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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 with limited liability)

(Stock Code: 362)

PLACING OF EXISTING SHARES AND TOP-UP SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



VC BROKERAGE LIMITED
滙盈證券有限公司

PLACING AND SUBSCRIPTION

After trading hours on 5 April 2016, the Vendor, the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Vendor has appointed the Placing Agent, and the Placing Agent, as the placing agent of the Vendor, have agreed, to act as agent for the Vendor to procure Places on a best efforts basis for a maximum of 138,000,000 Placing Shares at the Placing Price of HK\$0.315 per Placing Share. Simultaneously the Company and the Vendor entered into the Subscription Agreement pursuant to which the Vendor conditionally agreed to subscribe for the Subscription Shares at the Subscription Price of HK\$0.315 per Subscription Share which is equivalent to the Placing Price.

The Placing Agent agreed to place the Placing Shares to not fewer than six Places who and whose ultimate beneficial owners are third parties independent of and are not connected with the Company and its connected persons. The maximum total number of the Placing Shares (or the maximum total number of the Subscription Shares) represents (i) approximately 5.79% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 5.47% of the issued share capital of the Company as enlarged by the Subscription, assuming there is no change in the issued share capital of the Company before completion of the Subscription.

The number of the Subscription Shares shall be equal to the number of the Placing Shares. The Subscription is conditional upon (a) completion of the Placing having taken place pursuant to the terms of the Placing Agreement; and (b) listing of, and permission to deal in, all the Subscription Shares being granted by the Stock Exchange (and such permission and listing not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares).

Assuming that the maximum number of 138,000,000 Placing Shares are placed to the Placees in full and the equivalent number of Subscription Shares are subscribed for under the Subscription, the maximum gross proceeds from the Subscription will be approximately HK\$43,470,000 and the maximum net proceeds from the Subscription will be approximately HK\$43,035,300. The Company intends to use the net proceeds from the Subscription as general working capital (including but not limited to repayment of bank loans of the Group and/or for future development of the Company).

ISSUE OF SUBSCRIPTION SHARES UNDER GENERAL MANDATE

The Subscription Shares will be issued under the General Mandate granted to the Directors by a resolution passed at the AGM of the Company held on 18 December 2015. As at the date of this announcement, no Shares have been allotted and issued pursuant to the General Mandate. Accordingly, the allotment and issue of the Subscription Shares are not subject to any additional Shareholders' approval.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares to be issued. Further announcement will be made by the Company upon completion of the Placing and the Subscription.

Completion of the Placing and the Subscription is subject to certain conditions. As the Placing and the Subscription may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

The Board is pleased to announce that after trading hours on 5 April 2016, the Vendor, the Company and the Placing Agent entered into the Placing Agreement and Subscription Agreement and the principal terms of which are summarised below.

THE PLACING

Date

5 April 2016 (after trading hours)

Parties

- (1) the Vendor;
- (2) the Company; and
- (3) 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 is a third party independent of the Company and its connected persons (as defined in the Listing Rules).

Number of Placing Shares

The Placing Agent has agreed to act as agent for the Vendor to procure Placees, on a best efforts basis, for a maximum of 138,000,000 Placing Shares at HK\$0.315 per Placing Share.

The maximum total number of the Placing Shares represents (i) approximately 5.79% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 5.47% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares, assuming there is no change in the issued share capital of the Company before the completion of the Subscription. The maximum nominal value of the Placing Shares under the Placing is HK\$13,800,000.

Placing Price

The Placing Price of HK\$0.315 represents:

- (i) a discount of approximately 5.97% to the closing price of HK\$0.335 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a premium of approximately 0.64% to the average closing price of approximately HK\$0.313 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to the Last Trading Day.

The Placing Price (or the Subscription Price) was arrived at after arm's length negotiations between the Vendor, the Company and the Placing Agent with reference to the recent market price of the Shares. The Directors (including the independent non-executive Directors) consider that the terms of the Placing Agreement and the Subscription Agreement (including the Placing Price) are fair and reasonable under the current market conditions and are in the interests of the Company and the Shareholders as a whole.

The Placees

The Placing Agent agreed to place the Placing Shares to not fewer than six Placees who and whose ultimate beneficial owners are third parties independent of and are not connected with the Company and its connected persons. It is not expected that any individual Placee will become a substantial shareholder of the Company immediately after the Placing. In the event any of the Placees becomes a substantial shareholder after completion of the Placing, further announcement will be made by the Company.

Ranking of the Placing Shares

The Placing Shares are fully paid, rank *pari passu* in all respects with all other Shares, and are free from all liens, charges, encumbrances and third party rights of whatsoever nature and will be sold together with all rights attaching thereto at the Placing Completion Date including the right to receive all dividends and other distributions which may be declared, made or paid in respect of the Shares, the record date for which shall fall on or after the Placing Completion Date.

Completion of the Placing

Completion of the Placing is expected to take place on or before 18 April 2016, meaning the second business days after the Transaction Date, or such other date as the Vendor, the Company and the Placing Agent shall agree.

THE SUBSCRIPTION

Number of Subscription Shares

The number of the Subscription Shares is equal to the number of the Placing Shares, being a maximum of 138,000,000 new Shares with an aggregate maximum nominal value of HK\$13,800,000. The maximum number of the Subscription Shares represents (i) approximately 5.79% of the existing issued shares of the Company as at the date of this announcement; and (ii) approximately 5.47% of the issued shares of the Company as enlarged by the Subscription, assuming there is no change in the total number of issued shares of the Company before the completion of the Subscription.

Subscription Price

The Subscription Price is HK\$0.315 per Subscription Share, which is equivalent to the Placing Price. A comparison of the Subscription Price with the prevailing market prices of the Shares is set out in the paragraph headed “Placing Price” above.

Ranking of the Subscription Shares

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with the other Shares in issue at the time of allotment and issue of the Subscription Shares including the rights to all dividends and other distributions declared, made or paid at any time on or after the date of allotment.

Conditions Precedent of the Subscription

The Subscription is conditional upon:

- (a) completion of the Placing having taken place pursuant to the terms of the Placing Agreement; and
- (b) listing of, and permission to deal in, all the Subscription Shares being granted by the Stock Exchange (and such permission and listing not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares).

Each of the Company and the Subscriber shall use its best endeavours to procure the fulfilment of the conditions set out above and in particular shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as may reasonably be required by each other, the SFC and/or the Stock Exchange in connection with the fulfilment of such conditions and the Company will inform the Subscriber promptly following the fulfilment of the same.

If the conditions precedent are not fulfilled on or prior to 18 April 2016, the Subscription Agreement shall terminate and neither of the parties thereto will have any claim against the other for costs, damages, compensation or otherwise save for any antecedent breach of the Subscription Agreement.

Termination of the Placing Agreement and the Subscription Agreement

If at any time at or prior to 9:30 a.m. (Hong Kong time) on the Placing Completion Date:

- (A) in the opinion of the Placing Agent there shall have been since the date of the Placing Agreement such a change in national or international financial, political or economic or market (including stock market) conditions or taxation or currency exchange or exchange controls as would be likely to materially adverse to the success of the Placing; or
- (B) any breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date thereof and prior to the Placing Completion Date which if it had occurred or arisen before the date thereof would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Vendor of any other provision of the Placing Agreement; or
- (C) there is any adverse change in the financial position of the Company which in the reasonable opinion of the Placing Agent is material in the context of the Placing; or
- (D) any new law or regulation or any change or development involving a prospective change in existing laws and regulations in any relevant jurisdiction which in the opinion of the Placing Agent has or is likely to have a material adverse effect on the financial position of the Company and/or of the Group as a whole; or
- (E) any suspension of dealings in the Shares for a period of more than 10 consecutive trading days on the Stock Exchange (other than as a result of the Placing); or

(F) any outbreak or escalation of hostilities or act of terrorism involving Hong Kong or the People's Republic of China or the declaration by Hong Kong or the People's Republic of China of a national emergency or war; or

(G) any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise at any time prior to the Placing Completion Date;

then and in any such case, the Placing Agent may terminate this Agreement without liability to the Company and/or to the Vendor by giving notice in writing to the Vendor and the Company, provided that such notice is received prior to 4:00 p.m. (Hong Kong time) on the Placing Completion Date.

Pursuant to the Subscription Agreement, the Company and/or the Subscriber shall be entitled by notice given to the other party at any time prior to the Subscription Completion Date to terminate the Subscription Agreement if, by the date of such termination notice, the Placing Agreement has been terminated in accordance with the Placing Agreement.

Upon termination of the Placing Agreement and the Subscription Agreement, all liabilities of the parties hereto thereunder shall cease and determine and no party hereto shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Placing and Subscription Agreement save in respect of any antecedent breach of any obligation under the Placing Agreement or the Subscription Agreement (as the case may be).

Completion of the Subscription

Subject to the fulfillment of the above conditions, completion of the Subscription shall take place on the next business day after the date upon which all the conditions of the Subscription above have been fulfilled or such later time and/or date as the Placing Agent may agree in writing.

ISSUE OF SUBSCRIPTION SHARES UNDER GENERAL MANDATE

The Subscription Shares will be allotted and issued under the General Mandate granted to the Directors by a resolution passed at the AGM of the Company held on 18 December 2015. Under the General Mandate, the Directors are allowed to allot and issue up to 476,579,903 Shares (representing 20% of the aggregate share capital of the Company in issue on that date). As at the date of this announcement, no Shares have been allotted and issued pursuant to the General Mandate. Accordingly, the allotment and issue of the Subscription Shares are not subject to any additional Shareholders' approval.

APPLICATION FOR LISTING

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares to be issued. Further announcement will be made by the Company upon completion of the Placing and the Subscription.

REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS

The Directors consider the Placing and the Subscription represents an opportunity for the Company to raise capital while broadening its shareholder base as well as its capital base. Accordingly, the Directors (including the independent non-executive Directors) consider that the terms of the Placing Agreement and Subscription Agreement (including the Placing Price) are fair and reasonable under the current market conditions and are in the interests of the Company and the Shareholders as a whole.

The Group is principally engaged in the manufacture and sale of coal-related chemical products, biochemical products and generation and supply of power and steam. Coal related chemical products comprise vinyl acetate products, polyvinyl-chloride products and calcium carbide. Biochemical products include glucose, starch and Vitamin C. Assuming that the maximum number of 138,000,000 Placing Shares is placed to the Places in full and the equivalent number of Subscription Shares is subscribed for under the Subscription, the maximum gross proceeds from the Subscription will be approximately HK\$43,470,000 and the maximum net proceeds from the Subscription will be approximately HK\$43,035,300. On such basis, the net price to the Company of each Subscription Share is approximately HK\$0.312. The Company intends to use the net proceeds from the Subscription as general working capital (including but not limited to repayment of bank loans of the Group and/or for future development of the Company).

FUND RAISING ACTIVITIES OF THE COMPANY IN THE 12 MONTHS IMMEDIATELY PRECEDING THE DATE OF THIS ANNOUNCEMENT

The Company has not carried out any equity fund raising activities during the 12 months immediately preceding the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after completion of the Placing (assuming the Placing Shares are placed in full) but before the Subscription; and (iii) immediately after completion of the Subscription (assuming the Subscription Shares are subscribed in full) are set out below:

Shareholder	(1) As at the date of this announcement		(2) Immediately after completion of the Placing (assuming the Placing Shares are placed in full) but before the Subscription		(3) Immediately after completion of the Subscription (assuming the Subscription Shares are subscribed in full)	
	No. of shares	Approximate	No. of shares	Approximate	No. of shares	Approximate
		%		%		%
The Vendor	375,232,629	15.75	237,232,629	9.96	375,232,629	14.89
The Placees	—	—	138,000,000	5.79	138,000,000	5.47
Other public shareholders	<u>2,007,666,890</u>	<u>84.25</u>	<u>2,007,666,890</u>	<u>84.25</u>	<u>2,007,666,890</u>	<u>79.64</u>
Total	<u>2,382,899,519</u>	<u>100.00</u>	<u>2,382,899,519</u>	<u>100.00</u>	<u>2,520,899,519</u>	<u>100.00</u>

Completion of the Placing and Subscription Agreement is subject to certain conditions. As the Placing and Subscription may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

Unless the context requires otherwise, the following words and phrases used in this announcement have the following meanings:

“AGM”	the annual general meeting of the Company held on 18 December 2015
“associate(s)”	has the meaning as ascribed to it in the Listing Rules
“Board”	The board of Directors
“business day”	any day (excluding a Saturday) on which banks generally are open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Company”	China Zenith Chemical Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning as ascribed to it in the Listing Rules

“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by a resolution passed at the AGM of the Company held on 18 December 2015 to allot, issue or otherwise deal with Shares up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company in issue as at 18 December 2015, being the date of such AGM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	5 April 2016
“Listing Rules”	the Rules Governing the Listing of Securities on the main board of the Stock Exchange
“Placee(s)”	the placee(s) to be procured by the Placing Agent under the Placing
“Placing”	the placing, on a best effort basis, of a maximum of 138,000,000 existing Shares pursuant to the terms of the Placing and Subscription Agreement
“Placing Agent”	VC Brokerage Limited
“Placing Agreement”	the Placing Agreement dated 5 April 2016 entered into between the Vendor, the Company and the Placing Agent in relation to the Placing
“Placing Completion Date”	means the second business days after the date of the Transaction Date
“Placing Price”	HK\$0.315 per Placing Share
“Placing Shares”	a maximum of 138,000,000 existing Shares and each, a “Placing Share”
“Share(s)”	ordinary share(s) of HK\$0.10 each of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription by the Vendor for the Subscription Shares pursuant to the terms of the Placing and Subscription Agreement

“Subscription Agreement”	the Subscription Agreement dated 5 April 2016 entered into between the Vendor and the Company in relation to the Subscription
“Subscription Completion Date”	means the date of completion of the Subscription
“Subscription Price”	HK\$0.315 per Subscription Share
“Subscription Shares”	such number of new Shares to be subscribed by the Vendor pursuant to the Placing and Subscription Agreement, which number shall be equal to the number of Placing Shares actually placed under the Placing and Subscription Agreement and each a “Subscription Share”
“Transaction Date”	the date on which the sale and purchase of the Placing Shares are input into the Automatic Order Matching System as operated by the Stock Exchange
“Vendor”	Mr. Chan Yuen Tung
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 5 April 2016

As at the date of this announcement, Ms. Chan Yuk Foebe, Mr. Law Tze Ping Eric and Mr. Yu Defa 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.