration, manner of payment and other commercial terms. As the intention and planning for the Acquisition was contemplated only after the publication of the Prospectus, and thus it was not disclosed in the Prospectus. The Directors are of the view that disclosures contained in the Prospectus were accurate and complete in all material respects. Although the initial thoughts regarding a possible acquisition of the Target Company (or the Assets) began in late February 2016, the structure or detailed roadmap for the acquisition was not mature then. Having considered the structure and detailed terms for the Acquisition has yet to be considered and agreed upon and valuation on the Assets was required to be carried out, which would all take time to complete, the Directors then considered it was appropriate to enter into the New Assets Leasing Agreement with the Target Company to continue the Dongao Arrangement.

Upon Completion, as the Target Company will become an indirectly wholly-owned subsidiary of the Company,

(i) the Company will have absolute ownership of the Assets, which are strategic and critical to the operation;

(ii) the Assets will become assets of the Group and the Dongao Arrangement will be ceased;

(iii) it is considered that the Acquisition would enable the Group to continue its production using the Assets, while expanding its production capacity and enhancing cost efficiency without paying rental fee regarding the Assets upon Completion; and

(iv) ownership of the Assets upon Completion would increase the asset base of the Group and enable the Group to conduct further asset based financing.

Taking into account of the above factors, the Directors believe the terms of the Agreement are fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

As the Dongao Arrangement will continue to be effective until Completion, it is expected that the use of proceeds, which was allocated for paying rental for the Former Assets and the Assets, would be fully utilised prior to Completion. As disclosed in the (i) announcement of the Company dated 2 July 2015 regarding, among other matters, the use of proceeds of approximately HK$445.6 million from the Global Offering (as defined in the Prospectus); and (ii) announcement of the Company dated 26 July 2015 regarding, among other matters, the partial exercise of over-allotment option, approximately 5% of the net proceeds from the Global Offering, or approximately HK$22.6 million (equivalent to approximately RMB18.9 million), would be applied for the payment of rent for the leasing of the Assets. As at 30 April 2016, approximately 4.3%, or approximately HK$19.4 million (equivalent to approximately RMB16.3 million), had been applied for the payment of rent for the leasing of the Former Assets and the Assets.

V. LISTING RULES IMPLICATIONS

As certain of the applicable percentage ratios for the Acquisition under the Listing Rules are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Accordingly, the Acquisition is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Huage Holdings was held as to approximately 71.44% by Mr. Ge Yi and approximately 28.56% of equity interests by Mr. Ge Jianhua, who is the father of Mr. Ge Yi. Mr. Ge Yi is an executive Director, the Chairman, the chief executive officer and one of the controlling shareholders of the Company, 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 the Company for the purpose of Chapter 14A of the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction for the Company, and is subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. An Independent Board Committee has been established to advise the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder. Quam Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder. The Company will seek the Independent Shareholders' approval for the Agreement at the EGM.

Mr. Ge Yi is considered to have material interests in the Acquisition by virtue of his interests in the Target Company, and therefore he has abstained from voting on the Board resolutions approving the Acquisition. Save as disclosed above, no other Directors have abstained from voting on the said Board resolutions.

VI. EGM

The Company will convene the EGM at 10:15 a.m. on 17 June 2016 at 1804A, 18/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong, or immediately after the conclusion of the AGM, whichever is later at which ordinary resolutions will be proposed for the Shareholders to consider, and if thought fit, to approve the transactions contemplated under the Agreement. The resolution will be put to the vote at the EGM by poll as required by the Listing Rules. A notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular.

Any connected persons or Shareholders with a material interest in the Agreement and the transactions contemplated thereunder and its/his/her associates will abstain from voting at the EGM. As at the Latest Practicable Date, Mr. Ge Yi, an executive Director, the Chairman, the chief executive officer and one of the controlling shareholders of the Company, was interested in 341,644,500 Shares, representing approximately 68.18% of the issued share capital of the Company. Mr. Ge Ye was considered to have a material interest in the Acquisition by virtue of his interests and directorship in the Target Company, and he and his associates will abstain from voting on the resolutions approving the Acquisition in the EGM. Other than Mr. Ge Yi or his associates, as at the Latest Practicable Date, and to the best knowledge, belief and information of the Directors having made all reasonable enquiries, no other Shareholder is required under the Listing Rules to abstain from voting at the EGM.

A form of proxy for use at the EGM is also enclosed. If you are not able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, all the resolutions put to the vote at the EGM will be taken by way of poll. The chairman of the EGM will explain the detailed procedures for conducting a poll at the commencement of the EGM.

After the conclusion of the EGM, the poll results will be published on the respective websites of the Stock Exchange and the Company.

VII. RECOMMENDATION

The Directors consider that the Agreement and the transactions contemplated there under are fair and reasonable and on normal commercial terms, and are in the interests of the Group and the Shareholders as a whole and accordingly recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM.

Your attention is also drawn to:

(a) this letter from the Board;

(b) a letter of recommendation from the Independent Board Committee is set out on pages 17 to 18 of this circular; and

(c) a letter from Quam Capital, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 32 of this circular.

VIII. FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
By order of the Board
Tsaker Chemical Group Limited
Ge Yi
Chairman

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder:

TSAKER

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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1986)

25 May 2016

To the Independent Shareholders:

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN THE TARGET COMPANY

We refer to the circular dated 25 May 2016 (the "**Circular**") to the Shareholders of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meanings in this letter. We have been appointed to form the Independent Board Committee to advise the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" contained in the Circular. Quam Capital has been appointed to advise the Independent Shareholders and us in this regard.

Details of the advice and the principal factors and reasons Quam Capital has taken into consideration in giving such advice, are set out in the "Letter from Quam Capital" in the Circular. Your attention is also drawn to the "Letter from the Board" in the Circular and the additional information set out in the appendices thereto.

* *For identification purpose only*

Having taken into account the terms of the Agreement and the transactions contemplated thereunder, we are of the opinion that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Shareholders (including the Independent Shareholders) are concerned, on normal commercial terms and, and in the interests of the Group and the Shareholders as a whole although they are not in the ordinary and usual course of business of the Group. We, therefore, recommend that you vote in favour of the resolution to be proposed at the EGM to approve Agreement and the transactions contemplated thereunder.

Yours faithfully, For and on behalf of
Independent Board Committee

Mr. Ho Kenneth Kai Chung	**Mr. Zhu Lin**	**Mr. Yu Miao**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of a letter of advice from Quam Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder.

Quam CAPITAL 華富嘉洛企業融資
Quam Capital Limited
A Member of The Quam Group

25 May 2016

To the Independent Board Committee and the Independent Shareholders

Tsaker Chemical Group Limited
36th Floor, Tower Two
Times Square
1 Matheson Street
Causeway Bay, Hong Kong

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN THE TARGET COMPANY

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular issued by the Company to the Shareholders dated 25 May 2016 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 4 May 2016, Tsaker Dongying and Huage Holdings entered into the Agreement, pursuant to which Tsaker Dongying has conditionally agreed to acquire and Huage Holdings has conditionally agreed to sell the entire equity interests in the Target Company at the consideration of RMB17,361,000 (equivalent to approximately HK$20,668,000).

As certain of the applicable percentage ratios for the Acquisition under the Listing Rules are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Accordingly, the Acquisition is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Huage Holdings was owned as to approximately 71.4% by Mr. Ge Yi and approximately 28.6% by Mr. Ge Jianhua, who is the father of Mr. Ge Yi. Mr. Ge Yi is an executive Director, the Chairman, the chief executive officer and one of the 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 the Company for the purpose of Chapter 14A of the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction for the Company, and is subject to announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder. Mr. Ge Yi and his associates are considered to have material interests in the Acquisition by virtue of his interest in the Target Company, and he and his associates will abstain from voting on the resolution approving the Agreement and the transactions contemplated thereunder at the EGM. Save as aforementioned, to the best knowledge, belief and information of the Directors having made all reasonable enquiries, no other Shareholder is required to abstain from voting at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Ho Kenneth Kai Chung, Mr. Zhu Lin and Mr. Yu Miao, has been established to advise the Independent Shareholders as to whether the terms of the Agreement are on normal commercial terms and fair and reasonable, whether the Acquisition is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and how to vote in respect of the relevant resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder. As the independent financial adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, Quam Capital did not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Quam Capital. In the last two years, there was no engagement between the Group and Quam Capital. Apart from normal professional fees paid or payable to us in connection with this appointment as the independent financial adviser, no arrangements exist whereby we had received any fees or benefits from the Company. Accordingly, we are qualified to give independent advice in respect of the Acquisition and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, the management of the Group, and/or the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, its subsidiaries and associates as well as the Target Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have taken into account the following principal factors and reasons set out below:

1. Information on the Group and the Target Company

1.1 Information on the Group

The Group is principally engaged in the production of a number of fine chemicals function as critical dye, pigment intermediates and agricultural chemicals intermediates. The main products of dye intermediates and pigment intermediates include DSD Acid, DMSS and DATA, which are primarily applied as brightening agents for the end products of life consumables such as paper and textile, bleach for detergents, pharmaceuticals and food additives and paint pigments. The main products of agricultural chemical intermediates are ONT and OT, which are the principal raw materials for herbicides and pharmaceuticals.

The following table summarises the consolidated statements of profit or loss and other comprehensive income of the Group for the two years ended 31 December 2015 as extracted from the annual report of the Company for the year ended 31 December 2015 (the "**Annual Report**"):

	For the year ended 31 December	
	2015	**2014**
	RMB'000	*RMB'000*
	(audited)	*(audited)*
Revenue	875,711	897,477
Profit before tax	147,708	226,234
Profit attributable to owners of the Company	102,258	144,859

The Group's revenue decreased by approximately 2.4% or RMB21.8 million from approximately RMB897.5 million for the year ended 31 December 2014 to approximately RMB875.7 million for the year ended 31 December 2015. Such decrease was mainly due to the lower average selling prices of its products that were partially offset by the increase in sales volume of DMSS and DATA of the Group.

Profit attributable to owners of the Company decreased by approximately 29.4% or RMB42.6 million from approximately RMB144.9 million for the year ended 31 December 2014 to approximately RMB102.3 million for the year ended 31 December 2015. Such decrease was mainly due to (i) the decrease in revenue as mentioned above, (ii) the decrease in gross profit margin due to higher production costs during the initial production and market development stage of new products of the Group, (iii) the initial costs, such as administrative and personnel expenses, incurred in relation to the delay in obtaining regulatory approval for the additional production facilities; and (iv) the one-off expenses of approximately RMB19.7 million incurred for the listing of the Company in 2015.

The following table sets out certain financial figures in the consolidated statements of financial position of the Group as at 31 December 2014 and 2015 as extracted from the Annual Report:

	As at 31 December	
	2015	**2014**
	RMB'000	*RMB'000*
	(audited)	*(audited)*
Total assets	1,457,236	704,488
Total liabilities	615,148	397,642
Net assets	842,088	306,846

Total assets of the Group mainly comprised property, plant and equipment, trade receivables, restricted cash and cash and cash equivalents. Total liabilities of the Group mainly comprised trade payables, other payables and accruals and interest-bearing bank borrowings. Net asset value was approximately RMB842.1 million as at 31 December 2015, representing an increase of approximately 174.4% or RMB535.2 million from approximately RMB306.8 million as at 31 December 2014. Such increase was mainly attributable to (i) the increase in property, plant and equipment as a result of the addition of construction in progress for the new plant in Dongying, Shandong Province; and (ii) the increase in restricted cash and cash equivalents as a result of the net proceed received from the listing of the Company in 2015 that were partially offset by the increase in interest-bearing bank borrowings.

1.2 Information on the Target Company

The Target Company is a wholly-owned subsidiary of Huage Holdings. The Target Company is a company incorporated in the PRC with limited liability and principally engaged in the leasing of its assets to Tsaker Dongying under the New Assets Leasing Agreement for the production of mononitrotoluene (consisting of PNT, ONT and MNT) as well as OT and NMP.

As mentioned in the Prospectus, Huage Holdings acquired, from an independent third party, the entire equity interests of the Target Company in September 2014. Before the sale of the Target Company to Huage Holdings, the Target Company was constructing certain new mononitrotolouene production plants and NMP production plants, which later became the Group's production plants through the leasing arrangement with Huage Holdings.

The Target Company's production plants, being the major assets of the Target Company, are located on three parcels of land with an aggregate site area of approximately 201,000 square meters (the "**sq.m.**") which includes ten buildings with an aggregate gross floor area of approximately 11,000 sq.m. in Shandong Province and is geographically close to the Group's other production plants in Hebei Province and Shandong Province.

As advised by the Company, as at the Latest Practicable Date, the Target Company's production plants had (i) an annual production capacity of 80,000 tonnes of mononitrotoluene consisting of approximately 28,000 tonnes of PNT, approximately 48,000 tonnes of ONT and approximately 4,000 tonnes of MNT; and (ii) an annual production capacity of approximately 6,000 tonnes of NMP.

The following table summarises the unaudited statements of profit or loss and other comprehensive income of the Target Company for the two years ended 31 December 2015 prepared based on the accounting principles generally accepted in the PRC:

	For the year ended 31 December	
	2015	**2014**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Turnover	26,750	126,822
Cost of sales	27,618	118,102
Gross (loss)/profit	(868)	8,720
Loss before taxation	(5,628)	(8,451)
Loss after taxation	(5,628)	(8,451)

Turnover for each of the two years ended 31 December 2015 of the Target Company were approximately RMB126.8 million and approximately RMB26.8 million, respectively. The turnover for the year ended 31 December 2014 mainly represented the sale of agricultural chemical intermediates products. The Group leased the Former Assets since January 2015 and the turnover for the year ended 31 December 2015 mainly represented the rental income charged by the Target Company to the Group from January to December 2015. Since the production plants were leased out in January 2015 and revenue generated from the sale of agricultural chemical intermediates products decreased, the turnover of the Target Company was significantly decreased for the year ended 31 December 2015 as compared to the year ended 31 December 2014.

Cost of sales for the two years ended 31 December 2015 were approximately RMB118.1 million and approximately RMB27.6 million. The gross profits was approximately RMB8.7 million for the year ended 31 December 2014 and the gross loss was approximately RMB0.9 million for the year ended 31 December 2015. The cost of sales for the year ended 31 December 2014 represented the costs of production of agricultural chemical intermediates products while the cost of sales for the year ended 31 December 2015 mainly represented depreciation expenses for the Former Assets. The decrease in gross profit margin for the year ended 31 December 2015 was mainly due to the change of revenue nature of the Target Company from sale of agricultural chemical intermediates products to the lease of production plants in 2015.

We understand that the losses for the year ended 31 December 2014 was mainly attributable to certain one-off restructuring costs, production of mononitrotoluene as well as OT and NMP. Loss after taxation for the year ended 31 December 2015 decreased to approximately RMB5.6 million from approximately RMB8.5 million for the year ended 31 December 2014 mainly as a result of sale of agricultural chemical intermediates products produced in prior years, which was ceased after entering into the leasing arrangement, while there was no material losses from the leasing of the Former Assets.

The following table sets out certain financial figures in the unaudited statements of financial position of the Target Company as at 31 December 2014 and 2015 prepared based on the accounting principles generally accepted in the PRC:

	As at 31 December	
	2015	**2014**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Total assets	240,961	230,346
Total liabilities	223,509	207,267
Net assets	17,452	23,079

Total assets of the Target Company mainly consisted of the Assets. Total assets of the Target Company slightly increased from approximately RMB230.3 million as at 31 December 2014 to approximately RMB241.0 million as at 31 December 2015 mainly because of the increase in property, plant and equipment. Total liabilities of the Target Company mainly consisted of the Loan to facilitate the addition of the new production plants. Total liabilities of the Target Company slightly increased from approximately RMB207.3 million as at 31 December 2014 to approximately RMB223.5 million as at 31 December 2015 mainly because of the increase in other payables. As total liabilities increased more than that of total assets, the net assets of the Target Company decreased from approximately RMB23.1 million as at 31 December 2014 to RMB17.5 million as at 31 December 2015.

2. Background of the Acquisition

As disclosed in the Prospectus, in order to maintain the reliable supply of PNT, the Group has leased the Former Assets from the Target Company for a term of three years commencing on January 2015 at an annual rent of RMB16,200,000 by way of entering into the assets leasing agreement dated 15 January 2015 and a supplemental agreement dated 8 April 2015 and has commenced the production of PNT, ONT, MNT, OT and NMP since February 2015. The production capacity of the Former Assets includes 40,000 tonnes of mononitrotoluene (PNT/ONT/MNT) and 6,000 tonnes of NMP.

As disclosed in the CCT Announcement, Tsaker Dongying entered into the New Assets Leasing Agreement with the Target Company on 17 March 2016 to lease the Assets from the Target Company for a term of three years commencing from 17 March 2016 to 16 March 2019 at an annual rent of RMB22,700,000. The Assets comprise of all the existing assets including factory premises, land, equipment and facilities in relation to the production of, among others, (i) PNT, ONT and MNT with an aggregate annual designed production capacity of 80,000 tonnes of mononitrotoluene; and (ii) NMP with an annual designed production capacity of 6,000 tonnes operated by Tsaker Dongying and located in Dongying, Shandong Province, the PRC.

As disclosed in the CCT Announcement, pursuant to the New Assets Leasing Agreement, Tsaker Dongying shall have an option to purchase the whole or part of the Assets from the Target Company at a prevailing market price to be negotiated and determined with reference to an asset valuation by a certified asset valuer. Furthermore, Tsaker Dongying shall have right of first refusal to acquire the whole or part of the Assets at the market price to be determined with reference to an asset valuation by a certified asset valuer in the event that the Target Company opts to sell such assets to a third party.

3. Reasons for and benefit of the Acquisition

As stated in the Letter from the Board, since entering into the Dongao Arrangement, the Group has become more familiar with the production techniques of mononitrotoluene, whereby the production thereof has ramped up and normalised within the expectations of the Group. The Group has been expanding its production capacities of ONT, MNT and PNT and the utilisation rate of the production plants has increased correspondingly in accordance with the production level. The Directors are of the view that the Assets are crucial to the operation of the Group. Based on the past operational results and financial performance for the production of ONT/OT, MNT and NMP since the commencement of the Dongao Arrangement, the Directors are of the view that the production of ONT/OT, MNT and NMP by utilising the Assets has matured in all material aspects, and the ONT/OT, MNT and NMP markets have good prospects. The Directors remain optimistic that the production and sale of mononitrotoluene would deliver good financial return to the Group in the medium to long term.

Upon Completion, as the Target Company will become an indirectly wholly-owned subsidiary of the Company, the Directors considered that (i) the Company will have absolute ownership of the Assets, which are strategic and critical to the operation; (ii) the Assets will become assets of the Group and the Dongao Arrangement will be ceased; (iii) the Acquisition would enable the Group to continue its production by utilising the Assets, while expanding its production capacity and enhancing cost efficiency without paying rental fee regarding the Assets upon Completion; and (iv) the ownership of the Assets upon Completion would increase the asset base of the Group and enable the Group to conduct further asset based financing.

As disclosed in the Prospectus, PNT is the key raw material of DSD Acid. ONT and OT are the main products of agricultural chemical intermediates and the principle raw materials for herbicides and pharmaceuticals. PNT, ONT and MNT are co-produced in the same chemical reaction at a fixed rate. OT is the major downstream product of ONT. We were advised by the management of the Group that the PNT cost constitutes a significant portion of the Group's raw material costs for the production of DSD Acid. As stated in the Annual Report, the production capacity of PNT from the Assets was expected to meet approximately 80% of the Group's internal demand for PNT. According to the Annual Report, DSD Acid and other dye intermediates segment accounted for approximately 63.0% of the total revenue of the Group for the year ended 31 December 2015, whereas mononitrotoluene, OT and others segment accounted for approximately 15.8% of the total revenue of the Group for the year ended 31 December 2015. Based on the aforesaid, we concur with the Directors that the Assets are crucial to the operation of the Group.

Upon Completion, both the ownership and operation of the Assets as well as the Target Company will be under the control of the Group. Any additions to and/or disposals of any of the Assets are in the sole discretion of the Group which can cater for its future business plans without the risks of incurring additional rental fee as noted from the increase of annual rent pursuant to the New Assets Leasing Agreement upon the addition of, among others, annual production capacity of 40,000 tonnes of mononitrotoluene as compared to the Former Assets. Furthermore, ownership of the Assets upon Completion would increase the asset base of the Group and enable the Group to conduct asset based financing, if required. Therefore, we consider that the Acquisition provides more flexibility to the Group in terms of assets deployment to meet its needs and financing arrangement.

Pursuant to the New Assets Leasing Agreement, the Group is required to pay a rental fee of RMB22,700,000 per annum to lease the Assets from the Target Company for the production of, among others, PNT, ONT, MNT, OT and NMP. The Acquisition can relieve the Group from bearing the continuous cash outflow for the rental fee as the Group will no longer be required to pay rental fee for the Assets upon Completion. Additionally, the Group is not required to enter into continuing connected transaction agreement upon Completion and thus reduce the relevant administrative costs in monitoring and reporting the continuing connected transaction.

Based on the aforesaid, we consider that the Acquisition is in the interests of the Group and the Shareholders as a whole.

4. The Agreement

4.1 Principal terms of the Agreement

The following sets forth a summary of the principal terms of the Agreement:–

Date:	4 May 2016
Seller:	Huage Holdings
Purchaser:	Tsaker Dongying, a wholly-owned subsidiary of the Company
Assets to be purchased:	The entire equity interests in Target Company.
Consideration:	The Consideration is RMB17,361,000 (equivalent to approximately HK$20,668,000) and shall be payable to Huage Holdings by Tsaker Dongying in the following manner:
	1. RMB5,208,300 (equivalent to approximately HK$6,200,000), being 30% of the Consideration, shall be payable within 30 days from signing of the Agreement as a deposit and part payment of the Consideration;

2. the remaining balance of RMB12,152,700 (equivalent to approximately HK$14,468,000), being 70% of the Consideration, shall be payable within 30 days from the Completion Date.

The Consideration shall be paid by Tsaker Dongying by transferring the amount payable to a bank account designated by Huage Holdings.

Loan:	As at the Latest Practicable Date, the Loan amounted to approximately RMB175 million (equivalent to approximately HK$208 million). The Loan is unsecured and not interest-bearing. Pursuant to the Agreement, the repayment of the Loan by the Target Company is at the discretion of the Company, but any repayment of the Loan shall be subject to the following conditions: (i) when there is sufficient working capital for the operation of the Group for the upcoming 12 months thereof; (ii) the repayment of the Loan would not lead to net current liabilities of the Company on a consolidated basis; and (iii) the repayment of the Loan would be made in accordance with the Listing Rules, if applicable.
Conditions precedent:	Please refer to paragraph headed "Conditions precedent" in the Circular for details of the conditions precedent of the Agreement.
Completion:	Completion shall take place on the Completion Date.

4.2 Assessment of the terms of the Agreement

As mentioned in the Letter from the Board, the Consideration was determined after arm's length negotiation between Tsaker Dongying and Huage Holdings with reference to the appraised net asset value of the Target Company of approximately RMB17,361,000 (equivalent to approximately HK$20,668,000) as at 29 February 2016, as appraised by Asia-Pacific Consulting and Appraisal Limited, an independent valuer (the "**Valuer**").

As disclosed in the paragraph headed "Information on the Target Company" above, the Target Company incurred loss for the year ended 31 December 2015, we consider that it is not appropriate to use the price to earnings ratio in assessing the Consideration. Given that the Target Company is principally engaged in the leasing of its Assets, but not operation of its Assets which is a common arrangement for chemical producers, we consider that it is not appropriate to use the price to book ratio in assessing the Consideration. Accordingly, we consider that it is appropriate to assess the fairness and reasonableness of the Consideration based on the appraised net asset value of the Target Company.

In assessing the fairness and reasonableness of the Consideration, we have reviewed the valuation report (the "**Valuation Report**") as set out in Appendix I to the Circular and assessed the bases and assumptions used by the Valuer, details of which are explained below.

The Valuer and its engagement

We have conducted an interview with the Valuer to enquire its expertise in similar valuation in the PRC and its independence, and have reviewed the terms of the engagement letter of the Valuer, in particular its scope of work. We consider that its scope of work is appropriate to form the opinion required to be given and there is no limitation of the scope of work which might have an adverse impact on the degree of assurance given by the Valuer in the Valuation Report. We have performed the work as required under note (1)(d) to the Rule 13.80 of the Listing Rules in relation to the Valuer and its work. Based on the above, we are of the view that the scope of work of the Valuer is appropriate and the Valuer is qualified for valuing the Target Company.

Valuation Report

We have reviewed and discussed with the Valuer the methodologies, bases and assumptions adopted for the valuation of the Target Company. The Valuer has assumed that the data of current assets, current liabilities and non-current liabilities provided is complete and accurate, and the book value of the current assets except inventories, current liabilities and non-current liabilities was used as proxy for the fair value, and to derive the net asset value of the Target Company is the reasonable appraisal procedure in this exercise. The valuation has also assumed that property interests can be sold in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests.

In determining the valuation, the Valuer has considered the type of assets and liabilities and their conditions when arriving at the values of the subject items. The Valuer has considered and excluded the income approach due to insufficient financial data being available in this exercise. The Valuer has adopted depreciated replacement cost approach in valuing the buildings, structures and plant and machinery for production purpose of the Target Company. Market approach has been adopted to estimate the value of lands and office equipment of the Target Company. The value of the inventories was derived by multiplying their quantities with their corresponding market prices close to the date of valuation. The book values of other assets and liabilities were used as proxy for the fair value. We understand from the Valuer that depreciated replacement cost approach represents current cost of replacement (reproduction) of the subject asset less deduction for physical deterioration and all relevant forms of obsolescence and optimisation. It is based on an estimate of the market value for the existing use of the subject asset. The application of this approach in the above assets is mainly due to their lack of active market and comparable transactions for the use of market approach and the lack of sufficient financial data for income approach for these assets. Market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparatives. Assets for which there is an established secondary market may be valued by this approach.

Given that it is unlikely to have comparable sales readily available for similar nature of the buildings, structures and plant and machinery of the Target Company whereas comparable sales transactions are available in relevant market of lands and office equipment of the Target Company, the Valuer considers that the above approaches are appropriate in arriving at the valuation of such assets of the Target Company. Moreover, as advised by the Valuer, such approaches are in compliance with the standards and guidelines set out in the International Valuation Standards published by the International Valuation Standards Council. We also understand from the Valuer that it has carried out an on-site inspection and made relevant enquiries for the purpose of the valuation and no irregularities were noted during the course of the valuation. Given the valuation methodologies adopted by the Valuer are usual and in compliance with the standards published by the International Valuation Standards Council, we consider that the methodologies, bases and assumptions adopted by the Valuer in determining the valuation of the Target Company is appropriate.

As mentioned in the Letter from the Board, the Directors believe that the terms of the Agreement, including the Consideration, are fair and reasonable and in the interests of the Company and the Shareholders as a whole despite the net losses of the Target Company for the two years ended 31 December 2015 and the outstanding Loan to be repaid, having considered (i) such net losses were mainly attributable to the production of mononitrotoluene as well as OT and NMP which was ceased after entering into of the Dongao Arrangement and therefore was not relevant to the Group in considering the Acquisition; (ii) the Loan was given by Huage Holdings to the Target Company for the capital expenditure of land acquisition and construction of the Former Assets and the Assets, and the repayment thereof is considered to be reasonable after the acquisition of the Target Company; (iii) the benefit of the Acquisition, including cessation of the uncommon Dongao Arrangement in order to gain absolute ownership of the Assets and reduce costs incurred for the leasing of the Assets; (iv) successful expansion and development of the Group's production of PNT, ONT/OT and MNT and the positive outlook on the contribution of the production and sale of mononitrotoluene to the Group in the medium and long term; and (v) neither interest nor pledge is required for the Loan, it would only be repayable at the discretion of the Company and that the repayment thereof is subject to certain conditions as abovementioned.

Given that (i) the Consideration is the same as the appraised value of the Target Company by the Valuer, (ii) the independence, qualification and experience of the Valuer, (iii) the valuation methodologies are appropriate, (iv) the Valuer has taken into account the Loan in determining the appraised net asset value of the Target Company, (v) the unsecured and not interest-bearing nature of the Loan with repayment conditions as mentioned above, and (vi) the reasons considered by the Directors as mentioned above, we consider the terms of the Agreement, including the Consideration, are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned.

5. Financial effects of the Acquisition

Upon Completion, the Target Company will become an indirectly wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Company will be consolidated into the consolidated financial statements of the Company.

Earnings

Given that the Group intends to continue utilising the Assets for its production upon Completion, it is expected that the Group will reduce its rental expenses which will be offset by the depreciation charge of the Assets and relevant tax payments incurred by the Target Company for the Assets. The current annual rental fee amounts to RMB22,700,000 pursuant to the New Assets Leasing Agreement. As advised by the management, the depreciation charge for the Assets calculated on the straight-line basis in accordance with the accounting policies adopted by the Company is estimated to be approximately RMB19.5 million per year and the aggregate of relevant land use tax and property tax incurred by the Target Company for the Assets is estimated to be approximately RMB3.2 million per year. Based on the above, the Directors believe that the Acquisition would not have any material adverse impact on the earnings of the Group in near term.

Net assets

Given that the Consideration of RMB17,361,000 will be funded by the Group's internal cash resources and the net asset value of the Target Company was approximately RMB17.5 million as at 31 December 2015 based on the unaudited statement of financial position of the Target Company, the Directors believe that the Acquisition would not have material impact on the consolidated net asset value of the Company.

Liquidity

According to the Annual Report, cash and cash equivalents of the Group were approximately RMB192.9 million. As mentioned above, the Consideration of RMB17,361,000 will be funded by the Group's internal cash resources. Therefore, there will be a cash outflow of the Group arising from the settlement of the Consideration. Nevertheless, the Group will cease to pay an annual rental fee of RMB22,700,000 for the Assets following Completion. Pursuant to the Agreement, the repayment of the Loan, which is not interest-bearing, is at the discretion of the Company and any repayment of the Loan shall be subject to, among others, (i) when there is sufficient working capital for the operation of the Group for the upcoming 12 months thereof; and (ii) the repayment of the Loan would not lead to net current liabilities of the

Company on a consolidated basis. Based on the foregoing, the Directors consider the Acquisition would not have any significant adverse impact on the liquidity of the Group.

Comment

In view of the foregoing, the Acquisition would not have any material adverse impact on the financial performance and financial position of the Group.

Shareholders should note that the aforesaid analyses are for illustrative purpose only and do not purport to represent the financial performance and financial position of the Group upon Completion.

RECOMMENDATION

Having considered the principal factors and reasons described above, we are of the opinion that the terms of the Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole, though it is not in the ordinary and usual course of business of the Group. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Quam Capital Limited
Noelle Hung
Managing Director

Ms. Noelle Hung is a licensed person and a responsible officer of Quam Capital registered with the Securities and Futures Commission to carry out type 6 (advising on corporate finance) regulated activity under the SFO. She has over 15 years of experience in corporate finance.

25 May 2016

The Board of Directors
Tsaker Chemical Group Limited
6th Floor, Building A
Jiahui International Center
No. 14 Jiqingli
Chaoyang District
Beijing

Dear Sirs,

Re: The Net Assets Value of Shengli Oil Field Dongao Chemicals Co., Ltd. located in Dongying City, Shandong Province, the People's Republic of China (the "PRC")

INSTRUCTIONS, PURPOSE AND DATE OF VALUATION

In accordance with your instructions to provide an opinion of the net assets value of Shengli Oil Field Dongao Chemicals Co., Ltd. (the "Company"), we confirm that we have made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the net assets value of the Company as at 29 February 2016 (the "Date of Valuation") for circular reference purpose.

BASIS OF OPINION

We have conducted our valuation with reference to the International Valuation Standards issued by the International Valuation Standards Council. We planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion of the subject assets. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

BACKGROUND

Shengli Oil Field Dongao Chemicals Co., Ltd. was established in 2004. The assets of the Company, including buildings, structures, machinery and equipment, provide services for production of mononitration, ortho-toluidine, and NMP. The company is located in Hekou District, Dongying City, Shandong Province, the People's Republic of China.

VALUATION ASSUMPTIONS

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on use of numerous assumptions and our consideration of various factors that are relevant to the operation of the Company. We have also considered various risks and uncertainties that have potential impact on the Company.

It is assumed that the data of current assets, current liabilities and non-current liabilities provided is complete and accurate, and the book value of the current assets except inventories, current liabilities and non-current liabilities was used as proxy for the fair value, and to derive the net asset value of the Company is the reasonable appraisal procedure in this exercise.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests.

METHODS OF VALUATION

In this report, we had considered the type of assets and liabilities and their conditions when arriving at the values of the subject items. We adopted appropriate valuation methodology for each different class of assets and liabilities.

Category	**Valuation Approach & Methodology**
Inventories	Based on the quantities and conditions of the inventories as at the date of valuation provided by the management, the value as at the date of valuation were derived by multiplying their quantities with their corresponding market prices close to the date of valuation
Buildings and structures	Depreciated replacement cost approach*
Plant and machinery	Depreciated replacement cost approach* and Market approach**
Intangible assets – land	Market approach**
Other current assets, current liabilities and non-current liabilities	Refer to Book Value
Net assets	Current assets plus non-current assets less current liabilities less non-current liabilities

*: Depreciated replacement cost is a kind of cost approach which is defined as the current cost of replacement (reproduction) of the subject asset less deduction for physical deterioration and all relevant forms of obsolescence and optimization. It is based on an estimate of the market value for

the existing use of the subject asset. The application of depreciated replacement cost method in above assets is mainly due to their lack of active market and comparable transactions for the use of market approach and the lack of sufficient financial data for income approach for these assets.

**: Market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach.

Due to the nature of the Company's buildings, structures and plant and machinery for production purpose, there are unlikely to be relevant comparable sales readily available, as such they have been valued on the basis of their depreciated replacement cost; Furthermore, the market approach is adopted to estimate the value of lands and office equipment by making reference to comparable sales transactions as available in the relevant market. We have considered and excluded the income approach due to insufficient financial data being available in this exercise.

It is assumed that the data of current assets, current liabilities and non-current liabilities provided is complete and accurate, and the book value of the current assets except inventories, current liabilities and non-current liabilities was used as proxy for the fair value.

BOOK VALUES OF ASSETS AND LIABILITIES

The table below summarizes the book values of the assets and liabilities of the Company as at Valuation Date, which is provided by the management of the Company.

The Company	**Book Values** *(RMB'000)*
Current Assets	***9,863***
Non-current Assets	***291,791***
Current Liabilities	***284,117***
Non-current Liabilities	***546***
Net Assets	***16,991***

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by Shengli Oil Field Dongao Chemicals Co., Ltd. and have accepted advice given to us on such matters as tenure and all other relevant matters. Dimensions and measurements are based on the copies of documents collected from Shengli Oil Field Dongao Chemicals Co., Ltd. and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by Shengli Oil Field Dongao Chemicals Co., Ltd. We have also been advised by Shengli Oil Field Dongao Chemicals Co., Ltd. that no material factors have been omitted from the information to reach an informed view and we have no reason to suspect that any material information has been withheld.

DOCUMENT AND TITLE INVESTIGATION

We have been shown copies of various title documents including State-owned Land Use Rights Certificates and Building Ownership Certificates. However, we have not examined the original documents and assumed that the copies of the agreements and documents obtained are consistent with their originals, and the transactions of the property and machinery interests are valid and effective under the applicable laws.

AREA MEASUREMENT AND INSPECTION

We have not carried out detailed measurements to verify the correctness of the area in respect of the properties but have assumed that the areas shown on the documents and official site plans handed to us are correct. All documents have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We carried out investigation from 12 to 13 April 2016, to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

CURRENCY

All monetary figures stated in this report are in Renminbi (RMB).

LIMITING CONDITIONS

This report is subject to our standard Limiting Conditions.

VALUE COMMENTS

In general, we have undertaken the necessary and appropriate valuation procedures in the valuation of the Subject Items as at 29 February 2016. The methodologies adopted are generally considered being suitable with regard to the nature of the relevant assets and liabilities. The user of the Valuation Report should be aware of the condition relating to the validity period of the report, which is one year as stated in the Valuation Report.

OPINION OF VALUE

Based on the results of our investigations and analyses outlined in this report, we are of the opinion that the net assets value of Shengli Oil Field Dongao Chemicals Co., Ltd. as at 29 February 2016 is **RMB17,361,000 (Renminbi Seventeen Million Three Hundred and Sixty-One Thousand)**. The details are as follows:

The Company	**Fair Values** *(RMB'000)*
Current Assets	***9,271***
Non-current Assets	***292,753***
Current Liabilities	***284,117***
Non-current Liabilities	***546***
Net Assets (Rounded)	***17,361***

Note: The total value of Fixed assets is RMB 161,853,800, including Machinery and Equipment and Properties. The total value of Machinery and Equipment is RMB 80,608,800, and the total value of Properties is RMB 81,245,000; The total value of Construction in progress is RMB 104,676,800; The total value of Construction material is RMB 139,600; The total value of Land use right is RMB 26,083,000.

Yours faithfully,
for and on behalf of
Asia-Pacific Consulting and Appraisal Limited
JackWenjie. Li
B.Sc. MRICS CFA
Executive Director

Note: Jack Wenjie. Li is a Chartered Surveyor who has 10 years' experience in the valuation of assets in the PRC, Hong Kong and the Asia-Pacific region.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular 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 circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors, supervisors and chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors, supervisors or senior management of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO, which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") set out in Appendix 10 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange were as follows:

(i) The Company

Name of Director/ supervisor	Long/short position	Capacity/ nature of interest	Interest in Shares	Approximate percentage of shareholding in the same class of securities as at the Latest Practicable Date
Mr. Ge Yi	Long	Interests in controlled corporation	341,644,500 Shares[Note]	68.18%

Note: These Shares were held by Cavalli Enterprises Inc., the entire issued share capital of which were wholly owned by Mr. Ge Yi. By virtue of the SFO, Mr. Ge Yi was deemed to be interested in the Shares held by Cavalli Enterprises Inc..

(ii) Associated corporations of the Company

Name of company	Name of Director	Capacity	Long/ Short position	Number of shares	Approximate percentage of issued share capital
Cavalli Enterprises Inc.	Mr. Ge Yi	Beneficial owner	Long	50,000	100.00%

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or supervisors or senior management of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Board, no persons (not being a Director, supervisor or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of substantial Shareholder	Long/short position	Capacity/nature of interest	Interest in Shares	Approximate percentage of shareholding in the same class of securities as at the Latest Practicable Date
Cavalli Enterprises Inc.	Long	Beneficial owner	341,644,500 Shares	68.18%
Ms. Qi Lin	Long	Interest of spouse	341,644,500 Shares Note 1	68.18%
文軒宏泰(深圳)投資合伙企業(有限合伙 (Winshare Hongtai (Shenzhen) Investment Partnership (Limited Partnership)*) (“**Winshare Hongtai**”) Note 2	Long	Beneficial owner	46,745,500 Shares	9.33%

Name of substantial Shareholder	Long/short position	Capacity/nature of interest	Interest in Shares	Approximate percentage of shareholding in the same class of securities as at the Latest Practicable Date
Wider Pacific Limited[Note 3]	Long	Beneficial owner	30,596,000 Shares	6.12%
Ocean Equity Partners Fund L.P. ("**Ocean Equity LP**")	Long	Interest in controlled corporation	30,596,000 Shares[Note 3]	6.12%
Ocean Equity Partners Fund II L.P. ("**Ocean Equity II LP**")	Long	Interest in controlled corporation	30,596,000 Shares[Note 3]	6.12%
Ocean Equity Partners Fund GP Limited ("**Ocean Equity GP**")	Long	Interest in controlled corporation	30,596,000 Shares[Note 3]	6.12%
Ocean Equity Partners Fund II GP Limited ("**Ocean Equity II GP**")	Long	Interest in controlled corporation	30,596,000 Shares[Note 3]	6.12%
Asian Equity Special Opportunities Portfolio Master Fund Limited ("**Asian Equity**")	Long	Beneficial owner	25,031,000 Shares[Note 4]	5.01%
RAYS Capital Partners Limited ("**RAYS Capital**")	Long	Investment manager	27,088,500 Shares[Note 4]	5.41%
Ruan David Ching-chi	Long	Interest in controlled corporation	27,088,500 Shares[Note 4]	5.41%
Yip Yok Tak Amy	Long	Interest in controlled corporation	27,088,500 Shares[Note 4]	5.41%

Notes:

1. 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.

2. To the best of the Directors' knowledge, the general partner of Winshare Hongtai 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, as at the Latest Practicable Date, the limited partners of Winshare Hongtai who contributed more than one-third of the capital to Winshare Hongtai were (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 was controlled by Xinhua Winshare Publishing and Media Co., Ltd (00811.HK), and 54.96% of shares of which was 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 was 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 was controlled by Ping An Insurance (Group) Company of China, Ltd. (601318.SH, 2318.HK).

3. Wider Pacific Limited was controlled by Ocean Equity LP and Ocean Equity II LP as to approximately 66.0% and approximately 34.0%, respectively, as at the Latest Practicable Date. Ocean Equity LP was wholly owned by Ocean Equity GP, while Ocean Equity II LP was wholly owned by Ocean Equity II GP as at the Latest Practicable Date.

4. Asian Equity was wholly owned by RAYS Capital, which was owned by Mr. Ruan, David Ching-chi and Ms. Yip Yok Tak Amy as to approximately 50.0% and 50.0% respectively, as at the Latest Practicable Date.

Other than the interests disclosed above, the Company has not been notified of any other notifiable interests or short positions in the share or underlying shares of the Company as at the Latest Practicable Date.

4. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors nor their respective close associates had any interests in other business, which competes or may compete, either directly or indirectly, with the business of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the Company, or any of its subsidiaries or associated companies which was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

The aggregate of the remuneration payable to and benefits in kind receivable by the Directors will not be varied in consequence of the Acquisition.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited financial statements of the Group were made up.

7. INTEREST IN CONTRACTS AND ASSETS

As at the date of this circular, save as the new assets leasing agreement dated 17 March 2016 entered into between Tsaker Dongying and the Target Company as disclosed in the CCT Announcement, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement, which was significant in relation to the business of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors nor their respective associates had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Enlarged Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Group within two years immediately preceding the date of this circular:

1. 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）(now known as Tsaker Chemical (Hong Kong) Company Limited（彩客化學(香港)有限公司)) ("**Tsaker Hong Kong**") dated 25 September 2014 in relation to the transfer of 75% equity interest in Cangzhou Huage Medicine Chemical Co., Ltd.（滄州華戈醫藥化學有限公司）(now known as Tsaker Chemical (Cangzhou) Co., Ltd.（彩客化學(滄州)有限公司)) ("**Tsaker Cangzhou**") by Huage Holdings to Tsaker Hong Kong for a consideration of RMB88,000,000;

2. 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 Tsaker Cangzhou dated 9 October 2014 in relation to the transfer of 100% equity interest in Huayu Chemical Plant by China National Chemical Construction Corporation to Tsaker Cangzhou for a consideration of RMB17,949,100;

3. an equity transfer agreement（股權轉讓協議）entered into between Huage Chemical (Cangzhou) Co., Ltd.（華歌化學(滄州)有限公司）("**Huage Cangzhou**") and Tsaker Cangzhou dated 31 October 2014 in relation to the transfer of 100% equity interest in 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)) ("**Tsaker Beijing**") by Huage Cangzhou to Tsaker Cangzhou for a consideration of RMB26,600,000;

4. a share swap agreement entered into between Cavalli Enterprises Inc. ("**Cavalli**") and the Company dated 9 December 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 the Company and as consideration, 9,999 Shares, credited as fully paid, were allotted and issued to Cavalli;

5. an instrument of transfer entered into between Cavalli and the Company dated 9 December 2014 for the transfer of 34,174,000 ordinary shares in Tsaker Hong Kong as referred to in item (4) above;

6. bought and sold notes executed by Cavalli and the Company dated 9 December 2014 for the transfer of 34,174,000 ordinary shares in Tsaker Hong Kong as referred to in item (4) above;

7. a subscription agreement entered into between the Company and Transfar International Holding Co., Limited（傳化國際控股有限公司）(“**Transfar**”) dated 20 December 2014, pursuant to which Transfar agreed to subscribe for 2,800 Shares at a total subscription price of US$5,000,000;

8. an investors’ rights agreement entered into between Cavalli, Mr. Ge Yi, the Company and Wider Pacific Limited (“**Wider Pacific**”) dated 10 March 2015 in relation to the rights and obligations of the parties thereto relating to the management of the Company, the transfer of Shares and other matters of the Company;

9. the Deed of Non-competition dated 12 June 2015 as defined and set out in the Prospectus;

10. the deed of indemnity dated 12 June 2015 executed by each of Mr. Ge Yi and Cavalli in favour of the Company (for itself and as trustee for its subsidiaries), details of which are set out in the Prospectus;

11. a cornerstone investment agreement dated 17 June 2015 entered into between the Company, Winshare Hongtai (Shenzhen) Investment Partnership (Limited Partnership), Haitong International Capital Limited and Haitong International Securities Company Limited, details of which are set out in the Prospectus;

12. the Hong Kong Underwriting Agreement dated 22 June 2015 as defined and set out in the Prospectus;

13. the International Underwriter Agreement dated 29 June 2015 as defined and set out in the Prospectus;

14. the New Assets Leasing Agreement; and

15. the Agreement.

9. LITIGATION

As at the Latest Practicable Date, no member of the Group was or is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was or is known to the Directors to be pending or threatened by or against any members of the Group.

10. QUALIFICATION AND CONSENTS OF EXPERT

(a) The following sets out the qualifications of the expert who has given its opinions or advice or statements as contained in this circular:

Name	Qualification
Quam Capital	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Asia-Pacific Consulting and Appraisal Limited	property valuer

(b) As at the Latest Practicable Date, the above expert had no shareholding in the Company or any other member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group.

(c) As at the Latest Practicable Date, the above expert had no direct or indirect interests in any assets which has been acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2015 (the date to which the latest published audited consolidated financial statements of the Group were made up) or proposed to be so acquired, disposed of or leased.

(d) As at the Latest Practicable Date, the above expert had given and has not withdrawn its written consent to the issue of this circular with the inclusion of its advice, letters, reports and/or summary of its opinions (as the case may be) and references to its name and logo in the form and context in which they respectively appear.

11. GENERAL

(a) The registered office of the Company is located at P.O. Box 472, 2nd Floor, Harbour Place, 103 South Church Street, Grand Cayman KY1-1106, Cayman Islands.

(b) The principal place of business of the Company in Hong Kong is located at 36th Floor, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

(c) The joint company secretaries of the Company are Ms. Wang Yanling and Ms. Leung Suet Lun. Ms. Wang Yanling joined the Group in July 2014 as a secretary of the board of our Group and the legal consultant. 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 was appointed as one of the joint company secretaries in March 2015. 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.

(d) The Company's branch share registrar and transfer office in Hong Kong is Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) The English text of this Circular prevails over its Chinese translation in the case of discrepancy.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:30 a.m. to 5:30 p.m. on any business days from the date of this circular up to and including 14 days (except public holidays) at the Company's principal place of business in Hong Kong situated at 36th Floor, Tower Two, Times Square 1 Matheson Street, Causeway Bay, Hong Kong:

(a) the Agreement;

(b) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;

(c) the letter of advice from Quam Capital, the text of which is set out on pages 19 to 32 of this circular;

(d) the valuation report on the property interests of the Target Company prepared by Asia-Pacific Consulting and Appraisal Limited, the text of which are set out in the Appendix I to this circular;

(e) the written consent from each of Quam Capital and Asia-Pacific Consulting and Appraisal Limited referred in paragraph 10 of this appendix; and

(f) this circular.

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)

NOTICE IS HEREBY GIVEN that a extraordinary general meeting ("**EGM**") of Tsaker Chemical Group Limited ("**Company**") will be held at 1804A, 18/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong at 10:15 a.m. on 17 June 2016 or immediately after the conclusion of the annual general meeting which is to be held on the same day and at the same place at 10:00 a.m., whichever is later for the purposes of considering and, if thought fit, passing with or without modifications, the following resolutions which will be proposed as ordinary resolutions of the Company, where appropriate:

ORDINARY RESOLUTION

1. "**THAT**

(a) the form and substance of the conditional agreement ("**Agreement**") dated 4 May 2016 entered into 彩客化學(東營)有限公司 (Tsaker Chemical (Dongying) Co., Ltd.*) ("**Tsaker Dongying**") and 華戈控股集團有限公司 (Huage Holdings Group Co., Ltd.*) ("**Huage Holdings**") (a copy of which has been produced to the meeting and marked "**A**" and initialed by the chairman of the meeting for the purpose of identification), in relation to the acquisition of the entire equity interests in 勝利油田東奧化工有限責任公司 (Shengli Oil Field Dongao Chemicals Co., Ltd.*) ("**Target Company**") from Huage Holdings by Tsaker Dongying at the consideration of RMB17,361,000 (equivalent to approximately HK$20,668,000), and all the transactions contemplated thereunder, be and are hereby approved, ratified and confirmed; and

(b) any one of the directors ("**Directors**") of the Company be and is hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the Director in his/her discretion may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Agreement, or any of the transactions contemplated under the Agreement and to agree to such variation, amendments or waiver

* *For identification purpose only*

or matters relating thereto (including any variation, amendments or waiver of such documents, which are not fundamentally different from those as provided under the Agreement) as are, in the opinion of the Director, in the interests of the Company and its shareholders as a whole."

Yours faithfully,
By order of the Board
Tsaker Chemical Group Limited
Ge Yi
Chairman

Beijing, People's Republic of China, 25 May 2016

Registered office:
P.O. Box 472
2nd Floor, Harbour Place
103 South Church Street
Grand Cayman, KY1-1106
Cayman Islands

Principal place of business in Hong Kong:
36th Floor
Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Notes:

1. The register of members of the Company will be closed from 15 June 2016 to 17 June 2016 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for the attendance of the EGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 14 June 2016.

2. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or, if he is the holder of two or more shares, more than one proxy to attend and, subject to the provisions of the articles of the Company, vote in his stead. A proxy need not be a member of the Company.

3. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarised/certified copy of such power or authority must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 48 hours before the time of the above meeting or any adjourned meeting.

4. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

5. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

As at the date hereof, the Board comprises the following Directors:

Executive Directors:
Mr. Ge Yi *(Chairman and Chief executive officer)*
Mr. Duan Weidong
Ms. Dong Zhongmei
Ms. Jin Ping

Non-executive Directors:
Mr. Xiao Yongzheng
Mr. Fontaine Alain Vincent

Independent non-executive Directors:
Mr. Ho Kenneth Kai Chung
Mr. Zhu Lin
Mr. Yu Miao