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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)

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

The Board is pleased to announce that on 13 March 2024 (after trading hours), the Company, as the issuer, entered into the Subscription Agreement with the Subscriber, pursuant to which, the Subscriber has agreed to subscribe for, and the Company has agreed to allot and issue an aggregate of 108,000,000 Subscription Shares at the Subscription Price of HK\$0.1 per Subscription Share. The Subscription is subject to the conditions set out under the section headed “Conditions of the Subscription”.

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the date of Completion, the Subscription Shares represent (i) approximately 11.45% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 10.27% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The Subscription Price of HK\$0.1 per Subscription Share represents (i) a discount of approximately 13.79% to the closing price of HK\$0.116 per Share as quoted on the Stock Exchange on 13 March 2024, i.e. the date of the Subscription Agreement; and (ii) a premium of approximately 2.04% to the average closing price of HK\$0.098 per Share quoted on the Stock Exchange for the five consecutive trading days of Shares immediately preceding to the date of the Subscription Agreement.

Assuming the Subscription Shares are fully subscribed, the gross proceeds from the Subscription are expected to be approximately HK\$10.8 million. The net proceeds of the Subscription, after deduction of all relevant expenses, are estimated to be approximately HK\$10.3 million, representing a net price of approximately HK\$0.095 per Subscription Share. The Company intends to apply the net proceeds as general working capital of the Group.

Shareholders and prospective investors should be reminded that the Completion of the Subscription is subject to the satisfaction of the Conditions as set out in the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and prospective investors are advised to exercise caution when dealing in the Shares.

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

The Board is pleased to announce that on 13 March 2024, the Company, as the issuer, entered into the Subscription Agreement with the Subscriber pursuant to which the Subscriber has agreed to subscribe for, and the Company has agreed to allot and issue an aggregate of 108,000,000 Subscription Shares at the Subscription Price of HK\$0.1 per Subscription Share. The principal terms of the Subscription Agreement are set out as follows.

Subscription Agreement

Date: 13 March 2024

Parties to the Subscription Agreement:

- (i) the Company; and
- (ii) the Subscriber.

Pursuant to the terms of the Subscription Agreement, the Subscriber has agreed to subscribe for, and the Company has agreed to allot and issue an aggregate of 108,000,000 Subscription Shares at the Subscription Price of HK\$0.1 per Subscription Share.

Number of the Subscription Shares

An aggregate of 108,000,000 Subscription Shares represents (i) approximately 11.45% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 10.27% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company between the date of this announcement and the date of Completion, other than the issue of the Subscription Shares). Based on the closing price of HK\$0.116 per Share on the date of the Subscription Agreement, the market value of the Subscription Shares is approximately HK\$12.5 million and the aggregate nominal value of the Subscription Shares is HK\$108,000,000.

Subscription Price

The Subscription Price is HK\$0.1 per Subscription Share, representing

- (a) a discount of approximately 13.79% to the closing price of HK\$0.116 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and
- (b) a premium of approximately 2.04% to the average closing price of HK\$0.098 per Share quoted on the Stock Exchange for the five consecutive trading days of Shares immediately preceding to the date of the Subscription Agreement.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to the prevailing market price and market condition. The Directors consider that the Subscription Price is fair and reasonable, on normal commercial terms and are in the interest of the Company and the Shareholders as a whole.

Ranking

Upon Completion, the Subscription Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with all other Shares in issue.

Conditions of the Subscription

The Completion of the Subscription Agreement is conditional upon the fulfilment or waiver of the following conditions:

- (1) the listing of the Shares of the Company has not been revoked, the Shares continue to be listed on the Stock Exchange (except for any trading halt due to the Subscription, if any);
- (2) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and the permission to deal in, the Subscription Shares;
- (3) the Company has complied with the Listing Rules in all material respects in respect of the Subscription;
- (4) all necessary and relevant approvals and consents in relation to the Subscription having been obtained by the Company and the Subscriber; and
- (5) the representations and warranties of the Company under the Subscription Agreement being true, accurate and not misleading in all material respects as at the date of the Subscription Agreement and the date of the Completion.

If any of the conditions precedent under the Subscription Agreement set out above is not fulfilled on or before 30 June 2024 (or such other date as may be agreed between the Company and the Subscriber in writing), all rights and obligations of the parties of the Subscription Agreement shall cease and determine and none of the parties thereto shall have any claim against the others in respect of the Subscription Agreement (save for any antecedent breaches thereof).

Completion

The Completion shall take place on a date falling on the fifth Business Day after the fulfillment of the conditions set out above (or such other date as may be agreed between the Company and the Subscriber in writing). Completion of the Subscription is subject to above-mentioned conditions under the paragraph headed “Conditions of the Subscription” and the Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

General Mandate to allot and issue the Subscription Shares

No Shareholders’ approval is required for the Subscription and the allotment and issue of the Subscription Shares by the Company, as the Subscription Shares will be allotted and issued pursuant to the General Mandate granted to the Directors by resolution of the Shareholders passed at the AGM held on 18 January 2024, under which the Directors may allot and issue up to 108,365,633 Shares (representing 20.00% of the issued share capital of the Company as at the date of the passing of the resolution at the AGM).

As at the date of this announcement and immediately preceding to the entering into of the Subscription Agreement, the Company has not issued any Shares under the General Mandate. The General Mandate is sufficient for the issue and allotment of the Subscription Shares.

Application for Listing of the Subscription Shares

Application will be made by the Company to the Listing Committee for the granting of the approval for the listing of, and permission to deal in, the Subscription Shares.

The Completion of the Subscription is conditional upon, inter alia, the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares.

INFORMATION OF THE COMPANY AND THE GROUP

The Company is an investment holding company. The Group is principally engaged in the manufacturing and sales of coal-related chemical products and chemical products for agriculture.

INFORMATION OF THE SUBSCRIBER

The Subscriber is an enterprise established in the PRC under the direct management of the Central Government with businesses covering trading and sales, sales of mineral products, sales of chemical products, sales of communication devices, leasing and sales of real estates, sales of construction materials, largescale agriculture and consultation services, etc. The company is renowned of its expertise and capability in these segments. As at 31 December 2023, its unaudited total assets was approximately RMB16.6 billion, its unaudited total liabilities amounted to approximately RMB5.5 billion, its unaudited bank and cash balance was approximately RMB700 million and its total gearing ratio was approximately 33%. Its unaudited annual total revenue was approximately RMB11.3 billion, unaudited annual profit was approximately RMB1.4 billion and the profit margin was approximately 12% for the year ended 31 December 2023. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Subscriber and its ultimate beneficial owners are Independent Third Parties as at the date of this announcement.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF PROCEEDS

The Directors consider that the issue of the Subscription Shares represents an opportunity to raise additional funds for the Group's general working capital needs. The Directors believe that the Company, by entering into the Subscription Agreement, will enhance its financial position and broaden the shareholder and capital bases of the Company. The Board is of the view that the terms of the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms agreed upon after arm's length negotiations between the parties, fair and reasonable and that entering into the Subscription Agreement is in the interests of the Company and the Shareholders as a whole.

The gross proceeds from the Subscription and the net proceeds from the Subscription, after deducting professional fees and all relevant expenses, will be approximately HK\$10.8 million and HK\$10.3 million, representing the net price of approximately HK\$0.095 per Subscription Share. The Company intends to apply the net proceeds from the Subscription for general working capital of the Group.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, the following table sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the Completion, assuming that there is no change in the issued share capital of the Company from the date of this announcement to the Completion:

| Shareholders | Immediately preceding the Completion | | Immediately upon the Completion | |
|---------------------|--------------------------------------|----------------------|---------------------------------|----------------------|
| | <i>No. of Shares</i> | <i>Approximate %</i> | <i>No. of Shares</i> | <i>Approximate %</i> |
| Mr. Cheung Hung | 202,240,000 | 21.43 | 202,240,000 | 19.23 |
| Mr. Chin Chun Hin | 106,800,000 | 11.32 | 106,800,000 | 10.16 |
| Mr. Chiau Che Kong | 58,105,860 | 6.16 | 58,105,860 | 5.53 |
| Public Shareholders | 57,640,308 | 61.09 | 576,402,308 | 54.81 |
| Subscriber | – | – | 108,000,000 | 10.27 |
| Total: | <u>943,548,168</u> | <u>100.00</u> | <u>1,051,548,168</u> | <u>100.00</u> |

EQUITY FUND RAISING ACTIVITIES BY THE COMPANY IN 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 gross proceeds as announced | Actual use of net proceeds |
|--|---|-------------------------------|---|--|
| 15 December 2023 and 3 January 2024 | Placing of new shares under specific mandate | HK\$28.6 million | HK\$28.6 million for the repayment of Company's indebtedness and interest expenses | HK\$28.6 million for the repayment of Company's indebtedness and interest expenses |
| 3 April 2023 and 28 April 2023 | Placing of convertible bonds under specific mandate | HK\$28 million | HK\$23 million for the repayment of Company's indebtedness and interest expenses and HK\$5 million for general working capital | HK\$26 million for the repayment of the Group's indebtedness and interest expenses and HK\$2 million as general working capital of the Group |

Save as disclosed above, the Company had not conducted any fund-raising activities involving the issue of its equity securities in the 12 months immediately preceding the date of this announcement.

As completion of the Subscription is subject to the satisfaction of a number of conditions under the Subscription Agreement, the Subscription may or may not complete. Shareholders and potential investors are reminded to exercise caution when dealing or contemplating to deal in the shares or other securities of the Company.

DEFINITIONS

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

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| “AGM” | the annual general meeting of the Company held and convened on 18 January 2024 |
| “Board” | the board of Directors |
| “Business Day(s)” | means a day (other than Saturday, Sunday and days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open in Hong Kong for general banking business |
| “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 Subscription |
| “connected person(s)” | has the meaning ascribed thereto in the Listing Rules |
| “Director(s)” | director(s) of the Company |
| “General Mandate” | the general mandate granted to the Directors at the AGM to allot, issue or deal with up to 20.00% of the then issued share capital of the Company as at the date of the AGM |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |

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|--------------------------------|--|
| “Independent Third Party(ies)” | third party(ies) independent of and not connected with the Company and its connected persons and is not acting in concert (as defined in the Takeovers Code) with any of the connected persons of the Company or any of their respective associates (as defined under the Listing Rules) |
| “Listing Committee” | the listing committee of the Stock Exchange |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Subscriber” | China Mining United Holding Group Co., Ltd.* (中礦聯合控股集團有限公司) |
| “Subscription” | subscription of the Subscription Shares by the Subscriber pursuant to the terms and conditions of the Subscription Agreement |
| “Subscription Agreement ” | the subscription agreement dated 13 March 2024 entered into between the Company and the Subscriber |
| “Subscription Price” | HK\$0.1 per Subscription Share |
| “Subscription Shares” | an aggregate of 108,000,000 new Shares to be allotted and issued by the Company to the Subscriber pursuant to the Subscription Agreement |
| “PRC” | the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan |
| “SFO” | Securities and Future Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong) |
| “Share(s)” | the ordinary shares in the issued share capital of the Company, in the par value of HK\$0.10 |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Stock Exchange” | the Stock Exchange of Hong Kong Limited |
| “substantial shareholder” | has the meaning ascribed thereto in the Listing Rules |

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|------------------|---|
| “Takeovers Code” | The Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission of Hong Kong |
| “trading day” | means a day on which the Stock Exchange is open for the trading of securities |
| “%” | per cent |

By order of the Board
China Zenith Chemical Group Limited
Law Tze Ping Eric
Acting Chief Executive Officer

Hong Kong, 13 March 2024

As at the date of this announcement, Mr. Law Tze Ping Eric, Mr. Tang Yiduan, Mr. Shing Pan Yu James, Mr. Chin Chun Hin and Ms. Chan Yuk Foebe (duties suspended) are the executive Directors; and Mr. Ma Wing Yun Bryan, Mr. Tam Ching Ho and Mr. Hau Chi Kit are the independent non-executive Directors.

* *For identification only*