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China Zenith Chemical Group Limited **中國天化工集團有限公司**

(Incorporated in Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 362)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



VC Brokerage Limited

THE PLACING

The Board is pleased to announce that on 19 September 2018 (after trading hours of the Stock Exchange), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, of up to an aggregate of 220,000,000 new Shares to not less than six Places at a price of HK\$0.315 per Placing Share during the Placing Period.

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the Closing Date, the maximum of 220,000,000 Placing Shares under the Placing represents: (i) approximately 19.81% of the existing issued share capital of the Company of 1,110,427,319 Shares as at the date of this announcement; and (ii) approximately 16.54% of the then issued share capital of 1,330,427,319 Shares as enlarged by the Placing.

The Placing Price of HK\$0.315 per Placing Share represents: (i) a discount of approximately 6.0% to the closing price of HK\$0.335 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a discount of approximately 7.1% to the average closing prices per Share of HK\$0.339 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Placing Agreement.

Assuming all the Placing Shares are successfully placed by the Placing Agreement, the aggregate gross proceeds from the Placing will be approximately HK\$69,300,000. The net proceeds from the Placing (after deduction of placing commission and other costs and expenses) are estimated to be approximately HK\$68,500,000, representing a net issue price of approximately HK\$0.311 per Placing Share. The net proceeds from the Placing are intended to be used for the repayment of bank loans and bonds payable.

The Placing is not subject to the approval of the Shareholders as the Placing Shares will be allotted and issued under the General Mandate.

Shareholders and potential investors of the Company shall be aware that completion of the Placing is subject to the fulfilment of the conditions set out in the Placing Agreement. The Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and other securities of the Company.

THE PLACING AGREEMENT

Date

19 September 2018 (after trading hours of the Stock Exchange)

Issuer

The Company

Placing Agent

VC Brokerage Limited

Placees

The Placing Shares will be placed to not less than six Placees, who are independent institutional, professional and/or individual investors, who and whose ultimate beneficial owners are not connected with any directors, chief executive or substantial shareholder of the Company or its subsidiaries and their respective associates.

Placing Shares

As at the date of this announcement, the Company has 1,110,427,319 Shares in issue. Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the Closing Date, the maximum of 220,000,000 Placing Shares under the Placing represents (i) approximately 19.81% of the existing issued share capital of the Company of 1,110,427,319 Shares as at the date of this announcement; and (ii) approximately 16.54% of the then issued share capital of 1,330,427,319 Shares as enlarged by the Placing.

Placing Price

The Placing Price of HK\$0.315 per Placing Share represents:

- (i) a discount of approximately 6.0% to the closing price of HK\$0.335 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and
- (ii) a discount of approximately 7.1% to the average closing prices per Share of HK\$0.339 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Placing Agreement.

The Placing Price was determined with reference to, amongst other things, the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the terms of the Placing Agreement (including the Placing Price) are fair and reasonable and that the Placing is in the interests of the Company and its Shareholders as a whole.

Conditions precedent to the Placing Agreement

Completion of the Placing Agreement is conditional upon:

- (i) the Board having passed relevant resolutions for approval of the Placing Agreement and the transactions contemplated thereunder;
- (ii) the Listing Committee having granted approval for the listing of, and permission to deal in, the Placing Shares on the Main Board on the Stock Exchange and such approval not having been subsequently revoked, withdrawn or cancelled or threatened with any revocation, withdrawal or cancellation;
- (iii) if required, the Company having obtained all necessary consent, approval, authorisation, permission, or confirmation for the consummation of the transactions contemplated under the Placing Agreement from any third party with whom the Company has entered into any agreement or arrangement; and

- (iv) the Company's representations and warranties made pursuant to the Placing Agreement being true and accurate and not misleading in any or all material aspect as of the date of the Placing Agreement and the Closing Date.

None of the conditions above is waivable by the Company or the Placing Agent. If the conditions precedent to the Placing Agreement are not fulfilled prior to 3 October 2018 (or such later date as may be mutually agreed between the Company and the Placing Agent in writing) or any of the force majeure events set out in the paragraph headed “- Termination and force majeure” below shall have occurred, all obligations of the Placing Agent and of the Company under the Placing Agreement shall cease and determine and none of the parties to the Placing Agreement shall have any claim against the other in relation to the Placing Agreement save for any antecedent breach of any obligations under the Placing Agreement and without prejudice to the accrued rights and liabilities of the parties to the Placing Agreement.

Termination and force majeure

The Placing Agent may upon giving notice to the Company terminate the Placing Agreement with immediate effect if, at any time between the date of the Placing Agreement and at 5:00 p.m. on the Closing Date, there occurs:

- (i) the introduction of any new Law or regulation or any change in existing Laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (ii) the occurrence of any local, national or international event or change occurring after the date of the Placing Agreement of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the Placing (such success being the completion of the placing of the Placing Shares to potential investor(s)) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or
- (iii) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs after the date of the Placing Agreement which materially and

adversely affects the success of the Placing (such success being the completion of the placing of the Placing Shares to potential investor(s)) or otherwise in the reasonable opinion of the Placing Agent make it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.

Upon termination of the Placing Agreement pursuant to any of the abovementioned events, all obligations of the Company and the Placing Agent shall cease and determine and the Company shall not be liable to pay any commission under the Placing Agreement and no party to the Placing Agreement shall have any claim against the other party for compensation, costs, damages or otherwise.

Completion

Completion of the Placing will take place at 5:00 p.m. (Hong Kong time) on the Closing Date or such other date as the Company and the Placing Agent may mutually agree in writing.

Placing commission

The Placing Agent will charge a placing commission in the sum of HK\$200,000 or an amount equivalent to 1.0% of the Placing, whichever is the higher.

Ranking of Placing Shares

The Placing Shares under the Placing will rank, upon issue, *pari passu* to the issued and existing Shares in all respects as at the Closing Date.

Application for listing

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

GENERAL MANDATE

The Placing Shares will be allotted and issued under the General Mandate. As at the date of this announcement, the General Mandate has not been utilised since it was granted and the maximum number of the new Shares that could be allotted, issued and dealt with by the Directors under the General Mandate is 222,085,463 Shares. As the Placing Shares will be allotted and issued under the General Mandate, the Placing is not subject to the approval of the Shareholders.

REASONS FOR THE PLACING AND THE USE OF PROCEEDS

The Group is principally engaged in the manufacture and sale of coal-related chemical products and generation and supply of power and steam and will commence the online and overseas sale of Xinyang Maojian Tea Leaves soon. Assuming all the Placing Shares are successfully placed by the Placing Agreement, the aggregate gross proceeds from the Placing will be approximately HK\$69,300,000. The net proceeds from the Placing (after deduction of placing commission and other costs and expenses) are estimated to be approximately HK\$68,500,000, representing a net issue price of approximately HK\$0.311 per Placing Share. The net proceeds from the Placing are intended to be used for the repayment of bank loans and bonds payable.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

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

EFFECT OF THE PLACING ON SHAREHOLDING

Assuming all the Placing Shares are fully placed and there is no other change in the number of issued Shares from the date of this announcement up to completion of the Placing, the shareholding structure of the Company immediately prior to and following the Placing will be as follows:

| Shareholders | Immediately prior to completion of the Placing | | Immediately following completion of the Placing | |
|--------------------------------|--|----------------------|---|----------------------|
| | No. of Shares | Approx. % | No. of Shares | Approx. % |
| <i>Substantial shareholder</i> | | | | |
| Mr. Chan Yuen Tung | 304,231,111 | 27.40 | 304,231,111 | 22.87 |
| <i>Director</i> | | | | |
| Ms. Chan Yuk Foebe | 7,170,000 | 0.65 | 7,170,000 | 0.54 |
| <i>Public Shareholders</i> | | | | |
| Placees | — | — | 220,000,000 | 16.54 |
| Other public Shareholders | <u>799,026,208</u> | <u>71.95</u> | <u>799,026,208</u> | <u>60.05</u> |
| Total | <u><u>1,110,427,319</u></u> | <u><u>100.00</u></u> | <u><u>1,330,427,319</u></u> | <u><u>100.00</u></u> |

Shareholders and potential investors of the Company should note that completion of the Placing is subject to the fulfilment of the conditions set out in the Placing Agreement. The Placing may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the Shares and other securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

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| “Authority” | any administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organization or other non-governmental regulatory authority, or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign |
| “Board” | the board of Directors |

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|-------------------|---|
| “Business Day” | any day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks generally are open for general banking business in Hong Kong |
| “Closing Date” | means the fifth Business Day following the date on which all the conditions of the Placing Agreement have been satisfied or such other date as the Company and the Placing Agent may mutually agree in writing |
| “Company” | China Zenith Chemical Group Limited, a company incorporated in the Cayman Islands and continued into Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange |
| “Director(s)” | the director(s) of the Company |
| “General Mandate” | the general mandate which was granted to the Directors pursuant to an ordinary resolution passed by the Shareholders at the annual general meeting of the Company held on 7 December 2017 to allot, issue and deal with up to 20% of the then issued Shares (being 1,110,427,319 Shares) as at the date of passing such resolution, which is equivalent to 222,085,463 new Shares |
| “Group” | the Company and its Subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |

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| “Law” | any and all national, central, federal, provincial, state, regional, municipal, local, domestic or foreign laws (including, without limitation, any common law or case law), statutes, ordinances, legal codes, regulations or rules (including, without limitation, any and all regulations, rules, orders, judgments, decrees, rulings, opinions, guidelines, measures, notices or circulars (in each case, whether formally published or not and to the extent mandatory or, if not complied with, the basis for legal, administrative, regulatory or judicial consequences) of any Authority) |
| “Listing Committee” | the listing committee appointed by the Stock Exchange for considering applications for listing and the granting of listing of securities on the Stock Exchange |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Placee(s)” | any independent institutional, professional and/or individual investors who are not concert parties with who and whose ultimate beneficial owners are not connected with any directors, chief executive or substantial shareholder of the Company or its subsidiaries and their respective associates |
| “Placing” | the placing of up to a maximum of 220,000,000 Placing Shares on a best efforts basis during the Placing Period |
| “Placing Agent” | VC Brokerage Limited, a licensed corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Placing Agreement” | the placing agreement dated 19 September 2018 entered into between the Company and the Placing Agent in relation to the Placing |
| “Placing Period” | the period commencing immediately from the date of the Placing Agreement and expiring at 5:00 p.m. on the date falling 14 days after the date of the Placing Agreement (i.e. 3 October 2018) |

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|--------------------|---|
| “Placing Price” | HK\$0.315 per Placing Share |
| “Placing Share(s)” | up to a maximum of 220,000,000 new Shares to be issued under the Placing |
| “Share(s)” | the ordinary share(s) with par value of HK\$0.10 each in the share capital of the Company |
| “Shareholders” | holders of the Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subsidiaries” | shall have the meaning as set out in the Listing Rules |
| “%” | per cent. |

By Order of the Board of
China Zenith Chemical Group Limited
Chan Yuk Foebe
Chairman

Hong Kong, 19 September 2018

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.