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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)**

## **CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING**

References are made to (i) the prospectus issued by Tsaker Chemical Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 23 June 2015 (the “**Prospectus**”), and (ii) the annual report of the Company for the year ended 31 December 2020 (the “**Annual Report**”). Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus and the Annual Report.

### **CHANGE IN USE OF PROCEEDS**

After deducting the underwriting fees and relevant expenses, the net proceeds from the Global Offering and the issue of Shares pursuant to the exercise of the Over-allotment Option amounted to approximately RMB378.8 million (the “**Net Proceeds**”). As disclosed in the Prospectus, the Company intended to use the Net Proceeds for the purposes of (i) expansion of production capacity, (ii) development of new products, (iii) acquisition of downstream manufacturers of ONT/OT and/or other chemical product manufacturers (the “**Acquisition Plans**”), (iv) rental payment of the Dongao Production Plant (including the rental payment of any Additional Assets the Company may lease), and (v) supplemental working capital.

As at the date of this announcement, the Net Proceeds of approximately RMB304.7 million had been utilised, and the unutilised Net Proceeds which are intended for the Acquisition Plans amounted to approximately RMB74.1 million.

The combined impact of (i) the COVID-19 pandemic, (ii) the major uncertainties in the domestic and international political and economic environment, and (iii) the increasingly stringent environmental protection and safety supervision in Mainland China, poses great challenges for the Group to carry out its Acquisition Plans. For reasons set out in the paragraph headed “Reasons for and Benefits of the Change in Use of Proceeds” below, the balance of Net Proceeds of RMB74.1 million has yet to be utilised for the Acquisition Plans. On 25 June 2021, the board (the “**Board**”) of directors (the “**Director(s)**”) of the Company resolved to change the use of such Net Proceeds by reallocating such Net Proceeds from the Acquisition Plans to supplement the funds required for the expansion and the operation of the Group’s battery materials business.

The table below sets out the original allocation of the Net Proceeds, the utilisation of the Net Proceeds as at the date of this announcement, the change in the use of the unutilised Net Proceeds and the expected timeline for fully utilising the remaining Net Proceeds:

Purposes	Intended use of Net Proceeds as disclosed in the Prospectus and the Annual Report	Utilised Net Proceeds as at the date of this announcement	Unutilised Net Proceeds as at the date of this announcement	Change in use of the unutilised Net Proceeds	Expected timeline for fully utilising the remaining Net Proceeds (Note)
	<i>RMB' million (approximately)</i>	<i>RMB' million (approximately)</i>	<i>RMB' million (approximately)</i>	<i>RMB' million (approximately)</i>	
Expansion of production capacity	189.4	189.4	-	-	-
Development of new products	37.9	37.9	-	-	-
Acquisition of downstream manufacturers of ONT/ OT and/or other chemical product manufacturers	94.7	20.6	74.1	-	-
Rental payment of the Dongao Production Plant (including the rental payment of any Additional Assets the Company may lease)	18.9	18.9	-	-	-
Supplemental working capital	37.9	37.9	-	-	-
Expansion of battery materials business	-	-	-	74.1	On or before 30 June 2022
<b>Total</b>	<b>378.8</b>	<b>304.7</b>	<b>74.1</b>	<b>74.1</b>	

*Note:* The expected timetable for fully utilising the unutilised Net Proceeds is determined based on the Group's best estimate of future market conditions, and is subject to change depending on current market conditions and future market developments.

## REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

The Group originally planned to use the unutilised Net Proceeds to acquire downstream manufacturers of ONT/OT and/or other chemical product manufacturers by the end of 2021. Due to the combined impact of (i) the COVID-19 pandemic, (ii) the major uncertainties in the domestic and international political and economic environment, and (iii) the increasingly stringent environmental protection and safety supervision in Mainland China, the Group has yet to identify suitable acquisition targets and expects that it will continue to be challenging to proceed with the Acquisition Plans under the current uncertain economic environment. Moreover, in view of the COVID-19 pandemic which has generally led to uncertainty in the global economy, the Board decided to take prudent business strategies in order to support the Company's existing business operations and to cope with such economic uncertainty in the near future.

Therefore, on 25 June 2021, the Board resolved to change the use of Net Proceeds of RMB74.1 million by reallocating such Net Proceeds from the Acquisition Plans to supplement the funds required for the expansion and the operation of the Group's battery materials business, which is an existing business segment of the Group. Iron phosphate is one of the major upstream raw materials of lithium battery cathode materials, and the Group has entered that product field in 2017. The Group is optimistic about the battery materials market and believes that by allocating additional financial resources to the Group's battery materials business, it can further increase the Group's iron phosphate production capacity, efficiency and quality by optimising production techniques and developing new technologies. This will strengthen the Group's market position in the iron phosphate market and allow the group to lay a solid foundation for its long-term development of its battery materials business segment. Recently, the Group has completed a new technological upgrade to its iron phosphate production line, which has increased the production capacity from 15,000 tonnes per year to 20,000 tonnes per year and has begun to progressively expand the actual output to capacity at the theoretically designed level. At the same time, through optimising its production processes, the Group has shortened the production time and improved production efficiency, which has resulted in the unit production costs being reduced, thereby further enhancing the market competitiveness of the Group's products. In addition, the reallocation of the unutilised Net Proceeds enables the Group to lower its needs for debt financing and accordingly interest expenses, which in turn will help improve the profitability of the Group. In light of the uncertainties over the path of global economic recovery amid the COVID-19 pandemic, the Group believes that it can better manage its financial risks by reducing its overall debt level. It is expected that the unutilised Net Proceeds of RMB74.1 million will be fully utilised by 30 June 2022. Save for the aforesaid changes, there is no other change in use of the Net Proceeds.

The Board confirms that there are no material changes in the nature of the businesses of the Group. The Board considers the above change in the use of the Net Proceeds is fair and reasonable as this would allow the Company to deploy its financial resources more effectively to enhance the profitability of the Group and is therefore in the interests of the Group and the Shareholders as a whole.

The Board will continuously assess the plan for the use of the unutilised Net Proceeds and may revise or amend such plan as and when necessary to cope with the changing market conditions and strive for better business performance of the Group.

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

Beijing, the PRC, 25 June 2021

*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 purpose only*