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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)

CONTINUING CONNECTED TRANSACTION SUPPLEMENTAL AGREEMENT IN RELATION TO THE JV AGREEMENT

Reference is made to the announcement of the Company dated 13 March 2024 (the “**Announcement**”) in relation to the JV Company with China Mining. On 10 May 2024, the Company and China Mining entered into the Supplemental Agreement to govern (i) the sale of mineral products, chemical products or other relevant products by China Mining to the JV Company; and (ii) the sale of mineral products, chemical products or other relevant products by the JV Company to the Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, China Mining owns 108,000,000 Shares, representing approximately 10.27% of the issued share capital of the Company and is a substantial shareholder of the Company (as defined under the Listing Rules). As China Mining is a connected person of the Company under Chapter 14A of the Listing Rules, the transactions between China Mining and the JV Company under the Supplemental Agreement constitutes connected transaction/continuing connected transaction of the Company, and are subject to the relevant disclosure and independent shareholders’ approval requirements as stipulated in the Listing Rules. The JV Company is owned as to 51% by the Company and 49% by China Mining and hence is a connected subsidiary (as defined under the Listing Rules). As the JV Company is a connected person of the Company under Chapter 14A of the Listing Rules, the transactions between the JV Company and the Company under the Supplemental Agreement constitutes connected transaction/continuing connected transaction of the Company, and are subject to the relevant disclosure and independent shareholders’ approval requirements as stipulated in the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the transactions under the Supplemental Agreement are more than 5%, the transactions under the Supplemental Agreement are subject to the announcement, reporting and annual review requirement and Independent Shareholders' approval under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 13 March 2024 in relation to the formation of the JV Company with China Mining. On 10 May 2024, the Company and China Mining entered into a Supplemental Agreement to govern (i) the sale of mineral products, chemical products or other relevant products by China Mining to the JV Company; and (ii) the sale of mineral products, chemical products or other relevant products by the JV Company to the Group.

THE SUPPLEMENTAL AGREEMENT

Date: 10 May 2024

Parties: (1) the Company; and
(2) China Mining.

Key terms and condition of the Supplemental Agreement

Pursuant to the Supplemental Agreement, China Mining agreed to sell mineral products, chemical products or other relevant products to the JV Company in order to facilitate for (i) distribution and sell within the PRC; (ii) export to the overseas market; and (iii) resell these mineral products, chemical products or other relevant products to the Group for deep processing.

Pursuant to the Supplemental Agreement, the JV Company agreed to sell mineral products, chemical products or other relevant products to the Group for deep processing.

The JV Company will place purchase order to China Mining and the Company will place purchase order to the JV Company from time to time under the Supplemental Agreement for the purchase of mineral products, chemical products or other relevant products and the sell price will be determined for each purchase order with reference to the prevailing market price and a discount to be further determined by the JV Company, China Mining and the Company from time to time.

Terms

The term of the Supplemental Agreement is from 30 April 2024 to 31 December 2024 (both days inclusive).

Annual Cap

The proposed Annual Cap of the transactions contemplated thereunder the Supplemental Agreement is RMB10,000,000,000.

In arriving at the proposed Annual Cap, the Directors (excluding the independent non-executive Directors) have considered (i) the historical transaction amounts of China Mining for selling and distribution of the mineral products, chemical products or other relevant products; and (ii) the anticipated increase in Company's subsidiaries' manufacturing capacity.

Condition

The Supplemental Agreement and the transactions contemplated thereunder is conditional upon the holding of the SGM, the obtaining of the opinion from the independent financial adviser and the approval by the Independent Shareholders as required under the Listing Rules.

The parties to the Supplemental Agreement agreed to amend and supplement the Supplemental Agreement further as may be necessary in compliance with all requirements under the Listing Rules.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL AGREEMENT

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.

China Mining 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..

With the Company and China Mining's implementation of the JV Company's business, the Supplemental Announcement further enhance the synergies in between the Company, China Mining and the JV Company. The Supplemental Agreement can (i) reduce the costs of the JV Company and the Company by acquiring the mineral products, chemical products etc from China Mining; (ii) assist the JV Company expand its retail network in the PRC; (iii) enhance the JV Company market competitiveness in the PRC and oversea market; and (iv) allow the Group to have mineral products, chemical products or other relevant products for deep processing.

The Directors (excluding the independent non-executive Directors who will provide their views after considering the opinion of an independent financial adviser) consider that the Supplemental Agreement has been: (i) entering into the Group's ordinary and usual course of business; and (ii) negotiated on an arm's length basis, on normal commercial terms, fair and reasonable and in the interest of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, China Mining owns 108,000,000 Shares, representing approximately 10.27% of the issued share capital of the Company and is a substantial shareholder of the Company (as defined under the Listing Rules). As China Mining is a connected person of the Company under Chapter 14A of the Listing Rules, the transactions between China Mining and the JV Company under the Supplemental Agreement constitutes connected transaction/continuing connected transaction of the Company, and are subject to the relevant disclosure and independent shareholders' approval requirements as stipulated in the Listing Rules. The JV Company is owned as to 51% by the Company and 49% by China Mining and hence is a connected subsidiary (as defined under the Listing Rules). As the JV Company is a connected person of the Company under Chapter 14A of the Listing Rules, the transactions between the JV Company and the Company under the Supplemental Agreement constitutes connected transaction/continuing connected transaction of the Company, and are subject to the relevant disclosure and independent shareholders' approval requirements as stipulated in the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the transactions under the Supplemental Agreement are more than 5%, the transactions under the Supplemental Agreement are subject to the announcement, reporting and annual review requirement and Independent Shareholders' approval under Chapter 14A of the Listing Rules.

INTERNAL CONTROL MEASURES

The Group has implemented adequate internal control measures for monitoring all of its continuing connected transactions, including (without limitation) the regular reporting of transaction volume to the Group's finance department for monitoring the annual caps of the relevant transactions.

In addition, the Company's auditors and independent non-executive Directors will conduct annual review of the transactions contemplated under the Supplemental Agreement and provide annual confirmations in accordance with the Listing Rules that the transactions are conducted in accordance with the terms of such agreements, on normal commercial terms, in the interest of the Company and its Shareholders as a whole, and in accordance with the relevant pricing policies.

GENERAL

The Company will convene the SGM for the Independent Shareholders to, among other things, consider and, if thought fit, approve the Supplemental Agreement, the transactions contemplated thereunder and the corresponding annual cap. The Independent Board Committee, comprising Mr. Ma Wing Yun Bryan, Mr. Tam Ching Ho and Mr. Hau Chi Kit, all being independent non-executive Directors, has been established to consider the Supplemental Agreement, the transactions contemplated and the corresponding annual cap and to advise and make recommendations to the Independent Shareholders as to how to vote at the SGM on the

ordinary resolution(s) regarding the Supplemental Agreement, the transactions contemplated thereunder and the corresponding annual cap. None of the members of the Independent Board Committee has any material interest in the Supplemental Agreement. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Supplemental Agreement and the Annual Cap; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the SGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

DEFINITIONS

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

“Annual Cap”	the maximum annual amount of the transactions contemplated thereunder the Supplemental Agreement
“Board”	the board of Directors
“China Mining”	中礦聯合控股集團有限公司 (for transliteration purpose only, China Mining United Holding Group Co., Ltd.)
“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)
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than China Mining and its close associates and those who are required to abstain from voting at the SGM under the Listing Rules
“JV Agreement”	the joint venture agreement dated 13 March 2024 entered into between the Company and China Mining in relation to the formation of the JV Company

“JV Company”	the company formed under the JV Agreement and under the laws of the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	shareholders of the Company
“SGM”	a special general meeting of the Company to be convened and held for the purposes of, among other matters, considering and, if thought fit, approving the Supplemental Agreement and the transactions contemplated thereunder
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 10 May 2024 entered into between the Company and China Mining
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 10 May 2024

As at the date of this announcement, Mr. Law Tze Ping Eric, Mr. Tang Yiduan, Mr. Shing Pan Yu James and Mr. Chin Chun Hin 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.