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## **China Zenith Chemical Group Limited**

### **中國天化工集團有限公司**

*(Incorporated in Cayman Islands with limited liability)*

**(Stock Code: 362)**

### **PROPOSED ISSUE OF ZERO COUPON CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

#### **PROPOSED ISSUE OF CONVERTIBLE BONDS**

On 30 June 2016 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe for, the Convertible Bonds with an aggregate principal amount of HK\$400,000,000 in eight separate tranches of HK\$50,000,000 each.

Bondholders will be entitled to convert the outstanding principal amount of the Convertible Bonds into Conversion Shares at the Conversion Price during the Conversion Period. Assuming exercise in full of the Conversion Rights at the initial Conversion Price of HK\$0.40 (subject to adjustment), an aggregate of 1,000,000,000 Conversion Shares will be issued, representing approximately 34.78% of the issued share capital of the Company as at the date of this announcement and approximately 25.81% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming there was no repurchase of Shares or issue of other new Shares and no interest under the Convertible Bonds was paid by issue of Conversion Shares).

It is expected that, after deduction of the estimated expenses of approximately HK\$1.9 million, net proceeds of approximately HK\$398.1 million will be raised through the CB Issue. The net proceeds will be used as to HK\$106.7 million for finalising the construction of the coal-powered electricity generation plant in Mudanjiang, as to HK\$51.8 million for repayment of bank loans and as to the remaining HK\$239.6 million for the general working capital of the Group.

The Conversion Shares will be issued under the Specific Mandate. The EGM will be convened and held for the purpose of considering and, if thought fit, approving, among other things, the grant of the Specific Mandate.

A circular containing, among other things, further details of the Subscription Agreement, the Convertible Bonds, the Specific Mandate and the notice of the EGM, will be despatched by the Company to the Shareholders as soon as practicable in accordance with the Listing Rules.

**Completion of the Subscription Agreement is subject to the fulfillment or waiver of the conditions precedent under the Subscription Agreement. Accordingly, the CB Issue may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## (1) THE CB SUBSCRIPTIONS

On 30 June 2016 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe for, the Convertible Bonds with an aggregate principal amount of HK\$400,000,000 in eight separate batches of HK\$50,000,000 each.

The principal terms of the Subscription Agreement are set out below.

**Date** : 30 June 2016

### **Parties**

**Issuer** : the Company

**The Subscriber** : Triasia Holdings Limited, a limited liability company incorporated in the British Virgin Islands.

According to the information provided to the Company, Triasia Holdings Limited is a wholly owned subsidiary of Poly (China) Commercial Property Development Limited (“PCCPD”). PCCPD, a Hong Kong incorporated and based company, is an affiliate of Shenzhen Poly Property Management Group Limited (深圳市保利物業管理集團有限公司). PCCPD is principally engaged in overseas mergers and acquisitions, overseas investments, and overseas real estate transactions, the projects to which it is an agent or it takes part spread across North America, Europe and Australia.

To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, the Subscriber and its ultimate beneficial owner(s) are third parties independent of and are not connected persons (as defined under the Listing Rules) of the Company.

## **Conditions precedent**

The obligation of the Subscriber to subscribe and pay for the Convertible Bonds is subject to the fulfillment (or waiver) of each of the following conditions at or prior to a Closing:

- (a) the passing by the shareholders of the Company at the EGM of the necessary ordinary resolutions approving the Subscription Agreement and the transactions contemplated thereunder in accordance with the Listing Rules;
- (b) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Conversion Shares falling to be issued upon exercise of the conversion rights attached to the Convertible Bonds;
- (c) the Company Warranties having remained true and accurate and not misleading in all respects as at the relevant Closing;
- (d) the Subscriber Warranties having remained true and accurate and not misleading in all respects as at the relevant Closing; and
- (e) there being no injunction, restraining order or other order or any other legal or regulatory restraint or prohibition having been issued or made by any court of competent jurisdiction or Governmental Authority in effect precluding or prohibiting consummation of any part of the transactions contemplated under the Transaction Documents.

If any of the conditions has not been fulfilled or waived (other than condition (a) which cannot be waived by the Parties) on or before the Long Stop Date, the Subscription Agreement shall lapse and none of the parties thereto shall have any obligations and liabilities towards each other save for any prior breaches of the terms of the Subscription Agreement.

The Subscriber may at its sole and absolute discretion waive conditions (c) and (e) above. The Company may at its sole and absolute discretion waive condition (d) above.

## **Completion of Subscription**

Pursuant to the Subscription Agreement, subject to the fulfillment (or as the case may waiver) of the conditions set out in subsection “Conditions Precedent” above, the Company shall on each Closing create and issue the Convertible Bonds in eight (8) tranches for a principal amount of HK\$50,000,000 per tranche. The total principal of the eight (8) tranches of the Convertible Bonds shall be HK\$400,000,000.

The Closing of the first tranche of the issue of the Convertible Bonds shall take place on the date of the First Closing which shall be a date no later than six (6) months after the fulfillment (or as the case may be waiver) of all the Conditions Precedent or at such other place and time as the Company and the Subscriber may mutually agree upon. The remaining seven (7) tranches of the Convertible Bonds shall be issued in every two (2) weeks’ interval following the First Closing.

The consideration for the Convertible Bonds shall be payable by the Subscriber to the Company upon each Closing.

Notwithstanding any other provisions in the Subscription Agreement, after signing the Subscription Agreement, the Subscriber shall have the right to issue a written notice to the Company at any time but in any event at least two (2) Business Days prior to a Closing Date to terminate the Agreement. Upon such written notice having been served, the Subscriber shall be under no obligation to proceed to the Closing and shall have no further obligations to subscribe for the Convertible Bond in the remaining tranche(s) and shall be released from all obligations under the Agreement.

## (2) PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds are arrived at after arm's length negotiations between the Company and the Subscriber and are summarized as follows:

- Issuer** : the Company
- Principal amount** : an aggregate principal amount of HK\$400,000,000 in eight tranches with a principal amount of HK\$50,000,000 per tranche
- Interest** : the Convertible Bonds are zero coupon bonds and bear no interest
- Maturity date** : three (3) years from the Issue Date of a Convertible Bond
- Conversion Shares** : up to 1,000,000,000 Shares
- Conversion period** : the period commencing from the Business Day immediately following the expiry of six (6) months after the Issue Date of a Convertible Bond and ending on the fifth (5th) Business Day before the Maturity Date of the relevant Convertible Bond
- Conversion** : the holder of the Convertible Bonds shall, subject to compliance with the procedures set out in the terms and conditions under the Transaction Documents, 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
- Conversion Rights** : the rights attached to the Convertible Bonds to convert the whole of the principal amount (and not part thereof) into Shares
- No fraction of a Conversion Share shall be issued on conversion of the Convertible Bond
- Conversion Price** : HK\$0.40 per Conversion Share, subject to the adjustments

**Adjustments of the Conversion Price** : the Conversion Price shall from time to time be adjusted upon the occurrence of the following:

- (a) consolidation and subdivision of the Shares;
- (b) capitalisation of profits or reserves (other than in lieu of a cash dividend);
- (c) issue of Shares by way of rights, or shall grant to holders of Shares any options, warrants or other rights to subscribe for or purchase any Shares;
- (d) a Bondholder acting reasonably considers that an adjustment in case of adjustment events set out in paragraphs (a) to (c) above should not be made or should be calculated on a different basis or that an adjustment to the Conversion Price should be made notwithstanding that no such adjustment is required under the said provisions and the approved merchant bank appointed by the company holds the same view;
- (e) issue of any securities if and whenever the Company shall issue wholly for cash which are convertible into, exchangeable for or carry rights of subscription for Shares at an effective price which is less than the closing price per Share at the date of the announcement of the terms of issue of such securities;
- (f) modification of rights of conversion or exchange or subscription attaching to any such securities so that the effective price will be less than the closing price at the date of the announcement of the proposal to modify such rights of conversion or exchange or subscription;
- (g) issue of Shares wholly for cash at more than 20% discount to the closing price of at the date of announcement of the terms of issue such Shares; and
- (h) issue of Shares for acquisition of asset at more than to the closing price of at the date of announcement of the terms of issue such Shares

**Ranking** : the Shares converted upon exercise of the Conversion Rights shall rank *pari passu* in all respects with all other existing Shares at the date of conversion and all Conversion Shares shall include rights to participate in all dividends and other distributions

**Listing** : no application will be made by the Company for listing of the Convertible Bonds. 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 Conversion Shares

**Redemption** : unless previously redeemed, converted, purchased or cancelled, the Company will on the Maturity Date, redeem the Convertible Bonds at 100% of its principal amount

The Company may at its sole and absolute discretion, at any time during the period from the Issue Date to the date falling on the expiry of six (6) months from the Issue Date (both dates inclusive) by written notice to the Bondholder, redeem the whole or part of the outstanding principal amount of the Convertible Bonds

**Event of default** : if any event of default set out in the terms and conditions of the Convertible Bonds occurs, the Bondholder may give notice to the Company that the Convertible Bonds together with the interest accrued thereon will become immediately due and repayable

**Voting rights** : the Convertible Bonds shall not carry any voting rights

### **Specific Mandate**

The Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the Conversion Shares under the Specific Mandate, are subject to the approval of the Independent Shareholders at the EGM.

Application will be made by the Company to the Stock Exchange for the grant of listing of and permission to deal in the Subscription Shares.

### **Transferability**

The Convertible Bonds will be transferable without the consent of the Company except that the Convertible Bonds can only be transferred to a connected person of the Company if prior written consent of the Company is obtained.

### **Ranking of the Convertible Bonds**

The Convertible Bonds constitute general and unsecured obligations of the Company and rank equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company.

## Conversion Price

The Conversion Price of HK\$0.40 per Conversion Share represents:

- (i) a premium of approximately 53.8% to the closing price of HK\$0.26 per Share quoted on the Stock Exchange on the date of the Subscription Agreement; and
- (ii) a premium of approximately 57.5% to the average closing price of HK\$0.254 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately prior to the date of the Subscription Agreement.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the prevailing market prices of the Shares as shown above.

The Directors (including independent non-executive Directors) consider that the CB Issue and transactions contemplated thereunder are on normal commercial terms determined after arm's length negotiation among the parties, fair and reasonable and in the interests of the Company and the Shareholders as whole.

### (3) EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of the Conversion Shares upon exercise of the conversion rights in full under the Convertible Bonds.

Shareholders	(i) As at the date of this announcement		(ii) Immediately upon full conversion of the Convertible Bonds	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Mr. Chan Yuen Tung	409,689,629	14.25	409,689,629	10.57
Ms. Zhu Aijing	284,000,000	9.88	284,000,000	7.33
Ms. Chan Yuk Foebe	60,030,000	2.09	60,030,000	1.55
Mr. Law Tze Ping Eric	400,000	0.01	400,000	0.01
The Subscriber	—	—	1,000,000,000	25.81
Public shareholders	<u>2,120,779,890</u>	<u>73.77</u>	<u>2,120,779,890</u>	<u>54.73</u>
<b>Total</b>	<u><u>2,874,899,519</u></u>	<u><u>100.00</u></u>	<u><u>3,874,899,519</u></u>	<u><u>100.00</u></u>

#### (4) FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS FROM THE DATE OF THIS ANNOUNCEMENT

The Company has conducted the following fund raising activities in the past 12 months immediately preceding the date of this announcement:

Date of announcement	Event	Approximate net proceeds	Intended use of net proceeds as stated in the announcement and/or circular	Actual use of Proceeds/ Remark
5 April 2016	Placing of Shares under general mandate of the Company.	Approximately HK\$43,000,000.	For general working capital (including but not limited to repayment of bank loans of the Group and/or for future development of the Company).	Used as general working capital

Apart from the above capital raising activities, the Company did not conduct any other fundraising on issue of equity securities in the last 12 months immediately preceding the date of this announcement.

#### (5) REASONS FOR THE CB ISSUE AND USE OF PROCEEDS

It is the Group's strategy to identify suitable investment opportunities to acquire targets plants with good prospects and potential for stable returns.

It is expected that, after deduction of the estimated expenses of approximately HK\$1.9 million, net proceeds of approximately HK\$398.1 million will be raised through the CB Issue. The net proceeds will be used as to HK\$106.7 million for finalising the construction of the coal-powered electricity generation plant in Mudanjiang, as to HK\$51.8 million for repayment of bank loans and as to the remaining HK\$239.6 million for the general working capital of the Group.

A circular containing, among other things, (i) further details of the CB Issue; (ii) the notice convening the EGM; and (iii) other information as required under the Listing Rules will be despatched to the Shareholders on or before 21 July 2016.

**Completion of the Subscription Agreement is subject to fulfillment or waiver of the conditions precedent under the Subscription Agreement. Accordingly, the CB Issue may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**



## DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Bondholder”	the person who is for the time being the holder of the Convertible Bonds.
“Business Day”	a day (other than a Saturday, Sunday) any day (excluding a Saturday) on which banks generally open for normal banking business in Hong Kong
“CB Issue”	the proposed issue of Convertible Bonds by the Company to the CB Subscriber under the Subscription Agreement
“Closing”	completion of a tranche of subscription of the Convertible Bonds under the Subscription Agreement
“Company”	China Zenith Chemical Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 362)
“Conversion Period”	the period commencing from the Business Day immediately following the expiry of six (6) months after the Issue Date of a Convertible Bond and ending on the fifth (5th) Business Day before the Maturity Date of the relevant Convertible Bond
“Conversion Price”	the initial conversion price of HK\$0.40 per Share, subject to the Adjustment
“Conversion Shares”	up to 1,000,000,000 Shares to be allotted and issued by the Company to the Subscriber upon exercise of the conversion rights attached to the Convertible Bonds
“Convertible Bonds”	the convertible bonds for an aggregate principal amount of HK\$400,000,000 to be issued by the Company to the Subscriber pursuant to the Subscription Agreement and convertible into the Conversion Shares at the Conversion Price with the benefit and subject to the provisions of the Transaction Documents
“Director(s)”	director(s) of the Company

“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve the Subscription Agreement and the transactions contemplated thereunder
“First Closing”	completion of the subscription of the first tranche of the Convertible Bonds under the Subscription Agreement
“Group”	the Company together with its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Issue Date”	the date of Issue of a Convertible Bond
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	two (2) months from the signing of the Subscription Agreement
“Share(s)”	ordinary shares of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Triasia Holdings Limited, a limited liability company incorporated in the British Virgin Islands and whose principal business is investments holding, and the subscriber of the Convertible Bonds under the Subscription Agreement
“Subscription Agreement”	the conditional agreement dated 30 June 2016 entered into between the Company and the Subscriber in relation to the subscription of the Convertible Bonds
“Transaction Documents”	means (i) Subscription Agreement, (ii) the Convertible Bonds as represented by the Bond Certificate (together with the Terms and Conditions) and (iii) any deeds of adherence, other agreements, instruments, certificates executed or entered into by the Company pursuant to or in connection with any of the foregoing
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%”	per cent

*If there is any inconsistency in this announcement between the Chinese and English versions and the English version shall prevail.*

By order of the Board  
**China Zenith Chemical Group Limited**  
**Chan Yuk Foebé**  
*Chairman and Chief Executive Officer*

30 June 2016

*As at the date of this announcement, Ms. Chan Yuk Foebé, 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.*