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China Zenith Chemical Group Limited

中國天化工集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 362)

- (1) RESULTS OF THE RIGHTS ISSUE ON THE BASIS OF FIVE (5) RIGHTS SHARES FOR EVERY TWO (2) EXISTING SHARES HELD ON THE RECORD DATE;**
- (2) ADJUSTMENTS RELATING TO THE SHARE OPTIONS UNDER THE SHARE OPTION SCHEMES; AND**
- (3) ADJUSTMENTS RELATING TO THE CONVERTIBLE BONDS**

Underwriter of the Rights Issue



Reference is made to the prospectus of China Zenith Chemical Group Limited (the “**Company**”) dated 30 December 2022 (the “**Prospectus**”) relating to the Rights Issue. Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Prospectus.

RESULTS OF THE RIGHTS ISSUE

The Board is pleased to announce that, as all the conditions set out in the Underwriting Agreement have been fulfilled or waived and the Underwriter did not terminate the Underwriting Agreement prior to the Latest Time for Termination, the Rights Issue became unconditional at 4:00 p.m. on Tuesday, 17 January 2023. The total funds raised from the Rights Issue (before expenses) are approximately HK\$75.36 million.

As at 4:00 p.m. on Monday, 16 January 2023, being the latest time for acceptance of and payment for the Rights Shares and application for and payment for excess Rights Shares, a total of 20 valid acceptances and applications had been received for a total of 110,182,283 Rights Shares, which comprise:

- (i) 12 valid acceptances of provisional allotments under the PALs in respect of 107,406,492 Rights Shares, representing approximately 28.50% of the total number of the Rights Shares available under the Rights Issue; and
- (ii) 8 valid applications for excess Rights Shares under the EAFs in respect of 2,775,791 Rights Shares, representing approximately 0.74% of the total number of the Rights Shares available under the Rights Issue.

In aggregate, the valid applications and acceptances represent approximately 29.24% of the total number of 376,820,120 Rights Shares available under the Rights Issue.

Pursuant to the Irrevocable Undertaking, Mr. Chan has subscribed for 64,742,190 Rights Shares provisionally allotted to him.

EXCESS APPLICATIONS

As the Rights Shares were under-subscribed, 8 valid applications for a total of 2,775,791 excess Rights Shares have been accepted and the Directors have allocated to the Qualifying Shareholders who applied for excess Rights Shares the actual number of excess Rights Shares applied for. No refund cheques for wholly or partially unsuccessful applications for excess Right Shares will be posted.

THE UNDERWRITING AGREEMENT

As all the conditions set out in the Underwriting Agreement have been fulfilled or waived and the Underwriting Agreement was not terminated prior to the Latest Time for Termination, the Underwriting Agreement became unconditional at 4:00 p.m. on Tuesday, 17 January 2023.

Based on the above result of acceptances and applications and pursuant to the terms of the Underwriting Agreement, the Underwriter, on a best effort basis, has procured subscribers to subscribe for 266,637,837 Rights Shares representing approximately 70.76% of the total number of the Rights Shares available under the Rights Issue. To the best of the Directors' knowledge, information and belief after having made reasonable enquiries, all subscribers and their respective ultimate beneficial owner(s) (if any) are Independent Third Parties and each of the subscribers is not a party acting in concert with each other. None of the subscribers procured by the Underwriter has become a substantial shareholder (as defined in the Listing Rules) of the Company upon taking up their respective portion of the Rights Shares.

SHAREHOLDING STRUCTURE OF THE COMPANY

To the best of the Directors' knowledge and information, the shareholding structure of the Company immediately before and after completion of the Rights Issue is set out below:

Shareholders	Immediately before the Rights Issue		Immediately after completion of the Rights Issue	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Substantial shareholder				
Chan Yuen Tung	25,896,876	17.18	90,639,066	17.18
Directors				
Chan Yuk Foebe	143,000	0.09	143,000	0.03
Gao Ran	122,000	0.08	122,000	0.02
Liu Yangyang	166,000	0.11	166,000	0.03
Sub-total	<u>26,327,876</u>	<u>17.46</u>	<u>91,070,066</u>	<u>17.26</u>
Public Shareholders				
Underwriter and/or subscriber(s) procure by it	–	–	266,637,837	50.54
Other public Shareholders	<u>124,400,172</u>	<u>82.54</u>	<u>169,840,265</u>	<u>32.19</u>
Total	<u><u>150,728,048</u></u>	<u><u>100.00</u></u>	<u><u>527,548,168</u></u>	<u><u>100.00</u></u>

SCALE-DOWN MECHANISMS OF THE RIGHTS ISSUE

As stated in the Prospectus, all applications for Rights Shares whether under the PAL(s) or by transferees of nil-paid Rights Shares, or by subscribers procured by the Underwriter will be made on the basis that the applications are to be scaled-down by the Company to a level which (a) does not trigger an MGO Obligation on the part of the applicant or parties acting in concert with him/her/it; and/or (b) does not result in the non-compliance of the Public Float Requirement on the part of the Company. To the best of the Directors' knowledge, information and belief after considering the allotment results of the Rights Issue, the Company is not aware of any applications for Rights Shares by any participating Shareholders which would result in either the incurring of an MGO Obligation or the non-compliance of the Public Float Requirement. Accordingly, the scaling-down mechanism has not been triggered and all the applications for Rights Shares are not required to be scaled-down by the Company.

DESPATCH OF SHARE CERTIFICATES FOR THE RIGHTS SHARES

Share certificates for all fully-paid Rights Shares are expected be despatched to those entitled thereto by ordinary post to their respective registered addresses, at their own risks, on or before Friday, 27 January 2023.

COMMENCEMENT OF DEALINGS IN FULLY-PAID RIGHTS SHARES

Approval has been granted by the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares. Dealings in the fully-paid Rights Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Monday, 30 January 2023.

ADJUSTMENT RELATING TO THE SHARE OPTIONS UNDER THE SHARE OPTION SCHEME

Immediately before the completion of the Rights Issue, the Company had an outstanding 4,956,777 Share Options with exercisable period up to 2 November 2023 at the exercise price of HK\$7.94 per Share. Pursuant to the terms and conditions of the Share Option Scheme and the Listing Rules, the subscription prices on the exercise of the Share Options and/or number of Shares related to the Share Options under the Share Option Scheme will be adjusted immediately after the completion of the Rights Issue.

As a result of the Rights Issue, the Company has calculated the necessary adjustments (the “**Share Options Adjustment**”) to the exercise prices of, and the number of Shares falling to be issued upon exercise of, the outstanding Share Options in accordance with the relevant terms of the Share Option Scheme, Rule 17.03(13) of the Listing Rules, the Supplementary Guidance on Main Board Listing Rule 17.03(13) and the Note Immediately After the Rule attached to the Frequently Asked Question No. 072–2020 issued by the Stock Exchange on 6 November 2020 (the “**Stock Exchange Supplementary Guidance**”).

Details of the Share Options Adjustment, which shall take effect from Friday, 27 January 2023, being the date on which the fully-paid Rights Shares are allotted and issued, are set out below:

Share Option Scheme

Date of grant	Exercise period of Share Options	Immediately before completion	Immediately after completion		
		of the Rights Issue	of the Rights Issue	Adjusted	
		Number of Shares to be issued upon exercise of the Share Options	Exercise price per Share	number of Shares to be issued upon exercise of the Share Options	Adjusted exercise price per Share
3 November 2020	From 3 November 2020 to 2 November 2023	4,956,777	7.94	4,974,455	7.91

Save for the above adjustments, all other terms and conditions of the outstanding Share Options granted under the Share Option Scheme remain unchanged.

The Company's reporting accountants, McMillan Woods (Hong Kong) CPA Limited, has confirmed in writing to the Company that the above adjustments made to the subscription prices on the exercise of the Share Options and/or number of Shares related to the Share Options under the Share Option Scheme, are in compliance with the requirements set out in the relevant terms of the Share Option Scheme, Rule 17.03(13) of the Listing Rules and the Stock Exchange Supplementary Guidance.

ADJUSTMENT RELATING TO THE CONVERTIBLE BONDS

As at the date of this announcement, the Company has outstanding Convertible Bonds in the amount of HK\$20,000,000, which 3,257,328 new Shares will be issued upon exercise of the conversion rights under the Convertible Bonds at the initial conversion price of HK\$6.14 per conversion Share.

Based on the terms and conditions of the Convertible Bonds, the conversion price of the Convertible Bonds has been adjusted from HK\$6.14 per conversion Share (the “**Existing Conversion Price**”) to HK\$1.90 per conversion Share (the “**Adjusted Conversion Price**”) as of the date of this announcement. Based on the total outstanding amount of the Convertible Bonds of HK\$20,000,000 at the date of this announcement and the Adjusted Conversion Price, an additional 7,284,837 Shares (the “**Additional Shares**”) will be issued upon conversion of all the outstanding Convertible Bonds.

The Additional Shares will be allotted and issued pursuant to the general mandate granted to the Directors by the Shareholders on 18 December 2019 (the “**General Mandate**”). Under the General Mandate, the Board was authorised to allot and issue up to 266,485,463 Shares. As at the date of this announcement, the Company has not exercised the power to allot and issue any Shares pursuant to the General Mandate. As such, the limit of the General Mandate is sufficient to cover the issue of the Additional Shares. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Additional Shares on the Stock Exchange.

By order of the Board
China Zenith Chemical Group Limited
Chan Yuk Foebe
Chairman and Chief Executive Officer

Hong Kong, 26 January 2023

As at the date of this announcement, Ms. Chan Yuk Foebe, Mr. Gao Ran and Mr. Law Tze Ping Eric are the executive Directors; Mr. Liu Yangyang is the non-executive Director; and Mr. Ma Wing Yun Bryan, Mr. Tam Ching Ho and Mr. Hau Chi Kit are the independent non-executive Directors.