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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) PLACING OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE;
(2) PROPOSED REFRESHMENT OF GENERAL MANDATE; AND
(3) PROPOSED REFRESHMENT OF THE LIMIT ON THE GRANT OF
OPTIONS UNDER THE SHARE OPTION SCHEME**

Placing Agent



Koala Securities Limited

(1) PLACING OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

On 3 April 2023 (after trading hours), the Company entered into the CB Placing Agreement with the Placing Agent, pursuant to which the Company agreed to issue and the Placing Agent agreed to procure, on a best effort basis, not less than six (6) placees, who and whose ultimate beneficial owners will be Independent Third Parties, to subscribe in cash for the Convertible Bonds of up to an aggregate principal amount of HK\$44,100,000 at the issue price of 100% of the principal amount of the Convertible Bonds.

Assuming full exercise of the conversion rights attaching to the Convertible Bonds at the initial Conversion Price of HK\$0.21 per Conversion Share, a maximum of 210,000,000 new Shares will be allotted and issued by the Company, representing (i) approximately 39.81% of the total number of issued Shares as at the date of this announcement; and (ii) approximately 28.47% of the total number of issued Shares as enlarged by the issue of 210,000,000 Conversion Shares (assuming there is no other change in the issued share capital of the Company between the date of this announcement and the full conversion of the Convertible Bonds).

Assuming all the Convertible Bonds are successfully placed by the Placing Agent, the net proceeds from the CB Placing will be approximately HK\$43 million, which will be used by the Company (i) as to HK\$38 million for the Company's indebtedness and interest expenses; and (ii) as to HK\$5 million for general working capital.

The Conversion Shares will be allotted and issued pursuant to the Specific Mandate which is subject to Shareholders' approval at the SGM. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

(2) PROPOSED REFRESHMENT OF GENERAL MANDATE

The Board proposes to refresh the Existing General Mandate for the Directors to allot, issue and deal with new Shares up to 20% of the issued share capital of the Company as at the date of passing of the relevant resolution at the SGM.

Pursuant to Rule 13.36(4) of the Listing Rules, the grant of the New General Mandate is subject to the Independent Shareholders' approval by way of an ordinary resolution at the SGM.

(3) PROPOSED REFRESHMENT OF THE LIMIT ON THE GRANT OF OPTIONS UNDER THE SHARE OPTION SCHEME

The Board proposes to refresh the existing Scheme Mandate Limit for the Company to grant Share Options to eligible participants up to 10% of the issued share capital of the Company as at the date of the SGM.

Pursuant to Rule 17.03C(1)(b) of the Listing Rules, any refreshment of the existing Scheme Mandate Limit within any three year period from the date of adoption of the scheme is subject to the Independent Shareholders' approval by way of an ordinary resolution at the SGM.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Shares to be issued pursuant to the exercise of the Share Options to be granted under the Share Option Scheme under the refreshed limit.

GENERAL

A SGM will be convened for the purpose of considering and, if thought fit, (i) approving the CB Placing Agreement and the transaction contemplated thereunder, including issue of the Convertible Bonds, allotment and issue of the Conversion Shares, and grant of the Specific Mandate; (ii) the proposed Refreshment of General Mandate; and (iii) the proposed Refreshment of Scheme Mandate Limit.

The Independent Board Committee, comprising of all the independent non-executive Directors, namely, Mr. Ma Wing Yun Bryan, Mr. Tam Ching Ho and Mr. Hau Chi Kit, will be established to advise the Independent Shareholders on the proposed Refreshment of General Mandate and the proposed Refreshment of Scheme Mandate Limit.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed Refreshment of General Mandate and the proposed Refreshment of Scheme Mandate Limit.

A circular containing, among other things, (i) further details of the CB Placing; (ii) further details of the proposed Refreshment of General Mandate, including the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the proposed Refreshment of General Mandate and the recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the proposed Refreshment of General Mandate; (iii) further details of the proposed Refreshment of Scheme Mandate Limit, including the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the proposed Refreshment of Scheme Mandate Limit and the recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the proposed Refreshment of Scheme Mandate Limit; and (iv) a notice convening the SGM, will be despatched to the Shareholders in due course.

Shareholders and potential investors of the Company should note that the CB Placing is subject to the fulfilment of the conditions precedent under the CB Placing Agreement. As the CB Placing may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

PLACING OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

On 3 April 2023 (after trading hours), the Company entered into the CB Placing Agreement with the Placing Agent, pursuant to which the Company agreed to issue and the Placing Agent agreed to procure, on a best effort basis, not less than six (6) placees, who and whose ultimate beneficial owners will be Independent Third Parties, to subscribe in cash for the Convertible Bonds of up to an aggregate principal amount of HK\$44,100,000 at the issue price of 100% of the principal amount of the Convertible Bonds.

Set out below are the principal terms of the CB Placing Agreement:

Date : 3 April 2023

Parties : (i) the Company as issuer; and
(ii) Koala Securities Limited as the placing agent

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

CB Placing commission

In consideration of the services of the Placing Agent in connection with the CB Placing, the Company shall pay the Placing Agent a placing commission of 1% of the total principal amount of the Convertible Bonds to be issued under the CB Placing Agreement. The placing commission is arrived at after arm's length negotiations between the Company and the Placing Agent.

CB Placing

Pursuant to the CB Placing Agreement, the Company agreed to issue and the Placing Agent agreed to procure, on a best effort basis, not less than six (6) placees, who and whose ultimate beneficial owners will be Independent Third Parties, to subscribe in cash for the Convertible Bonds of up to an aggregate principal amount of HK\$44,100,000 at the issue price of 100% of the principal amount of the Convertible Bonds.

Conditions of the CB Placing

The CB Placing is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Conversion Shares;

- (ii) the passing by the Shareholders who are entitled to vote and not required to be abstained from voting under the Listing Rules in the SGM to be held and convened of resolution(s) to approve the CB Placing Agreement and the transactions contemplated thereunder including the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares;
- (iii) if required, all necessary consents and approvals required to be obtained on the part of the Company in respect of the CB Placing Agreement and the transactions contemplated thereunder having been obtained; and
- (iv) none of the warranties given by the Company under the CB Placing Agreement having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect.

The Company shall use its best endeavours to procure the fulfilment of the conditions precedent set out in conditions (i), (ii), (iii) and (iv) above as soon as practicable and in any event on or before the Long Stop Date. The conditions precedent set out in conditions (i), (ii) and (iii) are incapable of being waived and the Placing Agent may at any time by notice in writing waive the condition (iv).

In the event that the conditions precedent of the CB Placing are not fulfilled (or waived, if applicable) on or before the Long Stop Date, all rights, obligations and liabilities of the parties to the CB Placing Agreement shall cease and terminate and neither of the parties shall have any claim against the other save for any antecedent breach of any right or obligation under CB Placing Agreement prior to such termination.

Completion

Completion of the CB Placing shall take place within three (3) Business Days after the fulfilment (or waived, if applicable) of the above conditions precedent (or on such later date as the Company and the Placing Agent may agree in writing).

Termination

The Placing Agent shall be entitled by notice to the Company given prior to 6:00 p.m. on the Business Day immediately preceding the date of Completion to forthwith terminate the CB Placing Agreement if any specified event comes to the attention of the Placing Agent.

If notice is given pursuant to the above, the CB Placing Agreement shall terminate and be of no further effect and neither party shall be under any liability to the other party in respect of the CB Placing Agreement save for any antecedent breach under the CB Placing Agreement prior to such termination.

Principal terms of the Convertible Bonds

Issuer	:	The Company
Issue price	:	100% of the principal amount
Principal amount	:	Up to HK\$44,100,000
Conversion price	:	The Conversion Price per Conversion Share shall be HK\$0.21, subject to adjustments as hereafter described
Adjustment events	:	<p>The Conversion Price shall from time to time be subject to adjustment upon occurrence of the following events:</p> <ul style="list-style-type: none">(a) an alteration to the aggregate number of the Shares in issue as a result of consolidation, sub-division, or reclassification;(b) an issue (other than in lieu of cash dividend) of any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);(c) a capital distribution (in cash or specie and whether on a reduction of capital or otherwise), including any dividend charged or provided for in the accounts of any financial period (whenever paid and however described) will be deemed to be a capital distribution;(d) an offer of new Shares to the Shareholders for conversion by way of rights, or grant, to Shareholders of any options or warrants to subscribe for new Shares, at a price which is less than 90% of the market price on the date of the announcement of the terms of the offer or grant;

- (e) (aa) an issue of securities wholly for cash or for reduction of liabilities or for acquisition of asset which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total effective consideration (as defined in the instrument) per Share initially receivable for such securities is less than 90% of the market price on the date of the announcement of the terms of issue of such securities;
- (bb) modification of the rights of conversion or exchange or subscription attached to any such securities as are mentioned in section (aa) of this paragraph (e), so that the total effective consideration (as defined in the instrument) per Share initially receivable for such securities shall be less than 90% of the market price on the date of announcement of the proposal to modify such rights of conversion or exchange or subscription;
- (f) an issue of any Shares wholly for cash or for reduction of liabilities at a price per Share which is less than 90% of the market price on the date of the announcement of the terms of such issue; and
- (g) an issue of any Shares for the acquisition of asset at a total effective consideration (as defined in the instrument) per Share which is less than 90% of the market price at the date of the announcement of the terms of such issue.

Interest rate	:	3.0% per annum (payable annually)
Conversion Shares	:	Based on the principal amount of the Convertible Bonds of up to HK\$44,100,000, the Convertible Bonds are convertible into 210,000,000 Conversion Shares at the initial conversion price of HK\$0.21 per Conversion Share (subject to adjustments)
Conversion period	:	The period commencing from the issue date of the Convertible Bonds up to 4:00 p.m. (Hong Kong time) on the Maturity Date (as defined below)

- Conversion rights and restrictions : The CB Holder(s) shall, subject to compliance with the procedures set out in the terms and conditions thereunder, have the right at any time during the conversion period to convert the whole or part of the outstanding principal amount of the Convertible Bonds registered in its name into the Conversion Shares provided further that (i) any conversion shall be made in amounts of not less than a whole multiple of HK\$1,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of the Convertible Bonds is less than HK\$1,000,000, the whole (but not part only) of the outstanding principal amount of the Convertible Bonds may be converted; (ii) the exercise of the conversion right attached to the Convertible Bonds will not cause the Company to be unable to meet the public float requirement under the Listing Rules; and (iii) the exercise of the conversion right attached to the Convertible Bonds will not trigger a mandatory offer obligation under rule 26 of The Hong Kong Code on Takeovers and Mergers on the part of the CB Holder(s).
- Early redemption at the option of the Company : The Company shall be entitled at its sole discretion, by giving not less than fourteen (14) Business Days' notice to the CB Holder(s), propose to the CB Holder(s) to redeem the outstanding Convertible Bonds (in multiples of HK\$1,000,000 or such lesser amount as may represent the entire principal amount thereof) an amount equivalent to 100% of the principal amount of such outstanding Convertible Bonds together with outstanding accrued interest at any time after the date of issue of the Convertible Bonds up to and including the date falling seven (7) days immediately before the maturity date of the Convertible Bonds.

- Early redemption at the option of the CB Holder(s) : The CB Holder(s) shall be entitled at its sole discretion, by giving not less than fourteen (14) Business Days' notice to the Company, propose to the Company to redeem all or part of the outstanding Convertible Bond (in multiples of HK\$1,000,000 or such lesser amount as may represent the entire principal amount thereof) an amount equivalent to 100% of the principal amount of such outstanding Bond at any time from the date falling seven (7) months after the date of issue of the Bond up to and including the date falling seven (7) days immediately before the Maturity Date. If the CB Holder(s) exercises the above right of early redemption, CB Holder(s) will not be entitled to any interest accrued.
- Ranking : The Conversion Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the relevant conversion date including the right to all dividends or other distributions, paid or made on or after the relevant conversion date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the relevant conversion date.
- Maturity date : The second (2nd) anniversary of the issue date of the Convertible Bonds (the “**Maturity Date**”)
- Voting rights : The CB Holder(s) shall not have any right to attend or vote in any general meeting of the Company
- Transferability : Subject to compliance with the Listing Rules, the Convertible Bonds may be transferred or assigned in whole or in part in integral multiples of HK\$1,000,000 by the CB Holder(s) to any party, save and except that the Convertible Bonds shall not be transferred or assigned to a connected person of the Company unless with the prior written consent of the Company
- Listing : No application will be made by the Company for the listing of the Convertible Bonds on the Stock Exchange. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares

- Event of default : Any CB Holder may at any time before the maturity date of the Convertible Bonds serve a written notice on the Company at least 7 days in advance and demand the Company to redeem the Convertible Bonds upon the occurrence of the following events:
- (i) a default is made in the payment of principal amount, interest and entitlements due in respect of any of the Convertible Bonds and such default is not cured within 30 days; or
 - (ii) a default is made by the Company in the performance or observance of any covenant, condition or provision contained in the instrument or in the conditions of the Convertible Bonds and on its part to be performed or observed (other than the covenant to pay the principal, premium (if any), interest and entitlements in respect of any of the Convertible Bonds) and such default continues for the period of 30 days next following the service by any CB Holder on the Company of notice specifying brief details of such default and requiring such default to be remedied; or
 - (iii) a resolution is passed or an order of a court of competent jurisdiction is made that the Company be wound up or dissolved or the Company disposes of all its assets, otherwise, in any such case, other than for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reorganisation, the terms of which shall have previously been approved in writing by an ordinary resolution of CB Holder; or
 - (iv) the Shares cease to be listed on the Stock Exchange.
- Security : The obligations of the Company under the Convertible Bonds are unsecured

Assuming full exercise of the conversion rights attaching to the Convertible Bonds at the initial Conversion Price of HK\$0.21 per Conversion Share, a maximum of 210,000,000 new Shares will be allotted and issued by the Company, representing (i) approximately 39.81% of the total number of issued Shares as at the date of this announcement; and (ii) approximately 28.47% of the total number of issued Shares as enlarged by the issue of 210,000,000 Conversion Shares (assuming there is no other change in the issued share capital of the Company between the date of this announcement and the full conversion of the Convertible Bonds).

The maximum aggregate nominal value of the Conversion Shares is HK\$21,000,000.

Conversion Price

The initial Conversion Price of HK\$0.21 per Conversion Share represents:

- (i) a discount of approximately 10.3% to the closing price of HK\$0.234 per Share as quoted on the Stock Exchange on the date of the CB Placing Agreement;
- (ii) a discount of approximately 8.3% to the average closing prices of HK\$0.229 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the CB Placing Agreement;
- (iii) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 3.0%, represented by the theoretical diluted price of approximately HK\$0.227 per Share to the benchmarked price of approximately HK\$0.234 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.234 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the date of this announcement of HK\$0.229 per Share); and
- (iv) a cumulative theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) in aggregation with the Rights Issue represented by a discount of approximately 17.5%, represented by the cumulative theoretical diluted price of approximately HK\$0.231 per Share to the theoretical benchmarked price of HK\$0.28 per Share in respect of the Rights Issue (as defined under Rule 7.27B of the Listing Rules, taking into account the benchmarked price of the Rights Issue, being HK\$0.28 per Share).

The net Conversion Price, after deduction of relevant expenses, is approximately HK\$0.205 per Conversion Share.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Placing Agent, taking into account of, among others, (i) the recent trading performance of the Shares; and (ii) the reason and benefits of the issue of the Convertible Bonds and the recent financial performance and the current debt position of the Group, which will be further discussed in the section headed "Reasons for the CB Placing and use of proceeds" in this announcement. The Directors consider that the Conversion Price and the terms and conditions of the CB Placing Agreement and the Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mandate to issue the Conversion Shares

The Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Shareholders at the SGM.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon full conversion of the Convertible Bonds at the initial Conversion Price (assuming that there are no other changes to the shareholding structure of the Company from the date of this announcement up to the full conversion of the Convertible Bonds) are as follows:

	(i) As at the date of this announcement		(ii) Immediately upon full conversion of the Convertible Bonds at the initial Conversion Price	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Chan Yuen Tung (<i>Note 1</i>)	111,318,147	21.10	111,318,147	15.09
Chiau Che Kong (<i>Note 1</i>)	69,175,416	13.11	69,175,416	9.38
Chan Yuk Foebe (<i>Note 2</i>)	143,000	0.03	143,000	0.02
Gao Ran (<i>Note 2</i>)	122,000	0.02	122,000	0.02
Liu Yangyang (<i>Note 2</i>)	166,000	0.03	166,000	0.02
Public Shareholders				
Placees (<i>Note 3</i>)	–	–	210,000,000	28.47
Other public Shareholders	<u>346,623,605</u>	<u>65.71</u>	<u>346,623,605</u>	<u>47.00</u>
Total	<u><u>527,548,168</u></u>	<u><u>100.00</u></u>	<u><u>737,548,168</u></u>	<u><u>100.00</u></u>

Notes:

- Each of Mr. Chan Yuen Tung and Mr. Chiau Che Kong is a substantial Shareholder (as defined under the Listing Rules).
- Each of Ms. Chan Yuk Foebe and Mr. Gao Ran is an executive Director and Mr. Liu Yang Yang is a non-executive Director.
- On the assumption that the Convertible Bonds are placed to six Placees equally, each Placee will hold Convertible Bonds in the amount of HK\$7,350,000 and upon full conversion of the Convertible Bonds, each Placee will hold 35,000,000 Shares, representing approximately 4.75% of the total number of issued Shares as enlarged by the full conversion.

FUND RAISING DURING THE PAST TWELVE MONTHS

The Company has conducted the following fund-raising activity involving issue of securities in the twelve (12) months before the date of this announcement:

Date of announcement/ circular/prospectus	Fund-raising activity	Net proceeds (approximate)	Intended use of proceeds as announced	Actual use of proceeds
18 October 2022, 21 November 2022, 30 December 2022 and 26 January 2023	Rights issue	HK\$77.6 million	Approximately HK\$67.6 million for the repayment of the Group's indebtedness and interest expenses and approximately HK\$10 million as general working capital of the Group	HK\$71.5 million for the repayment of the Group's indebtedness and interest expenses and HK\$6.1 million as general working capital of the Group

Save as disclosed above, the Company had not conducted any other equity fund-raising activities in the past twelve months immediately prior to the date of this announcement.

INFORMATION OF THE GROUP

The Group is principally engaged in the manufacturing and sales of coal-related chemical products, the generation and supply of electricity and thermal energy and construction services.

REASONS FOR THE CB PLACING AND USE OF PROCEEDS

Assuming all the Convertible Bonds are successfully placed by the Placing Agent, the net proceeds from the CB Placing will be approximately HK\$43 million, which will be used by the Company (i) as to HK\$38 million for repayment of the Group's indebtedness and interest expenses; and (ii) as to HK\$5 million for general working capital.

As disclosed in the interim report of the Company for the six months ended 31 December 2021, the Company has issued bonds in 2013 and the aggregate principal amount of the bonds outstanding was HK\$276 million with the maturity date on 11 September 2021. A settlement has been reached between the Company and bondholders to extend the maturity date of the bonds outstanding to 10 September 2025, and the bonds shall bear interest at the rate of 7.5% per annum from 11 September 2021 to 10 September 2025. The interest of the bonds shall accrue and be paid, together with the principal amount of the bonds, on the new maturity date, being 10 September 2025.

As at 31 December 2022, the bonds payable within one year amounted to approximately HK\$214,820,000 and these bonds payable are unsecured and interest bearing at coupon rates of 0% to 12%.

The Company is in the process of negotiating for a settlement of a bond payable to several bondholders in the amount of HK\$46 million. In the event that a settlement is reached between the Company and bondholders, the Company expects the relevant bond payable in the amount of HK\$46 million to be deferred or discounted.

Furthermore, the issue of the Convertible Bonds will not have an immediate dilution effect on the shareholding of the existing Shareholders and will provide an opportunity for the Company, if the conversion rights attached to the Convertible Bonds are exercised, to strengthen the capital base and reduce the liability of the Company, and thus improve the financial position of the Company.

Hence, after considering the current market conditions and the latest financial position of the Group, the Directors consider that the terms and conditions of the CB Placing Agreement and the Convertible Bonds are fair and reasonable and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

In the event the placing of the Convertible Bonds is undersubscribed, the use of proceeds will scale down and will be arranged as follows:

- (i) if the proceeds is equal to or less than HK\$25 million, it will be fully allocated to repayment of the Group's indebtedness and interest expenses; or
- (ii) if the proceeds is more than HK\$25 million, at least HK\$23 million will be allocated to repayment of the Group's indebtedness and interest expenses and the remaining (up to HK\$5 million) to the general working capital.

PROPOSED REFRESHMENT OF GENERAL MANDATE

The Board proposes to refresh the Existing General Mandate for the Directors to allot, issue and deal with new Shares up to 20% of the issued share capital of the Company as at the date of passing of the relevant resolution at the SGM.

Existing General Mandate

At the 2022 AGM, the Shareholders approved, among other things, an ordinary resolution to grant to the Directors the Existing General Mandate to allot, issue and deal with up to 602,912,195 Shares (equivalent to 30,145,609 new Shares taking into account of effect of the Capital Reorganisation), representing approximately 20% of the issued share capital of the Company as at the date of granting of the Existing General Mandate.

As at the date of this announcement, no Share was issued under the Existing General Mandate and the Company has not made any refreshment of the Existing General Mandate since the 2022 AGM.

Proposed Grant of New General Mandate

The Board proposes to convene the SGM at which an ordinary resolution will be proposed to the Independent Shareholders for approving the proposed Refreshment of General Mandate that:

- (i) the Directors be granted the New General Mandate to allot and issue Shares up to 20% of the issued share capital of the Company as at the date of the SGM; and
- (ii) the New General Mandate be extended to Shares repurchased by the Company pursuant to the repurchase mandate granted to the Directors at the 2022 AGM.

The New General Mandate will, if granted, be valid until the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by any applicable laws or the bye-laws of the Company;
or
- (iii) the revocation or variation of the authority given to the Directors by passing an ordinary resolution by the Shareholders at a general meeting.

As of the date of this announcement, the Company has an aggregate of 527,548,168 Shares in issue. Subject to the passing of the ordinary resolution for the approval of the Refreshment of General Mandate at the SGM by the Independent Shareholders and assuming that no further Shares are issued and/or repurchased by the Company from the date of this announcement to the date of the SGM, the Company would be allowed under the Refreshment of General Mandate to allot and issue 105,509,633 Shares, being approximately 20% of the total number of issued share capital of the Company as at the date of this announcement.

Reasons for the Refreshment of General Mandate

On 27 January 2023, the Rights Issue was completed, details of which are set out in the prospectus of the Company dated 30 December 2022. Dealing in Rights Shares on the Stock Exchange commenced on 30 January 2023. Due to the Rights Issue, the issued share capital of the Company has been increased from 150,728,048 to 527,548,168 Shares. Further details have been set out in the “Next Day Disclosure Return” published by the Company on the website of the Stock Exchange on 27 January 2023.

As a result of such increase, the Existing General Mandate (which has not been utilised up to the date of this announcement) only represents approximately 5.7% of the existing issued share capital of the Company as at the date of this announcement. The Directors consider that the proposed Refreshment of General Mandate will give the Board the required flexibility for any future allotment and issue of Shares on behalf of the Company as and when considered necessary. If the proposed Refreshment of the General Mandate is approved by the Independent Shareholders at the SGM, when there are any further funding needs or if attractive offer for investment in the Shares is received from potential investors before the next annual general meeting, the Board will be able to respond to the market or such investment offer promptly by considering the issue of Shares at the maximum of 20% of the issued share capital of the Company as at the date of the SGM. The Board is of the view that fund-raising exercises conducted under a general mandate are simpler and faster than other types of fund-raising exercises and remove uncertainties in the circumstances when specific mandate may not be obtained in a timely manner. Accordingly, the Directors (excluding the independent non-executive Directors, who will express their view in the letter from the Independent Board Committee to be included in the circular) consider that the Refreshment of General Mandate is fair and reasonable and is in the best interests of the Company and the Shareholders as a whole.

As at the date of this announcement, the Company has not yet formulated any concrete plan or agreement with any party to issue Shares by utilising the New General Mandate.

Listing Rules Implications

Pursuant to Rule 13.36(4) of the Listing Rules, the approval of the proposed Refreshment of General Mandate will be subject to Independent Shareholder’s approval at a general meeting of the Company. Any controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates shall abstain from voting in favour of the resolution to approve the proposed Refreshment of General Mandate.

As at the date of this announcement, to the best knowledge, belief and information of the Directors having made all reasonable enquiries, the Company has no controlling Shareholder. Accordingly, Ms. Chan Yuk Foebe, Mr. Gao Ran and Mr. Liu Yangyang, all being executive Directors or non-executive Director (as the case may be) with interests in the Shares, together with their associates are required to abstain from voting in favour of the resolution(s) to approve the proposed Refreshment of General Mandate.

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, save as disclosed and as at the date of this announcement, no Shareholder is required to abstain from voting on the proposed resolution(s) on the proposed Refreshment of General Mandate at the SGM.

PROPOSED REFRESHMENT OF THE LIMIT ON THE GRANT OF OPTIONS UNDER THE SHARE OPTION SCHEME

Background of the existing Scheme Mandate Limit

The Share Option Scheme was approved and adopted by the Shareholders at the 2022 AGM. Pursuant to the existing Scheme Mandate Limit, the maximum number of Shares that may be issued upon exercise of all the Share Options granted under the Share Option Scheme shall not exceed 301,456,097 Shares (equivalent to 15,072,804 new Shares taking into account of effect of the Capital Reorganisation), representing approximately 10% of the then issued share capital of the Company on the date of the 2022 AGM.

Proposed Refreshment of Scheme Mandate Limit

At the SGM, an ordinary resolution will be proposed to the Independent Shareholders to approve the proposed Refreshment of Scheme Mandate Limit so as to allow the Company to grant further Options under the Share Option Scheme for subscription of up to 10% of the Shares in issue as at the date of passing the resolution. If the proposed Refreshment of Scheme Mandate Limit is approved at the SGM, based on 527,548,168 Shares in issue as at the date of this announcement and assuming that there is no change in the issued share capital of the Company from the date of this announcement up to the date of the SGM, the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme will be 52,754,816 Shares, being approximately 10% of the Shares in issue as at the date of the SGM.

There has not been any refreshment of the Scheme Mandate Limit since the adoption of the Share Option Scheme. Apart from the Share Option Scheme, the Company has no other share option scheme currently in force.

Reasons for the proposed Refreshment of Scheme Mandate Limit

As disclosed in the section headed "Reasons for the Refreshment of General Mandate" above, the issued share capital of the Company has been increased from 150,728,048 to 527,548,168 Shares due to the Rights Issue. In view of the increase of issued share capital of the Company, the Directors consider that the Company should refresh the Scheme Mandate Limit so that the Company will have more flexibility to provide incentives or rewards to eligible participants for their contributions to the Group and/or to enable the Group to recruit and retain high-quality personnel and attract human resources that are valuable to the Group.

Accordingly, the Directors (excluding the independent non-executive Directors, who will express their view in the letter from the Independent Board Committee to be included in the circular) consider that the Refreshment of Scheme Mandate Limit is fair and reasonable and is in the best interests of the Company and the Shareholders as a whole.

As at the date of this announcement, the Company has not yet identified any specific eligible participant, of whom the Company considers to be necessary to grant options to under the Share Option Scheme (as may be refreshed with new Scheme Mandate Limit as proposed in this announcement).

Conditions of the proposed Refreshment of Scheme Mandate Limit

The proposed Refreshment of Scheme Mandate Limit is conditional upon:

- (a) the Independent Shareholders passing the relevant resolution at the SGM to approve the proposed Refreshment of Scheme Mandate Limit; and
- (b) the Listing Committee of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of share options that may be granted pursuant to the Share Option Scheme under the proposed Refreshment of Scheme Mandate Limit not exceeding 10% of the number of Shares in issue as at the date of approval of the proposed Refreshment of Scheme Mandate Limit by the Independent Shareholders.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Shares to be issued pursuant to the exercise of the Share Options to be granted under the Share Option Scheme under the refreshed limit.

Listing Rules Implications

Pursuant to Rule 17.03C(1)(b) of the Listing Rules, any refreshment of the existing Scheme Mandate Limit within any three year period from the date of adoption of the scheme is subject to the Independent Shareholders' approval by way of an ordinary resolution at the SGM. Any controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates shall abstain from voting in favour of the resolution to approve the proposed Refreshment of Scheme Mandate Limit.

As at the date of this announcement, to the best knowledge, belief and information of the Directors having made all reasonable enquiries, the Company has no controlling Shareholder. Accordingly, Ms. Chan Yuk Foebe, Mr. Gao Ran and Mr. Liu Yangyang, all being executive Directors or non-executive Director (as the case may be) with interests in the Shares, together with their associates are required to abstain from voting in favour of the resolution(s) to approve the proposed Refreshment of Scheme Mandate Limit.

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, save as disclosed and as at the date of this announcement, no Shareholder is required to abstain from voting on the proposed resolution(s) on the proposed Refreshment of Scheme Mandate Limit at the SGM.

Pursuant to Rule 17.03C(2) of the Listing Rules, the total number of shares which may be issued in respect of all options and awards to be granted under all of the schemes of the listed issuer under the scheme mandate as "refreshed" must not exceed 10% of the relevant class of shares in issue as at the date of approval of the refreshed scheme mandate.

As at the date of this announcement, the Company has no concrete plan or intention to grant any Share Options under the Share Option Scheme immediately after obtaining the Shareholders' approval for the proposed Refreshment of the Scheme Mandate Limit. However, the Board does not rule out the possibility that the Company will grant any Share Options under the Share Option Scheme in future when such need arises in order to incentivize the selected eligible participants under the Share Option Scheme. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

GENERAL

A SGM will be convened for the purpose of considering and, if thought fit, (i) approving the CB Placing Agreement and the transaction contemplated thereunder, including issue of the Convertible Bonds, allotment and issue of the Conversion Shares, and grant of the Specific Mandate; (ii) the proposed Refreshment of General Mandate; and (iii) the proposed Refreshment of Scheme Mandate Limit.

The Conversion Shares will be allotted and issued pursuant to the Specific Mandate which is subject to Shareholders' approval at the SGM. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

The Independent Board Committee, comprising of all the independent non-executive Directors, namely, Mr. Ma Wing Yun Bryan, Mr. Tam Ching Ho and Mr. Hau Chi Kit, will be established to advise the Independent Shareholders on the proposed Refreshment of General Mandate and the proposed Refreshment of Scheme Mandate Limit.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed Refreshment of General Mandate and the proposed Refreshment of Scheme Mandate Limit.

A circular containing, among other things, (i) further details of the CB Placing; (ii) further details of the proposed Refreshment of General Mandate, including the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the proposed Refreshment of General Mandate and the recommendation from the Independent

Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the proposed Refreshment of General Mandate; (iii) further details of the proposed Refreshment of Scheme Mandate Limit, including the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the proposed Refreshment of Scheme Mandate Limit and the recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the proposed Refreshment of Scheme Mandate Limit; and (iv) a notice convening the SGM, will be despatched to the Shareholders in due course.

Shareholders and potential investors of the Company should note that the CB Placing is subject to the fulfilment of the conditions precedent under the CB Placing Agreement. As the CB Placing may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“2022 AGM”	the annual general meeting of the Company held on 14 December 2022
“Board”	the board of Directors of the Company
“Business Day(s)”	a day on which licensed banks in Hong Kong are generally open for business, other than a Saturday or a Sunday or a public holiday
“Capital Reorganisation”	the capital reorganisation of the share capital of the Company approved by the Shareholders at the special general meeting of the Company on 14 December 2022
“CB Holder(s)”	holder(s) of the Convertible Bonds
“CB Placing”	the placing of the Convertible Bonds pursuant to the terms and conditions of the CB Placing Agreement under the Specific Mandate
“CB Placing Agreement”	the conditional placing agreement dated 3 April 2023 and entered into between the Company as issuer and the Placing Agent as placing agent in relation to the CB Placing

“Company”	China Zenith Chemical Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued shares of which are listed on the Stock Exchange (stock code:362)
“Completion”	completion of the CB Placing
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	the conversion price per Conversion Share (subject to adjustments) of the Convertible Bonds
“Conversion Share(s)”	the Shares to be issued and allotted upon conversion of the Convertible Bonds
“Convertible Bonds”	the 3% coupon convertible bonds due on the second (2nd) anniversary of the issue date in the principal amount of up to HK\$44,100,000 to be issued by the Company to the Places in accordance with the terms of the CB Placing Agreement
“Director(s)”	director(s) of the Company
“Existing General Mandate”	the general mandate duly approved and granted by the Shareholders at the 2022 AGM
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent committee of the Board comprising of all the independent non-executive Directors to advise the Independent Shareholders in respect of the proposed Refreshment of General Mandate and the proposed Refreshment of Scheme Mandate Limit
“Independent Financial Adviser”	Grand Moore Capital Limited, a corporation licensed by the Securities and Futures Commission to Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 572, laws of Hong Kong), being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the proposed Refreshment of General Mandate and the proposed Refreshment of Scheme Mandate Limit

“Independent Shareholder(s)”	Shareholder(s) other than the controlling shareholders and their respective associates, or, if there is no controlling shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
“Independent Third Party(ies)”	third party(ies) independent of and not connected (as defined under the Listing Rules) with the Company and connected person(s) of the Company
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 May 2023 (or such later date as may be agreed between the Company and the Placing Agent)
“Maturity Date”	the second (2nd) anniversary of the issue date of the Convertible Bonds, being the maturity date of the Convertible Bonds
“New General Mandate”	the new mandate proposed to be sought at the SGM to authorise the Directors to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of passing of the relevant resolution at the SGM
“Placee(s)”	any professional, institutional and/or other investor(s) to whom the Placing Agent or its agents shall procure or, as the case may be, shall have procured to subscribe for the Convertible Bonds pursuant to the CB Placing Agreement
“Placing Agent”	Koala Securities Limited, a licensed corporation to carry out business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“PRC”	the People’s Republic of China which, and for the sole purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“Refreshment of General Mandate”	the proposed refreshment of the Existing General Mandate and the grant of the New General Mandate

“Refreshment of Scheme Mandate Limit”	the proposed refreshment of the Scheme Mandate Limit so that the Company may grant new options to subscribe for new Shares representing in aggregate up to 10% of its issued share capital as at the date of the passing of the relevant resolution approving the refreshment
“Rights Issue”	the allotment and issue of 376,820,120 Rights Shares completed on 27 January 2023
“Rights Shares”	the Shares issued under the Rights Issue
“Scheme Mandate Limit”	the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme which initially shall not in aggregate exceed 10% of the Shares in issue as at the date of adoption of the Share Option Scheme, which may be refreshed pursuant to the terms of the Share Option Scheme but shall not exceed 10% of the Shares in issue as at the date of approval of the proposed Refreshment of Scheme Mandate Limit by the Shareholders
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held to consider and approve, among others, (i) the CB Placing Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate for the allotment and issue of the Conversion Shares; (ii) the proposed Refreshment of General Mandate; and (iii) the proposed Refreshment of Scheme Mandate Limit
“Share(s)”	ordinary share(s) of par value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Shares
“Share Option(s)”	share options to subscribe for the Shares granted and to be granted under the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 14 December 2022
“Specific Mandate”	the specific mandate to be granted by the Shareholders at the SGM to allot and issue the Conversion Shares

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent.

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

Hong Kong, 3 April 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.