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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)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Joint Placing Agents



Guotai Junan Securities (Hong Kong) Limited



***China Investment Securities International
Brokerage Limited***

On 28 April 2017 (after trading hours), the Company and the Joint Placing Agents, namely Guotai Junan and China Investment Securities, entered into the Placing Agreement pursuant to which the Joint Placing Agents have conditionally agreed to procure on a best-effort basis, as agents of the Company, either by themselves or through their sub-agent(s), subscription of up to 21,000,000 Placing Shares (representing approximately 4.19% of the existing issued share capital of the Company as at the date of this announcement and approximately 4.02% of the issued share capital of the Company as enlarged by the Placing Shares) to the Placee(s) at the Placing Price of HK\$5.15 per Placing Share.

The allotment and issue of the Placing Shares will be made under the General Mandate. The Placing Shares will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Placing Shares. No Shareholders' approval is required for the allotment and issue of the Placing Shares. Application will be made by the Company to the Listing Committee of the Stock Exchange for the granting of the listing of and permission to deal in all the Placing Shares on the Stock Exchange.

Assuming all the Placing Shares were allotted and issued, the gross proceeds of the Placing will amount to approximately HK\$108 million, and the net proceeds receivable by the Company under the Placing are estimated to be approximately HK\$106 million (after deducting the placing commission payable to the Joint Placing Agents and other expenses incurred in the Placing). The Company intends to apply the net proceeds to be raised from the Placing in the following manners:-

- (i) 50% is used for construction and operation of cathode materials for lithium ion batteries-ironic phosphate project. With its competitive advantage in technology research and development as well as ample production experiences accrued in the fine chemical industry, the Group is actively exploring new business segments. With the level of environmental protection awareness growing both domestically and internationally, the demand for battery materials grows rapidly, particularly in the market of high performance cathode materials for batteries. The Group seizes this opportunity to further expand its product range to the area of cathode materials for lithium ion batteries-ironic phosphate, and is planning to build a new iron phosphate product production line in Cangzhou, Hebei province to produce the high-performance iron phosphate product; and
- (ii) 50% for providing additional working capital for the Group. With the continuous expansion of the business scale of the Group, especially with the expansion of current production capacity and commencement of the production of new products, the Group has the need to purchase more raw materials, to increase the cost of sales, to increase the marketing cost and to increase the recruitment cost to employ more professions, which will lead to growing need for the Group's working capital. As such, the Group plans to meet its need for additional working capital through the Placing.

Completion of the Placing is subject to the fulfillment of the condition precedent and the termination events set out in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE PLACING AGREEMENT

Date

28 April 2017 (after trading hours)

Parties

Issuer

the Company

Joint Placing Agents

(a) Guotai Junan; and

(b) China Investment Securities

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Joint Placing Agents and its ultimate beneficial owners are independent of, not connected with and not acting in concert with the Directors, chief executive and substantial shareholders of the Company and its subsidiaries and their respective associates and are not connected persons (each as defined in the Listing Rules) of the Company.

The Placing

On 28 April 2017 (after trading hours), the Company and the Joint Placing Agents entered into the Placing Agreement pursuant to which the Joint Placing Agents have conditionally agreed to procure on a best-effort basis, as agents of the Company, either by themselves or through their sub-agent(s), subscription of up to 21,000,000 Placing Shares to the Placee(s) at the Placing Price of HK\$5.15 per Placing Share.

Placees

It is expected that the Placing Shares will be placed to the Placee(s) who will be professional, institutional or other investors. It is also expected that the Placees will be persons, firms or companies who and whose ultimate beneficial owners are independent of, not connected with and not acting in concert with the Directors, chief executive and substantial shareholders of the Company and its subsidiaries and their respective associates and are not connected persons (each as defined in the Listing Rules) of the Company. Upon completion of the Placing, it is expected that none of the Placees will become a substantial shareholder (as defined in the Listing Rules) of the Company. In the event that the number of Placees is less than six, further announcement will be made in accordance with Rule 13.28(7) of the Listing Rules.

Placing Shares

Up to 21,000,000 Placing Shares will be placed by the Joint Placing Agents on a best-effort basis. Assuming the Placing Shares are fully placed, the Placing Shares will represent approximately 4.19% of the existing issued share capital of the Company as at the date of this announcement and approximately 4.02% of the issued share capital of the Company as enlarged by the Placing Shares. The maximum aggregate nominal value of the Placing Shares will be US\$210,000.

Ranking of Placing Shares

The Placing Shares will be issued under the General Mandate and will rank pari passu in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Placing Shares.

Placing Price

The Placing Price of HK\$5.15 per Placing Share represents:

- (i) a discount of approximately 6.36% to the closing price of HK\$5.50 per Share as quoted on the Stock Exchange on 28 April 2017, being the date of the Placing Agreement; and
- (ii) a discount of approximately 0.43% to the average of the closing prices of HK\$5.172 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to the date of the Placing Agreement.

The net price per Placing Share is approximately HK\$5.06.

The Placing Price was determined and negotiated on an arm's length basis between the Company and the Joint Placing Agents with reference to the prevailing market price of the Shares. The Directors consider that the Placing Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

General Mandate

The Placing Shares will be allotted and issued under the General Mandate subject to the limit of up to 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the AGM, (i.e. 100,225,000 Shares, representing 20% of 501,125,000 Shares in issue as at the date of the AGM). As at the date of this announcement, no Share has been issued under the General Mandate. No Shareholders' approval is required for the allotment and issue of the Placing Shares.

Condition of the Placing

The Placing is conditional upon the Listing Committee of the Stock Exchange granting or agreeing to grant listing of and permission to deal in the Placing Shares.

The Company shall use its best endeavours to procure the fulfilment of the condition and in the event such condition is not fulfilled on or before 19 May 2017 (or such later date as the Company and the Joint Placing Agents may agree in writing), all rights, obligations and liabilities of the Company and the Joint Placing Agents under the Placing Agreement shall cease and terminate and neither of the parties to the Placing Agreement will have any claim against the other party save for any antecedent breach and/or any right or obligation under the Placing Agreement including the reasonable costs and expenses reasonably and properly incurred by the Joint Placing Agents under the Placing Agreement prior to such termination.

Completion of the Placing

The completion of the Placing Agreement will take place on any day falling within three Business Days after the day on which the above condition precedent of the Placing Agreement is satisfied (or such later date as the Company and the Joint Placing Agents may agree in writing).

Placing commission

Subject to completion of the Placing Agreement, the Company will pay a placing commission in Hong Kong dollars of 1.5% of the amount which is equal to the Placing Price multiplied by the number of the Placing Shares actually placed by the Joint Placing Agents. The placing commission was determined after arm's length negotiations between the Company and the Joint Placing Agents with reference to the prevailing market rate.

Termination

The Joint Placing Agents may, by notice to the Company given prior to 6:00 p.m. on the Business Day immediately preceding the Completion Date to forthwith terminate the Placing Agreement if:–

- (i) any event occurring or matter arising on or after the date of the Placing Agreement and prior to the Completion Date which if had occurred or arisen before the date of the Placing Agreement would have rendered any of the undertakings, warranties and representations contained in the Placing Agreement untrue or incorrect in any material respects and such would have a material adverse impact or effect on the Placing comes to the attention of the Joint Placing Agents; or
- (ii) there develops, occurs, or comes into force:
 - (a) any new law or regulation or any change in existing laws or regulations which in the reasonable opinion of the Joint Placing Agents would materially and adversely affect the financial condition of the Company as a whole; or
 - (b) any local, regional, national or international event or change (whether or not permanent or forming part of a series of events or changes occurring or continuing, on and/or after the date of the Placing Agreement) of a political, military or economic nature which, in the reasonable opinion of the Joint Placing Agents will, or would be expected to, have a material adverse effect on the Placing; or
 - (c) any significant change (whether or not permanent) in local, regional, national or international market conditions (or in conditions affecting a sector of the market) which in the reasonable opinion of the Joint Placing Agents has or would have a material adverse effect on the Placing; or
- (iii) there is any material adverse change in the business or in the financial or trading position of the Group taken as a whole after the date of the Placing Agreement which being unaware of by the Joint Placing Agents and in the reasonable opinion of the Joint Placing Agents is material in the context of the Placing; or

- (iv) there is any litigation or claim of material importance of any third party being instigated against any member of the Group, which has or may have a material adverse effect on the financial position of the Group taken as a whole and which in the reasonable opinion of the Joint Placing Agents would materially prejudice the success of the Placing.

If a termination notice is given by the Joint Placing Agents to the Company, the Placing Agreement will terminate and be of no further effect and no party to the Placing Agreement will be under any liability to the other parties in respect of the Placing Agreement save for (i) any antecedent breach of any rights or obligations under the Placing Agreement prior to such termination; and (ii) liabilities in relation to representations, warranties and undertakings and commissions and expenses under the Placing Agreement.

REASONS FOR THE PLACING AND USE OF PROCEEDS

Assuming all the Placing Shares were allotted and issued, the gross proceeds of the Placing will amount to approximately HK\$108 million, and the net proceeds receivable by the Company under the Placing are estimated to be approximately HK\$106 million (after deducting the placing commission payable to the Joint Placing Agents and other expenses incurred in the Placing). The Company intends to apply the net proceeds to be raised from the Placing in the following manners:

- (i) 50% is used for construction and operation of cathode materials for lithium ion batteries-ironic phosphate project. With its competitive advantage in technology research and development as well as ample production experiences accrued in the fine chemical industry, the Group is actively exploring new business segments. With the level of environmental protection awareness growing both domestically and internationally, the demand for battery materials grows rapidly, particularly in the market of high performance cathode materials for batteries. The Group seizes this opportunity to further expand its product range to the area of cathode materials for lithium ion batteries-ironic phosphate, and is planning to build a new iron phosphate product production line in Cangzhou, Hebei province to produce the high-performance iron phosphate product. Iron phosphate is the core raw material for producing cathode materials for lithium ion batteries-ironic phosphate, which is finally used as cathode materials for lithium ion batteries and widely applied in the area of automotive power battery, energy storage battery, lithium battery for daily electronic products etc.. This product has very strong market synergy with one of our major products named n-methyl—pyrrolidone (“NMP”). The downstream of NMP is used as lithium-ion battery solution; and
- (ii) 50% for providing additional working capital for the Group. With the continuous expansion of the business scale of the Group, especially with the expansion of current production capacity and commencement of the production of new products, the Group has the need to purchase more raw materials, to increase the cost of sales, to increase the marketing cost and to increase the recruitment cost to employ more professions, which will lead to growing need for the Group’s working capital. As such, the Group plans to meet its need for additional working capital through the Placing.

EFFECTS ON SHAREHOLDING STRUCTURE

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the existing and enlarged shareholding structure of the Company as at the date of this announcement and upon completion of the Placing (assuming the Placing Shares are placed in full and no other change in the shareholding structure of the Company before the allotment and issue of the Placing Shares under the Placing) are set out below:

Shareholders	As at the date of this announcement		Upon completion of the Placing	
	No. of Shares	Approximately %	No. of Shares	Approximately %
Cavalli Enterprises Inc. <i>(Note 1)</i>	345,058,500	68.86	345,058,500	66.09
Wider Pacific Limited <i>(Note 2)</i>	30,596,000	6.11	30,596,000	5.86
Winshare Hongtai (Shenzhen) Investment Partnership (Limited Partnership)*	34,425,500	6.87	34,425,500	6.59
The Placees <i>(Note 3)</i>	—	—	21,000,000	4.02
Other public Shareholders	91,045,000	18.16	91,045,000	17.44
Total	501,125,000	100	522,125,000	100

Notes:

1. The 345,058,500 Shares are held by Cavalli Enterprises Inc., which is wholly-owned by Mr. Ge Yi, an executive Director. Ms. Qi Lin is the spouse of Mr. Ge Yi. Hence, each of Mr. Ge Yi and Ms. Qi Lin is deemed to be interested in these 345,058,500 Shares under the SFO.
2. Ocean Equity Partners Fund L.P. and Ocean Equity Partners Fund II L.P. directly own 66% and 34% interests in Wider Pacific Limited respectively. Ocean Equity Partners Fund II GP Limited in turn owns 100% interests in Ocean Equity Partners Fund II L.P. and Ocean Equity Partners Fund GP Limited in turn owns 100% interests in Ocean Equity Partners Fund L.P.. Hence, each of Ocean Equity Partners Fund GP Limited, Ocean Equity Partners Fund II GP Limited, Ocean Equity Partners Fund L.P. and Ocean Equity Partners Fund II L.P. is deemed to be interested in these 30,596,000 Shares.
3. It is expected that the Placing Shares will be placed to the Placee(s) who and whose ultimate beneficial owners are independent of, not connected with and not acting in concert with the Directors, chief executive and substantial shareholders of the Company and its subsidiaries and their respective associates and are not connected persons (each as defined in the Listing Rules) of the Company. Upon completion of the Placing, it is expected that none of the Placees will become a substantial shareholder (as defined in the Listing Rules) of the Company.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the past twelve months immediately prior to the date of this announcement.

GENERAL

Application will be made by the Company to the Listing Committee of the Stock Exchange for the granting of the listing of and permission to deal in all the Placing Shares on the Stock Exchange.

Completion of the Placing is subject to the fulfillment of the condition precedent and the termination events set out in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

The following terms have the following meanings in this announcement unless the context otherwise requires:

“AGM”	the annual general meeting of the Company held on 17 June 2016
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are generally open for business in Hong Kong throughout their normal business hours
“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 (Stock Code: 1986)
“Completion Date”	any day falling within three Business Days after the day on which the condition as set out in the Placing Agreement is satisfied or such later date as the Company and the Joint Placing Agents may agree in writing
“China Investment Securities”	China Investment Securities International Brokerage Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“Director(s)”	the director(s) of the Company

“General Mandate”	the general mandate granted to the Directors by the Shareholders at the AGM to allot, issue or otherwise deal with Shares of up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of the AGM (being 100,225,000 new Shares)
“Group”	the Company and its subsidiaries
“Guotai Junan”	Guotai Junan Securities (Hong Kong) Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joint Placing Agents”	collectively, Guotai Junan and China Investment Securities, and each a “Joint Placing Agent”
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any professional, institutional or other investor(s) procured by the Joint Placing Agents or their agents to subscribe for any of the Placing Shares pursuant to the Joint Placing Agents’ obligations under the Placing Agreement
“Placing”	the placing of the Placing Shares on and subject to the terms and condition set out in the Placing Agreement
“Placing Agreement”	the conditional placing agreement dated 28 April 2017 entered into between the Company and the Joint Placing Agents in relation to the Placing
“Placing Price”	HK\$5.15 per Placing Share
“Placing Shares”	up to 21,000,000 new Shares to be placed pursuant to the Placing Agreement, being approximately 4.19% of the issued share capital of the Company as at the date of this announcement
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“Share(s)”	ordinary share(s) of nominal value US\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

By Order of the Board
Tsaker Chemical Group Limited
Ge Yi
Chairman

Beijing, the PRC, 28 April 2017

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

* *For identification purpose only*