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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)

PLACING OF NEW SHARES UNDER SPECIFIC MANDATE

Placing Agent

PineStone 鼎石

PLACING OF NEW SHARES UNDER SPECIFIC MANDATE

On 20 May 2024 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent agrees, as agent of the Company, to procure on a best effort basis not less than six Placees who and whose ultimate beneficial owner(s) (if applicable) shall be Independent Third Parties to subscribe for up to 300,000,000 Placing Shares at the Placing Price of HK\$0.1 per Placing Share.

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing, the maximum of 300,000,000 Placing Shares represent (i) approximately 28.53% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 22.20% of the issued share capital of the Company as enlarged by the allotment and issue of 300,000,000 Placing Shares.

The gross proceeds from the Placing will be HK\$30,000,000 (assuming all the Placing Shares are fully placed). The net proceeds, after deduction of relevant expenses (including but not limited to placing commission, legal expenses and disbursements) of approximately HK\$0.6 million, are estimated to be approximately HK\$29.4 million, representing a net issue price of approximately HK\$0.098 per Placing Share.

The Company intends to apply the net proceeds from the Placing as to HK\$24 million for repayment of the Group's indebtedness and interest expenses and as to HK\$5.4 million as general working capital of the Group.

GENERAL

The Placing Shares will be allotted and issued under the Specific Mandate and the Placing will be subject to the Shareholders' approval at the SGM.

A circular containing, among other things, (i) further details of the Placing; and (ii) a notice convening the SGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

The Placing are conditional upon satisfaction of the conditions set out in this announcement. Accordingly, the Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

PLACING OF NEW SHARES UNDER SPECIFIC MANDATE

On 20 May 2024 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent agrees, as agent of the Company, to procure on a best effort basis not less than six Placees who and whose ultimate beneficial owner(s) (if applicable) shall be Independent Third Parties to subscribe for up to 300,000,000 Placing Shares at the Placing Price of HK\$0.1 per Placing Share. Details of the Placing Agreement are set out below:

The Placing Agreement

Date: 20 May 2024 (after trading hours)

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

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

Pursuant to the terms of the Placing Agreement, the Placing Agent will receive a placing commission of 0.5% of the aggregate Placing Price for the Placing Shares actually placed by the Placing Agent. The placing commission was negotiated on arm's length basis between the Company and the Placing Agent and was determined with reference to, among other things, the prevailing commission rate charged by other placing agents and the price performance of the Shares.

The terms of the Placing Agreement were arrived at after arm's length negotiations between the Company and the Placing Agent under normal commercial terms and with reference to the prevailing market conditions. The Directors consider that the terms of the Placing, including the placing commission, are fair and reasonable based on the current market conditions and the Placing is in the interests of the Company and the Shareholders as a whole.

Placees

The Placing Shares will be placed to not less than six Placees who shall be individuals, corporation(s) and/or institutional or professional investor(s) who and whose ultimate beneficial owners are independent of and not connected with the Company, the connected persons of the Company and their respective associates. Upon Completion, it is expected that none of the Placees will become a substantial Shareholder. Pursuant to the Placing Agreement, the Placing Agent will use its best endeavour to ensure that none of the Placees to be procured by the Placing Agent will, immediately upon Completion, become a substantial Shareholder (within the meaning of the Listing Rules).

Placing Shares

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing, the maximum of 300,000,000 Placing Shares represent (i) approximately 28.53% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 22.20% of the issued share capital of the Company as enlarged by the allotment and issue of 300,000,000 Placing Shares.

The aggregate nominal value of the maximum of 300,000,000 Placing Shares is HK\$30,000,000.

Placing Price

The Placing Price of HK\$0.1 per Placing Share represents:

- (i) a discount of approximately 2.0% to the closing price of HK\$0.102 per Share as quoted on the Stock Exchange on 20 May 2024, being the date of the Placing Agreement;

- (ii) a discount of approximately 4.2% to the average closing price of approximately HK\$0.104 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to the date of the Placing Agreement;
- (iii) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 0.9%, represented by the theoretical diluted price of approximately HK\$0.103 per Share to the benchmarked price of approximately HK\$0.104 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the date of this announcement of HK\$0.102 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\$0.104 per Share); and
- (iv) a cumulative theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) in aggregation with the 2023 Placing and the Placing of Convertible Bonds represented by a discount of approximately 9.8%, represented by the cumulative theoretical diluted price of approximately HK\$0.211 per Share to the theoretical benchmarked price of HK\$0.234 per Share in respect of the 2023 Placing and the Placing of Convertible Bonds (as defined under Rule 7.27B of the Listing Rules, taking into account the benchmarked price of the 2023 Placing and the Placing of Convertible Bonds, being HK\$0.234 per Share).

The Placing Price was arrived at after arm's length negotiations between the Company and the Placing Agent with reference to the prevailing market price and the recent trading performance of the Shares. The Directors consider that the Placing Price and the terms of the Placing Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Ranking of the Placing Shares

The Placing Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Placing Shares.

Conditions

The Placing is conditional upon the fulfilment of the following conditions:

- (i) the passing of necessary resolution(s) by the shareholders of the Company who are allowed to vote under the Listing Rules of the relevant resolution(s) to approve the Placing Agreement and the transactions contemplated hereunder, including the grant of the Specific Mandate at the SGM;
- (ii) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Placing Shares; and

- (iii) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained.

If the foregoing conditions are not fulfilled on or prior to the Long Stop Date, being 31 August 2024 (or such later date as may be agreed between the Company and the Placing Agent), the Placing Agreement shall be terminated and none of the parties to the Placing Agreement shall have any claim against the other for any costs or losses.

Completion

Completion shall take place on the Completion Date, being not later than the seven Business Days following the satisfaction of all the conditions set out in the Placing Agreement (or such other date as may be agreed between the parties to the Placing Agreement in writing).

Application for listing

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

Specific Mandate to issue the Placing Shares

The Placing Shares will be issued under the Specific Mandate to be sought and approved by the Shareholders at the SGM.

Commission

The Placing Agent will be entitled to a commission of 0.5% of the aggregate Placing Price for the Placing Shares successfully placed by the Placing Agent in accordance with the Placing Agreement. The placing commission was negotiated on an arm's length basis between the Company and the Placing Agent.

Force Majeure

The Placing Agent may terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company at any time prior to 10:00 a.m. on the Completion Date if:

- (i) any material breach of any of the representations, warranties and undertakings set out in the Placing Agreement;
- (ii) the introduction of any new law or regulation or any change in existing laws or regulations or change in the interpretation or application thereof;

- (iii) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events or changes occurring or continuing before, on and/or after the date of the Placing Agreement and including an event or change in relation to or a development of an existing state of affairs) of a political, military, industrial, financial, economic or other nature, whether or not sui generis with any of the foregoing, resulting in a material adverse change in, or which might be expected to result in a material adverse change in, political, economic or stock market conditions;
- (iv) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise;
- (v) a change or development involving a prospective change in taxation in Hong Kong, Bermuda or the implementation of exchange controls which shall or might materially and adversely affect the Group (as a whole) or its present or prospective shareholders in their capacity as such;
- (vi) any change or deterioration in the conditions of local, national or international securities markets occurs.

In the event that the Placing Agent terminates the Placing Agreement pursuant to the above, all obligations of each of the parties under the Placing Agreement, shall cease and determine and no party shall have any claim against any other party in respect of any matter arising out of or in connection with the Placing Agreement except for any breach arising prior to such termination.

The Directors are not aware of the occurrence of any of the above events as at the date of this announcement.

CHANGES IN SHAREHOLDING STRUCTURE

The changes in the shareholding structure of the Company as a result of the Placing are as follows:

Shareholders	As at the date of this announcement		Immediately upon completion of the Placing	
	<i>Number of Existing Shares</i>	<i>Approximate Percentage</i>	<i>Number of Issued Shares</i>	<i>Approximate Percentage</i>
<i>Substantial Shareholders</i>				
Mr. Cheung Hung	223,790,000	21.28%	223,790,000	16.56%
China Mining United Holding Group Co., Ltd	108,000,000	10.27%	108,000,000	7.99%
<i>Director</i>				
Mr. Chin Chun Hin	106,800,000	10.16%	106,800,000	7.90%
<i>Public Shareholders</i>				
The Placees (<i>Note</i>)	–	–	300,000,000	22.20%
Other Shareholders	612,958,168	58.29%	612,958,168	45.35%
Total	1,051,548,168	100.00%	1,351,548,168	100.00%

Note: Pursuant to the Placing Agreement, the Placing Agent will use its best endeavour to ensure that none of the Placees to be procured by the Placing Agent will, immediately upon Completion, become a substantial Shareholder (within the meaning of the Listing Rules) and the placees will become public shareholders of the Company upon Completion.

FUND-RAISING ACTIVITIES OF 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	Fund-raising activity	Net proceeds (approximate)	Intended use of gross proceeds as announced	Actual use of net proceeds
13 March 2024, 10 April 2024 and 19 April 2024	Placing of shares under general mandate	HK\$10.3 million	HK\$10.3 million for general working capital	HK\$10.3 million for general working capital
15 December 2023 and 2 February 2024	Placing of new shares under specific mandate	HK\$26.6 million	HK\$22.4 million and approximately HK\$4.2 million of such net proceeds for repayment of the Group's indebtedness and for replenishing the working capital of the Group, respectively	HK\$22.4 million and approximately HK\$4.2 million of such net proceeds for repayment of the Group's indebtedness and for replenishing the working capital of the Group, respectively
3 April 2023 and 5 June 2023	Placing of convertible bonds under specific mandate	HK\$28 million	HK\$23 million for repayment of the Group's indebtedness and interest expenses (excluding those of Mudanjiang Better Day Power Limited) and HK\$5 million for general working capital	HK\$23 million for repayment of the Group's indebtedness and interest expenses (excluding those of Mudanjiang Better Day Power Limited) and HK\$5 million for general working capital

Save as disclosed in the 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.

REASONS FOR AND BENEFITS OF THE PLACING AND USE OF PROCEEDS

The Group is principally engaged in the manufacturing and sales of coal-related chemical products and chemical products for agriculture.

The gross proceeds from the Placing will be HK\$30,000,000 (assuming all the Placing Shares are fully placed). The net proceeds, after deduction of relevant expenses (including but not limited to placing commission, legal expenses and disbursements) of approximately HK\$0.6 million, are estimated to be approximately HK\$29.4 million, representing a net issue price of approximately HK\$0.098 per Placing Share.

The Company intends to apply the net proceeds from the Placing as to HK\$24 million for repayment of the Group's indebtedness and interest expenses and as to HK\$5.4 million as general working capital of the Group.

The Directors are of the view that the Placing can strengthen the financial position of the Group and provide funding to the Group to repay indebtedness and interest expenses of the Group and finance its working capital needs. The Placing also represents a good opportunity to broaden the Shareholders' base and the capital base of the Company.

The Board has considered other alternative fund-raising methods such as debt financing, rights issue or open offer. The Board considered that debt financing may incur further interest burden on the Group and may be subject to lengthy due diligence and negotiations with the banks with reference to the Group's financial position and the then financial market condition and it may be relatively uncertain and time-consuming. On the other hand, rights issue or open offer may also involve relatively substantial time and cost to complete as compared to the equity financing through issue of the new Shares under Specific Mandate.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Placing Agreement are fair and reasonable and are on normal commercial terms and the Placing is in the interest of the Company and the Shareholders as a whole.

GENERAL

The Placing Shares will be allotted and issued under the Specific Mandate and the Placing will be subject to the Shareholders' approval at the SGM.

A circular containing, among other things, (i) further details of the Placing; and (ii) a notice convening the SGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

The Placing are conditional upon satisfaction of their respective conditions set out in this announcement. Accordingly, the Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“2023 Placing”	the placing of 280,000,000 new Shares under specific mandate conducted by the Company in December 2023 and completed in February 2024
“associates”	has the meaning ascribed thereto in the Listing Rules

“Board”	the board of Directors of the Company
“Business Day(s)”	means any day (excluding a Saturday, Sunday or public holiday) on which banks generally are open for business in Hong Kong
“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 Placing in accordance with the terms and conditions of the Placing Agreement
“Completion Date”	no later than the seven Business Days following the satisfaction of all the conditions set out in the Placing Agreement (or such later date as may be agreed between the parties to the Placing Agreement in writing)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of, not connected or acting in concert (as defined in The Hong Kong Code on Takeovers and Mergers) with any directors, chief executive or substantial shareholder(s) of the Company or its subsidiaries and any of their respective associates
“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 August 2024 (or such later date as may be agreed between the Company and the Placing Agent)

“Placee(s)”	any individual(s), corporation(s) and/or institutional or professional investor(s) procured by or on behalf of the Placing Agents or its agent(s) to subscribe for any of the Placing Shares
“Placing”	the placing of up to 300,000,000 Placing Shares on a best effort basis on and subject to the terms and conditions set out in the Placing Agreement
“Placing Agent”	Pinestone Securities Limited, a licensed corporation to carry out business in type 1 (dealing in securities) regulated activity under the SFO
“Placing Agreement”	the conditional placing agreement dated 20 May 2024 and entered into between the Company and the Placing Agent in relation to the Placing
“Placing of Convertible Bonds”	the placing of convertible bonds in the principal amount of HK\$28,600,000 convertible into Shares at the conversion price of HK\$0.21 per Share conducted by the Company in April 2023 and completed in June 2023
“Placing Price”	HK\$0.1 per Placing Share
“Placing Share(s)”	a maximum of up to 300,000,000 new Shares to be placed pursuant to the Placing Agreement
“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
“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, the Placing Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate for the allotment and issue of the Placing Shares
“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

“Specific Mandate”	the specific mandate to be granted by the Shareholders at the SGM to allot and issue a maximum of 300,000,000 Placing Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 20 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.