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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 OPEN OFFER ON THE BASIS OF
ONE OFFER SHARE FOR FOUR EXISTING SHARES HELD
ON THE RECORD DATE
AND
PROPOSED ISSUE OF BONUS SHARES ON
THE BASIS OF ONE BONUS SHARE FOR EVERY OFFER
SHARE TAKEN UP UNDER THE OPEN OFFER**

Underwriter



PROPOSED OPEN OFFER AND UNDERWRITING ARRANGEMENTS

The Board is pleased to announce that on 15 August 2016 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter in relation to the underwriting and certain other arrangements in respect of the Open Offer.

The Company proposes to carry out the Open Offer on the basis of one Offer Share for every four existing Shares held on the Record Date and issue of bonus shares on the basis of one Bonus Share for every Offer Share taken up under the Open Offer. The Open Offer involves the allotment and issue of 718,724,879 Offer Shares at a price of HK\$0.10 per Offer Share, subject to any issue of new Shares by the Company on or before the Record Date.

Subject to the satisfaction of the conditions of the Open Offer, the Bonus Shares will be issued to the registered holders of the Offer Shares on the basis of one Bonus Share for every Offer Share taken up under the Open Offer. On the basis of 718,724,879 Offer Shares to be issued under the Open Offer, 718,724,879 Bonus Shares will be issued. The Bonus Shares will be credited as fully paid at par (HK\$0.10) by way of capitalisation of the amount equal to the total par value of the Bonus Shares standing to the credit of the share premium account of the Company.

The Open Offer is only available to the Qualifying Shareholders and such Qualifying Shareholders are not entitled to apply for any Offer Shares which are in excess of their assured entitlements.

As at the date of the Underwriting Agreement, Mr. Chan is the legal and beneficial owner of 417,829,629 Shares. Mr. Chan has given an irrevocable undertaking in favour of the Company and the Underwriter to subscribe for 104,457,407 Offer Shares to which Mr. Chan is entitled under the Open Offer.

Taking into account the Chan Undertaking, the remaining Offer Shares (i.e. the Underwritten Shares) are fully underwritten by the Underwriter and the terms of the Open Offer are determined after arm's length negotiation between the Company and the Underwriter.

All of the holders of Share Options have also given irrevocable undertakings in favour of the Company and the Underwriter not to exercise any of the Share Options held by them before the Record Date.

The gross proceeds of the Open Offer will be approximately HK\$71.9 million. It is expected that the aggregate expenses of the Company to be incurred in connection with the Open Offer will be approximately HK\$1.8 million. The Company plans to use the net cash proceeds from the Open Offer of approximately HK\$70.1 million for (i) strengthening the capital base of the Group and allowing the Group to maintain sufficient financial flexibility necessary for its future business development; and (ii) reducing current debts of the Group.

GENERAL

As the Open Offer would not increase either the issued share capital or the market capitalisation of the Company by more than 50%, the Open Offer is not required by the Listing Rules to be approved by the Shareholders in a general meeting. However, the reduction of the share premium account of the Company is required by the Memorandum and Articles of Association of the Company to be approved by an ordinary resolution of the Shareholders in a general meeting.

The Company expects to despatch the circular containing, among other things, details of (i) the Open Offer (including the absence for excess application arrangement); (ii) the Bonus Issue; (iii) the Underwriting Agreement; and (iv) a notice convening the EGM to Shareholders, on or before Friday, 2 September 2016.

To the best knowledge, belief and information of the Directors having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolution to approve the Bonus Issue at the EGM.

Subject to the Bonus Issue being approved at the EGM, the Prospectus Documents containing, among other things, further details of the Open Offer is expected to be despatched by the Company to Qualifying Shareholders on the Prospectus Posting Date which shall be the Business Day immediately following the Record Date, and the Prospectus will be despatched to the Non-Qualifying Shareholders for information only.

WARNING OF THE RISKS OF DEALINGS IN THE SHARES

The Open Offer is conditional, *inter alia*, upon the fulfillment of the conditions set out below under the section headed “Conditions of the Open Offer”. The Underwriter is entitled under the Underwriting Agreement to terminate the Underwriting Agreement on the occurrence of certain events, including but not limited to force majeure, as described below. The Open Offer is also subject to the Underwriter not terminating the Underwriting Agreement. Accordingly, the Open Offer may or may not proceed.

Any dealing in the Shares from the date of this announcement up to the date on which all the conditions of the Open Offer are fulfilled will accordingly bear the risk that the Open Offer may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares are advised to consult their own professional advisers.

PROPOSED OPEN OFFER AND ISSUE OF BONUS SHARES

The Board is pleased to announce that on 15 August 2016 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter in relation to the underwriting and certain other arrangements in respect of the Open Offer. Details of the proposed Open Offer and the issue of Bonus Shares are set out as follows:

Basis of the Open Offer:	One Offer Share for every four existing Shares held by the Qualifying Shareholders on the Record Date
Basis of the Bonus Issue:	One Bonus Share for every Offer Share taken up under the Open Offer
Number of Shares in issue:	2,874,899,519 Shares as at the date of this announcement
Number of Offer Shares:	718,724,879 Offer Shares
Number of Offer Shares agreed to be taken up by Mr. Chan:	104,457,407 Offer Shares
Number of Offer Shares underwritten by the Underwriter:	614,267,472 Offer Shares, being the number of the Offer Shares less the aggregate number of the Offer Shares agreed to be taken up by Mr. Chan under the Chan Undertaking. Accordingly, the Open Offer is fully underwritten
Subscription Price for the Offer Shares:	HK\$0.10 per Offer Share
Number of Bonus Shares:	718,724,879 Bonus Shares
Enlarged issued share capital upon completion of the Open Offer assuming no exercise of the outstanding Share Options on or prior to the Record Date:	4,312,349,277 Shares

As at the date of this announcement, the Company has 80,000,000 outstanding Share Options in issue. Such Share Options entitle the holders thereof to subscribe for an aggregate of 34,000,000 new Shares at an exercise price of HK\$0.425 per Share (all subject to adjustments) and an aggregate of 46,000,000 new Shares at an exercise price of HK\$1.05 per Share (all subject to adjustments). The Open Offer is only available to the Qualifying Shareholders and such Qualifying Shareholders are not entitled to apply for any Offer Shares which are in excess of their assured entitlements.

Subject to the satisfaction of the conditions of the Open Offer, the Bonus Shares will be issued to the registered holders of the Offer Shares on the basis of one Bonus Share for every Offer Share taken up under the Open Offer. On the basis of 718,724,879 Offer Shares to be issued under the Open Offer, 718,724,879 Bonus Shares will be issued.

Holders of the 80,000,000 Share Options have irrevocably undertaken to the Company and the Underwriter that they will not exercise any of their Share Options from the date of such undertaking up to and including the Record Date.

Save as disclosed above, the Company has no other options, warrants or other securities convertible or exchangeable into or giving rights to the holders thereof to subscribe or exchange for the Shares as at the date of this announcement.

The number of Offer Shares is arrived at based on one Offer Share for every four existing Shares held on the Record Date and issue of bonus shares on the basis of one Bonus Share for every Offer Share taken up under the Open Offer, taking into account (i) the 2,874,899,519 Shares in issue as at the date of this announcement; and (ii) assuming no new Shares will be issued after the date of this announcement and up to the Record Date. The Offer Shares and the Bonus Shares would represent in aggregate approximately 50.00% of the Company's existing issued share capital and approximately 33.33% of the Company's issued share capital as enlarged by the issue of the Offer Shares and the Bonus Shares, assuming no exercise of the Share Options by the holders thereof on or prior to the Record Date.

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders only. For the Non-Qualifying Shareholders, the Company will send copies of the Prospectus to them for their information only, but no Application Form will be sent to the Non-Qualifying Shareholders.

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and must be a Qualifying Shareholder.

Shareholders whose Shares are held by nominee companies should note that the Board will regard a nominee company as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

In order to be registered as members of the Company at the close of business on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited for registration no later than 4:30 p.m. on the date to be announced by the Company.

The Record Date and the dates for the closure of the register of members of the Company will be announced by the Company in due course. No transfers of Shares will be registered during the book closure period.

The entitlements to the Offer Shares are not transferable or capable of renunciation and there will not be any trading in the entitlements on the Stock Exchange.

Subscription Price

The Subscription Price for the Offer Shares is HK\$0.10 per Offer Share, payable in full upon application. The Subscription Price represents:

- (i) a discount of approximately 5.66% to the closing price per Share of HK\$0.106 as quoted on the Stock Exchange on 15 August 2016, being the Last Trading Date;
- (ii) a discount of approximately 7.41% to the average of the closing prices per Share of HK\$0.108 for the last 5 trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iii) a discount of approximately 10.71% to the average of the closing prices per Share of HK\$0.112 for the last 10 trading days as quoted on the Stock Exchange up to and including the Last Trading Day; and
- (iv) a premium of approximately 14.94% to the theoretical ex-rights price of HK\$0.087 per Share calculated based on the closing price per Share on the Last Trading Day.

The Subscription Price was determined after arm's length negotiations between the Company, the Underwriter with reference to the current market price of the Shares. As the Offer Shares are offered to all Qualifying Shareholders, the Directors would like to set the Subscription Price at a level that would attract the Qualifying Shareholders to participate in the Open Offer.

Basis of allotment

The basis of the allotment shall be one Offer Share for every four existing Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price and issue of bonus shares on the basis of one Bonus Share for every one offer share taken up under the Open Offer. Application for all or any part of a Qualifying Shareholder's allotment should be made by completing the Application Form and lodging the same with a remittance for the Offer Shares being applied for. The Directors consider the terms of the Open Offer, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Offer Shares

The Offer Shares and the Bonus Shares, when allotted and fully paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the Offer Shares and/or the Bonus Shares (as the case maybe).

Rights of Overseas Shareholders

The Company will make enquiries regarding the feasibility of extending the Open Offer to the Overseas Shareholders. If, based on legal opinions provided by the legal advisers, the Directors consider that it is necessary or expedient not to offer the Offer Shares to Overseas Shareholders on account either of the legal restrictions under the laws of the places of their registered addresses or the requirements of the relevant regulatory bodies or stock exchanges in those places outside Hong Kong, the Open Offer will not be available to such Overseas Shareholders. The basis for excluding the Non-Qualifying Shareholders, if any, from the Open Offer will be set out in the Prospectus. If they are excluded, the Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but the Company will not send any Application Form to the Non-Qualifying Shareholders. The Offer Shares which would otherwise be allotted to the Non-Qualifying Shareholders under the Open Offer will be taken up by the Underwriter in accordance with the terms and conditions of the Underwriting Agreement.

No application for excess Offer Shares

After arm's length negotiation with the Underwriter, the Company decided that the Qualifying Shareholders are not entitled to apply for any Offer Shares which are in excess of their assured entitlements. The Company considers that the administrative costs would be lowered without the excess application.

Fractional entitlements

No fractional entitlements or allotments are expected to arise as a result of the Open Offer.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Offer Shares and the issue of Bonus Shares.

Dealings in the Offer Shares and the Bonus Shares in board lots of 10,000 Shares, which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

UNDERWRITING ARRANGEMENTS

Undertaking given by Mr. Chan

Mr. Chan has given an irrevocable undertaking in favour of the Company and the Underwriter to subscribe for 104,457,407 Offer Shares to which Mr. Chan is entitled under the Open Offer.

Save as disclosed above, as at the date of this announcement, the Board has not received any information from any substantial Shareholders or Directors of their intention to take up the Offer Shares.

Undertakings given by holders of the Share Options

The holders of the 80,000,000 Share Options have irrevocably undertaken to the Company and the Underwriter that they will not exercise any of their Share Options from the date of such undertaking up to and including the Record Date. The Company will procure all grantees of Share Options to be granted before the Record Date, if any, to give irrevocable undertakings in favour of the Company and the Underwriter not to exercise any of the Share Options held by them before the Record Date.

Underwriting Agreement

Taking into account the irrevocable undertakings given by Mr. Chan, pursuant to the Underwriting Agreement and subject to the terms and conditions thereof, the Underwriter has agreed to fully underwrite the remaining 614,267,472 Offer Shares (being the Underwritten Shares) at the Subscription Price of HK\$0.10 per Offer Share. The Underwriting Agreement provides that the Underwriter will be obliged to subscribe or procure subscription for any Offer Shares not taken up by the Qualifying Shareholders. The Company shall by not later than the Settlement Date pay to the Underwriter: (i) a commission, in Hong Kong dollars, of two per cent. of the aggregate Subscription Price in respect of the Underwritten Shares (being 614,267,472 Offer Shares) for which the Underwriter has agreed to subscribe or procure subscription pursuant to the Underwriting Agreement; and (ii) all reasonable legal fees and other reasonable out-of-pocket expenses of the Underwriter in respect of the Open Offer.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, VC Brokerage Limited is a company incorporated in Hong Kong with limited liability, and is a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) and type 4 regulated activity (advising on security) under the SFO and the Underwriter, its ultimate beneficial owner and its associates is third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

The underwriting commission was determined after arm's length negotiations between the Company and the Underwriter with reference to the prevailing market rate. The Directors consider that the terms of the Underwriting Agreement (including the underwriting commission) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions of the Open Offer

The Open Offer is conditional, among other things, on each of the following conditions being fulfilled:

- (a) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance not later than the Prospectus Posting Date;

- (b) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus marked “For information only” and a letter in agreed form explaining the circumstances in which the Prohibited Shareholders are not permitted to participate in the Open Offer to the Prohibited Shareholders on or before the Prospectus Posting Date;
- (c) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in all the Offer Shares and the Bonus Shares either unconditionally or subject to conditions which the Company accepts and satisfaction of such conditions (if any) by no later than the Prospectus Posting Date;
- (d) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement;
- (e) compliance with and performance of all the undertakings and obligations of the Underwriter in all material respects under the terms of the Underwriting Agreement;
- (f) compliance with and performance of all undertakings and obligations of holders of the Share Options not to exercise any of the Share Options held by each of them before the Record Date;
- (g) compliance with and performance of all undertakings and obligations of Mr. Chan under the Chan Undertaking;
- (h) all requirements and conditions imposed by the Stock Exchange or under the Listing Rules or otherwise in connection with the transactions contemplated by the Underwriting Agreement having been fulfilled or complied with by not later than the Latest Time for Termination;
- (i) none of the representations, warranties or undertakings referred in the Underwriting Agreement being breached, untrue, inaccurate or misleading in any material respects;
- (j) the Company shall deliver to the Underwriter certified copies of the resolutions approving the Open Offer and the Bonus Issue on or before the Prospectus Posting Date;
- (k) all relevant consents and approvals being obtained from the regulatory authorities, including the Stock Exchange and the SFC, as the case may require in connection with the Open Offer and/or issue of the Offer Shares by the relevant time that each consent and approval is required;
- (l) the passing by no later than the Prospectus Posting Date by the Shareholders at the EGM of ordinary resolutions to approve the Bonus Issue; and
- (m) the entering into of binding agreements by the Underwriter with certain sub-underwriters, which shall be Independent Third Parties, for sub-underwriting the Offer Shares, such that none of (i) the Underwriter together with its parties acting in concert (having the meaning under the Takeovers Code) nor (ii) any of the sub-underwriters and their respective parties acting in concert (having the meaning under the Takeovers Code) shall be interested in 15% or more of the issued share capital of the Company as enlarged by the Open Offer.

Save that (d) and (j) which could be waived by the Underwriter and (e) and (m) which could be waived by the Company, all other conditions set out above are not capable of being waived. If the conditions of the Open Offer under the Underwriting Agreement are not fulfilled or as the case may be waived by the relevant dates and times specified in the Underwriting Agreement (or, in each case, such later date or time as the Underwriter may agree in writing with the Company pursuant to the Underwriting Agreement), the Underwriting Agreement will terminate and no party thereto will have any claim against any other party for costs, damages compensation or otherwise save for any antecedent breaches. If the Underwriting Agreement is terminated in accordance with its terms, the Open Offer will not proceed.

Underwriting Commission

The Company will pay the Underwriter an underwriting commission in Hong Kong dollars, of 2% of the aggregate Subscription Price in respect of the Underwritten Shares for the Underwriter has agreed to subscribe or procure subscription and all reasonable legal fees and other reasonable out-of-pocket expenses of the Underwriter in respect of the Open Offer. The underwriting commission mentioned above shall not be payable if the Underwriting Agreement does not become unconditional or if it is terminated by the Underwriter, but the Company shall continue to pay all reasonable legal fees and other reasonable out-of-pocket expenses of the Underwriter in respect of the Open Offer. The Directors are of the view that the commission is fair and reasonable.

Termination of the Underwriting Agreement

The Underwriter may at its sole and absolute discretion terminate the Underwriting Agreement by notice in writing given to the Company at any time prior to Latest Time for Termination if there occurs any of the following events:

- (1) in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or

- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (c) any adverse change in market conditions (whether foreseeable or not) (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter will or is reasonably likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient, impracticable or inadvisable to proceed with the Open Offer; or
- (d) the commencement by any third party of any litigation or claim against any member of the Group which is or might be material to the Group taken as a whole; or
- (e) the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which in the reasonable opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Open Offer; or
- (f) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the reasonable opinion of the Underwriter will or is reasonably likely to adversely affect the prospects of the Company; or
- (g) there is any change in the circumstances of the Company or any member of the Group (whether foreseeable or not) which in the reasonable opinion of the Underwriter will or is reasonably likely to adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or

- (h) any suspension in or material restriction on the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement, the Circular Documents or the Prospectus Documents or other announcements or circulars in connection with the Open Offer,
- (2) If, prior to the Latest Time for Termination, there is:
- (a) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
 - (b) any specified event described in the Underwriting Agreement comes to the knowledge of the Underwriter,

The Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

If the Underwriter gives a notice of termination to the Company in accordance with the terms of the Underwriting Agreement, all obligations of the Underwriter under the Underwriting Agreement shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement. If the Underwriter exercises its right to terminate the Underwriting Agreement, the Open Offer will not proceed.

WARNING OF THE RISKS OF DEALING IN THE SHARES

The Open Offer is conditional, inter alia, upon the fulfillment of the conditions set out below under the section headed "Conditions of the Open Offer". The Underwriter is entitled under the Underwriting Agreement to terminate the Underwriting Agreement on the occurrence of certain events, including but not limited to force majeure, as described below. The Open Offer is also subject to the Underwriter not terminating the Underwriting Agreement. Accordingly, the Open Offer may or may not proceed.

Any dealing in the Shares from the date of this announcement up to the date on which all the conditions of the Open Offer are fulfilled will accordingly bear the risk that the Open Offer may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares are advised to consult their own professional advisers.

EXPECTED TIMETABLE

The expected timetable for the implementation of the Open Offer and the associated trading arrangements, including the date of despatch of the share certificates in respect of the Offer Shares, will be announced by the Company in due course.

REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

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 and polyvinyl-chloride products. Biochemical products include glucose and starch.

The gross proceeds of the Open Offer will be approximately HK\$71.9 million. It is expected that the aggregate expenses in connection with the Open Offer will be approximately HK\$1.8 million. The net cash proceeds from the Open Offer of approximately HK\$70.1 million will be used for (i) strengthening the capital base of the Group and allowing the Group to maintain sufficient financial flexibility necessary for its future business development; and (ii) reducing current debts of the Group.

The Directors are of the view that the Open Offer will enable the Company to raise funds and provide the Company with the financial flexibility necessary for the Group's future development and investment purposes as and when suitable opportunities arise and improve the Group's overall financial position. In addition, the Open Offer would allow the Company to strengthen its capital base and provide an opportunity to all Shareholders to participate in the growth of the Company in proportion to their shareholdings.

To further illustrate, the Group has been putting efforts in strengthening its financial position, including but not limited to raising sufficient funding for the business development of the Group. As such, when formulating the structure of the Open Offer, the Directors had taken into account various factors including but not limited to raising sufficient funds to further develop its principal business, while at the same time, to reduce the level of borrowings and indebtedness of the Group.

In addition, having considered other fund raising alternatives for the Group, such as placing of new Shares or other convertible securities, and taking into account the benefits and cost of each of the alternatives, the Board considers that the Open Offer is in the interest of the Company and the Shareholders as a whole as it offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company at the same price and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so.

In view of the above, the Directors consider the Open Offer is in the interests of the Company and Shareholders as a whole.

The Directors believe that the Open Offer will enable the Group to (i) strengthen the capital base of the Group and enhance the financial position of the Group; and (ii) reduce current debts of the Group. The Group will be in a better financial position for future development as a result of the Open Offer. The Directors (excluding independent non-executive Directors whose opinion on the matter will be set forth in the Circular after having been advised by the independent financial adviser in this regard) accordingly consider that the Open Offer is in the interests of the Company and the Shareholders as a whole.

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
30 June 2016	Issue of convertible bonds	Approximately HK\$398,100,000	For finalising the construction of the coal-powered electricity generation plant in Mudanjiang, repayment of bank loans and the general working capital of the Group	The Company is in the process of preparing a circular for convening an extraordinary general meeting to approve the issue of the convertible bonds under a specific mandate

Save as disclosed in this paragraph, the Company has not conducted any fundraising activities in the past 12 months immediately preceding the date of this announcement.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below depicts the possible shareholding structure of the Company as at the date of this announcement and the possible changes upon completion of the Open Offer, on the basis of the public information available to the Company as of the date of this announcement, after the Directors having making reasonable enquiries and assuming there is no other changes in the shareholding structure of the Company since the date of this announcement:

	As at the date of this announcement		Immediately after completion of the Open Offer and the issue of Bonus Shares			
	Number of Shares	Approx. % of Shareholding	Assuming no Qualifying Shareholders take up their respective entitlements under the Open Offer and the Bonus Issue (Note 2)		Assuming full subscription by the Qualifying Shareholders as to their respective entitlements under the Open Offer and the Bonus Issue	
			Number of Shares	Approx. % of Shareholding	Number of Shares	Approx. % of Shareholding
Chan Yuen Tung (Note 1)	417,829,629	14.53	626,744,443	14.53	626,744,443	14.53
The Underwriter (Note 2)	—	—	1,228,534,944	28.49	—	—
Other public Shareholders	<u>2,457,069,890</u>	<u>85.47</u>	<u>2,457,069,890</u>	<u>56.98</u>	<u>3,685,604,834</u>	<u>85.47</u>
Total	<u><u>2,874,899,519</u></u>	<u><u>100.00</u></u>	<u><u>4,312,349,277</u></u>	<u><u>100.00</u></u>	<u><u>4,312,349,277</u></u>	<u><u>100.00</u></u>

Notes:

1. Mr. Chan Yuen Tung is a substantial shareholder of the Company. Mr. Chan has given an irrevocable undertaking in favour of the Company and the Underwriter to take up all the Offer Shares he is entitled to under the Open Offer.
2. The above information is for illustration purpose only. Such scenario will never occur as the Open Offer is conditional upon, *inter alia*, the entering into the binding agreements by the Underwriter with certain placees and/or sub-underwriters for placing and/or sub-underwriting the Offer Shares, such that neither (i) the Underwriter together with its parties acting in concert nor (ii) any of the placees and/or sub-underwriters and their respective parties acting in concert shall in aggregate be interested in 15% or more of the issued share capital of the Company as enlarged by the Open Offer.

GENERAL

As the Open Offer would not increase either the issued share capital or the market capitalisation of the Company by more than 50%, the Open Offer is not required by the Listing Rules to be approved by the Shareholders in a general meeting. However, the reduction of the share premium account of the Company is required by the Memorandum and Articles of Association of the Company to be approved by an ordinary resolution of the Shareholders in a general meeting.

The Company expects to despatch the circular containing, among other things, details of (i) the Open Offer (including the absence for excess application arrangement); (ii) the issue of Bonus Shares; (iii) the Underwriting Agreement; and (iv) a notice convening the EGM to Shareholders, on or before Friday, 2 September 2016.

To the best knowledge, belief and information of the Directors having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolution to approve the Bonus Issue at the EGM.

Subject to the issue of Bonus Shares being approved at the EGM, the Prospectus Documents containing, among other things, further details of the Open Offer is expected to be despatched by the Company to Qualifying Shareholders on or before Friday, 2 September 2016, and the Prospectus will be despatched to the Non-Qualifying Shareholders for information only.

DEFINITIONS

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

“Application Form”	the application form to be used by the Qualifying Shareholders to apply for the Offer Shares
“associate(s)”	has the same meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Bonus Issue”	The proposed issue of the Bonus Shares on the basis of one Bonus Share for every Offer Share taken up under the Open Offer credited as fully paid at par (HK\$0.10) by way of capitalisation of the amount equal to the total par value of the Bonus Shares standing to the credit of the share premium account of the Company
“Bonus Shares”	in respect of the Open Offer, an aggregate of 718,724,879 bonus Shares to be issued (for no additional payment) to the registered holders of Offer Shares on the basis of one bonus Share for every one Offer Shares taken up under the Open Offer subject to the terms and upon the conditions as set out in the Underwriting Agreement and the Prospectus Documents
“Business Day”	a day on which licensed banks in Hong Kong are generally open for business throughout their normal business hours (other than a Saturday, Sunday or public holiday)

“Chan Undertaking”	an irrevocable undertaking dated 15 August 2016 and given by Mr. Chan in favour of the Company and the Underwriter, further details of which are set out in the paragraph headed “Undertaking given by Mr. Chan” in the section headed “Underwriting Arrangements” in this announcement
“Company”	China Zenith Chemical Group Limited (stock code: 362), 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
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at which resolution(s) will be proposed to consider, and, if thought fit, approve, among others, the Bonus Issue
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent third Party”	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected person
“Last Trading Day”	15 August 2016, being the last trading day before the suspension of the trading of the Shares for the purpose of the release of this announcement
“Latest Time for Acceptance”	being the latest time for acceptance of, and payment for, the Offer Shares as described in the Prospectus
“Latest Time for Termination”	4:00 p.m. on the third Business Day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and the Underwriter, being the latest time to terminate the Underwriting Agreement
“Listing Committee”	the listing sub-committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chan”	Mr. Chan Yuen Tung, a substantial Shareholder

“Non-Qualifying Shareholders”	Overseas Shareholders in respect of whom the Directors, based on legal opinions provided by the legal advisers, consider it necessary or expedient not to offer the Open Offer to such Shareholders on account either of the legal restrictions under the laws of the relevant places or the requirements of the relevant regulatory bodies or stock exchanges in those places
“Offer Shares”	new Shares to be allotted and issued under the Open Offer, being 718,724,879 Shares
“Open Offer”	the issue of one Offer Share for every four existing Shares held on the Record Date at the Subscription Price
“Overseas Shareholders”	Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register are in a place(s) outside Hong Kong
“Prospectus”	the prospectus to be issued to the Shareholders containing details of the Open Offer
“Prospectus Documents”	the Prospectus and Application Form(s)
“Prospectus Posting Day”	the date of posting the Prospectus Documents to Qualifying Shareholders and the Prospectus to Non-Qualifying Shareholders for their information
“Qualifying Shareholders”	Shareholders, other than the Non-Qualifying Shareholders, whose names appear on the register of members of the Company at the close of business on the Record Date
“Record Date”	the date by reference to which entitlements to the Open Offer are to be determined
“Settlement Date”	the date being the fifth Business Day after the Latest Time for Acceptance or such later date as the Company and the Underwriter may agree
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company

“Shareholder(s)”	holder(s) of issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.10 per Offer Share
“Underwriter”	VC Brokerage Limited
“Underwriting Agreement”	the underwriting agreement dated 15 August 2016 entered into among the Company and the Underwriter in relation to the underwriting and certain other arrangements in respect of the Open Offer
“Underwritten Shares”	614,267,472 Offer Shares, being all the Offer Shares less the aggregate number of the Offer Shares agreed to be taken up by Mr. Chan under the Chan Undertaking, which are fully underwritten by the Underwriter in accordance with the terms and subject to the conditions set out in the Underwriting Agreement
“%”	per cent.
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

On behalf of the board of
China Zenith Chemical Group Limited
Chan Yuk Foebe
Chairman and Chief Executive Officer

Hong Kong, 15 August 2016

As at the date hereof, 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.