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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)

PROPOSED SPIN-OFF AND QUOTATION OF HEBEI TSAKER NEW MATERIALS TECHNOLOGY COMPANY LIMITED ON THE NATIONAL EQUITIES EXCHANGE AND QUOTATIONS

The Board would like to inform the Shareholders and potential investors that the Company is considering the spin-off of Tsaker New Materials, a non-wholly owned subsidiary of the Company, and a separate quotation of its shares on NEEQ. NEEQ is an equity trading platform for the sale of existing shares or private placing of new shares by small and medium-sized enterprises in the PRC.

As the Proposed Spin-Off involves a separate listing of the assets within the Group, the Company has submitted an application in relation to the Proposed Spin-Off to the Stock Exchange for its approval pursuant to Practice Note 15. On 11 March 2022, the Stock Exchange confirmed that the Company may proceed with the Proposed Spin-Off under Practice Note 15 and also granted a waiver from strict compliance with the applicable requirements in relation to the assured entitlement under paragraph 3(f) of Practice Note 15.

REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF

The Company believes that the Proposed Spin-Off will be beneficial to the future development of both Tsaker New Materials and the Company and deliver benefits to both Tsaker New Materials and the Company by:

- (i) allowing the Company an opportunity to acquire the fair value of its investment in Tsaker New Materials, which in turn is beneficial to the Shareholders;
- (ii) enabling Tsaker New Materials to gain its separate identity distinct from that of the Company and have a separate fund-raising platform;
- (iii) increasing the operational and financial transparency and improving the corporate governance of Tsaker New Materials; and providing investors, the financial institutions and rating agencies with greater clarity on the businesses and financial status of Tsaker New Materials and that of the Company, each on a stand-alone basis; and

- (iv) enhancing Tsaker New Materials's corporate profile and reputation, thereby increasing its ability to attract strategic investors who can produce synergy for Tsaker New Materials, for direct investment in Tsaker New Materials and becoming its strategic partners.

The Company is currently reviewing the market conditions and the proposal for the Proposed Spin-Off, including the timing of application for the separate quotation of the shares of Tsaker New Materials on NEEQ.

LISTING RULES IMPLICATIONS

For the purpose of preparing for the Proposed Spin-Off, on 20 December 2021, Tsaker Hong Kong completed the Tsaker New Materials Share Sale. As at the date of this announcement, Tsaker New Materials is owned as to 90% by the Company and is an indirect non-wholly owned subsidiary of the Company. It is currently contemplated that Tsaker New Materials will further proceed with the Tsaker New Materials Share Subscription for the purpose of the Proposed Spin-Off, which may constitute a deemed disposal of the Company's interests in Tsaker New Material by no more than approximately 16.7% from 90% to no less than approximately 73.3% immediately following completion of the Tsaker New Materials Share Subscription. It is expected that one or more of the applicable percentage ratios for such deemed disposal (as a result of the Tsaker New Materials Share Subscription), when aggregated with the disposal (as a result of the Tsaker New Materials Share Sale), under the Proposed Spin-Off calculated in accordance with Rule 14.07 of the Listing Rules may be more than 5% but below 25%. Accordingly, the aforementioned transaction pursuant to the Proposed Spin-Off, if materialised, would constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and shall be subject to the notification and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules. The Company will issue a further announcement on the aforementioned transaction pursuant to the Proposed Spin-Off as and when appropriate in accordance with the requirements of the Listing Rules.

NO ASSURED ENTITLEMENT TO SHAREHOLDERS

Under Paragraph 3(f) of Practice Note 15, a listed issuer is required to have due regard to the interests of its existing shareholders by providing them with an assured entitlement to the shares in the entity which is proposed to be spun-off for separate listing.

According to the legal opinion issued by Tsaker New Materials' legal advisers as to PRC laws, based on the relevant prevailing PRC laws and regulations in effect, foreign natural persons, legal persons and institutions are not permitted to invest in the shares quoted on the NEEQ unless they are (i) qualified foreign institutional investors, (ii) Renminbi qualified foreign institutional investors, (iii) strategic investors that are approved by the relevant authority in the PRC, (iv) residents of Hong Kong, Macau and Taiwan who work and live in PRC, (v) foreign natural persons who works in PRC and whose country (region) have established a supervisory cooperation mechanism with the CSRC, (vi) foreign employees of listed companies in PRC who work overseas and open A-share securities accounts in PRC due to participation in equity incentives, or (vii) other foreign investors approved by the relevant authority in the PRC (collectively referred to as "**Qualified Investors**").

The Company has reviewed its list of Shareholders as shown on its register of members (the “**List**”) and noted that (i) HKSCC Nominees Limited held a majority of the total issued share capital of the Company, and (ii) the remaining shareholders of the Company were all individual shareholders with non-PRC addresses (the “**Non-PRC Shareholders**”). The HKSCC Nominees Limited and the Non-PRC Shareholders does not fall within the scope of Qualified Investors under the categories of “Qualified Foreign Institutional Investors” or “Renminbi Qualified Foreign Institutional Investors” as it does not appear on the list of Qualified Foreign Institutional Investors or Renminbi Qualified Foreign Institutional Investors published by the CSRC. Moreover, the Non-PRC Shareholders do not fall within the scope of “residents of Hong Kong, Macau and Taiwan who work and live in PRC”, “foreign natural persons who works in PRC and whose country (region) have established a supervisory cooperation mechanism with the CSRC”, or “foreign employees of listed companies in PRC who work overseas and open A-share securities accounts in PRC due to participation in equity incentives”. Further, to the best of the Company’s knowledge, the directors and substantial shareholders of the Company who appear on the Register of Directors’ and Chief Executives’ Interests and Short Positions and the Register of Interests in Shares and Short Positions of Substantial Shareholders hold their respective shares of the Company through the Central Clearing and Settlement System which the Company will only regard the nominee company, HKSCC Nominees Limited, as a single shareholder according to the List when considering the assured entitlement, which is therefore not a Qualified Investor as mentioned above. As such, the Company is of the view that it is unable to provide its existing shareholders with assured entitlement in the shares of Tsaker New Materials. The Company had applied for, and the Stock Exchange has granted, a waiver from strict compliance with the applicable requirements in relation to the assured entitlement under Paragraph 3(f) of Practice Note 15.

Having considered the above as well as the reasons and the benefits of the Proposed Spin-Off, the Board is of the view that the Proposed Spin-Off and the waiver above are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

GENERAL

The principal business of the Company involves producing fine chemical products such as dye, pigment, agricultural chemical intermediates and battery materials.

Tsaker New Materials, a non-wholly owned subsidiary of the Company, was incorporated in the PRC. Its principal business involves the manufacture and sales of pigment intermediates as well as the proposed production and sales of new materials.

Shareholders and potential investors should note that the Potential Spin-Off may or may not proceed and is subject to various regulatory and corporate approvals. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set forth opposite them:

“Board”	the board of Directors
“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 on 29 October 2014
“CSRC”	China Securities Regulatory Commission
“Directors”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“independent third parties”	third party(ies) independent of and not connected with the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Tsaker Hong Kong”	Tsaker Chemical (Hong Kong) Co., Ltd. (彩客化學(香港)有限公司), a direct wholly-owned subsidiary of the Company
“Tsaker New Materials”	Hebei Tsaker New Materials Technology Company Limited* (河北彩客新材料科技股份有限公司) (previously known as “Tsaker Chemical (Cangzhou) Co., Ltd.* (彩客化學(滄州)有限公司)”), a company incorporated in the PRC and a non-wholly owned subsidiary of the Company held as to 90% by Tsaker Hong Kong and as to 10% by Tianjin Huihua Corporate Consultancy Partnership (Limited Partnership)* 天津匯華企業管理諮詢合夥企業(有限合夥), respectively
“Tsaker New Materials Share Sale”	the sale of 10% equity interest in Tsaker New Materials by Tsaker Hong Kong to Tianjin Huihua Corporate Consultancy Partnership (Limited Partnership)* 天津匯華企業管理諮詢合夥企業(有限合夥), which to the best of the Company’s knowledge, is an independent third party, and the sale was completed on 20 December 2021
“Tsaker New Materials Share Subscription”	the allotment and issue of new shares of Tsaker New Materials to investors, which to the best of the Company’s knowledge, will be independent third parties
“NEEQ”	the National Equities Exchange and Quotations, a national securities exchange approved and established by the State Council and operated and managed by National Equities Exchange and Quotations Co., Ltd.*(全國中小企業股份轉讓系統有限責任公司)

“PRC”	the People’s Republic of China, which shall, for the purposes of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Practice Note 15”	Practice Note 15 to the Listing Rules
“Proposed Spin-Off”	the Company’s proposed spin-off of Tsaker New Materials by way of a separate quotation of its shares on the NEEQ
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Beijing, the PRC, 15 March 2022

As at the date of this announcement, the Board comprises Mr. GE Yi (Chairman), Mr. BAI Kun and Ms. ZHANG Nan as executive Directors, Mr. FONTAINE Alain Vincent as a non-executive Director, and Mr. HO Kenneth Kai Chung, Mr. ZHU Lin and Mr. YU Miao as independent non-executive Directors.

* *For identification purposes only*