

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE LIABILITIES ATTRIBUTABLE TO OWNERS OF THE COMPANY

Introduction

The following unaudited pro forma statement of adjusted consolidated net tangible liabilities of the Group attributable to the owners of the Company (the “**Unaudited Pro Forma Financial Information**”) has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for inclusion in Investment Circular” issued by the Hong Kong Institute of Certified Public Accountants is for illustration only, and is set out in this appendix to illustrate the effect of the Rights Issue on the consolidated net tangible liabilities of the Group as at 30 June 2022 attributable to the owners of the Company as if the Rights Issue had taken place on such date.

The Unaudited Pro Forma Financial Information is prepared for illustrative purposes only, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 30 June 2022 or at any future date.

The Unaudited Pro Forma Financial Information of the Group as at 30 June 2022 is prepared by the Directors based on the audited consolidated statement of financial position of the Group as at 30 June 2022, extracted from the published annual report of the Group for the year ended 30 June 2022, with adjustments described below.

	Audited consolidated net tangible liabilities of the Group attributable to owners of the Company as at 30 June 2022 <i>HK\$ '000</i> <i>(Note 1)</i>	Unaudited estimated net proceeds from the Rights Issue <i>HK\$ '000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible liabilities attributable to the owners of the Company as at 30 June 2022 Immediately after the completion of the Rights Issue <i>HK\$ '000</i>	Unaudited consolidated net tangible liabilities attributable to owners of the Company per Share as at 30 June 2022 before the completion of the Rights Issue <i>HK\$</i> <i>(Note 3)</i>	Unaudited pro forma adjusted consolidated net tangible liabilities attributable to owners of the Company per Share as at 30 June 2022 immediately after the completion of the Rights Issue <i>HK\$</i> <i>(Note 4)</i>
Based on 376,820,120 Rights Shares to be issued at Subscription Price of HK\$0.20 per Rights Share	(873,168)	73,480	(799,688)	(5.79)	(1.52)

Notes:

1. The consolidated net tangible liabilities of the Group attributable to owners of the Company of approximately HK\$873,168,000 as at 30 June 2022 is based on the consolidated net liabilities of the Group attributable to owners of the Company as at 30 June 2022 of approximately HK\$873,168,000, as extracted from the annual report of the Company for the year ended 30 June 2022.
2. The estimated net proceeds of approximately HK\$73,480,000 from the Rights Issue are based on 376,820,120 Rights Shares (assuming no new Shares are allotted and issued pursuant to any exercise of the Share Options and pursuant to the conversion of the Convertible Bonds and no other change in the share capital of the Company on or before the Record Date) at the Subscription Price of HK\$0.20 per Rights Share, after deduction of estimate related expenses (including advisory fees for the professional parties, printing, registration, translation, legal, accounting and documentation charges) payable by the Company.
3. The number of shares used for the calculation of the unaudited pro forma adjusted consolidated net tangible liabilities of the Group per share attributable to the owners of the Company before the completion of the Rights Issue is based on 150,728,048 shares in issue immediately after the completion of share consolidation (i.e. 20 shares consolidated into 1 consolidated share) (“**Share Consolidation**”) as if the share consolidation has been completed on 30 June 2022.
4. The unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to the owners of the Company per share as at 30 June 2022 immediately after the completion of the Rights Issue as if the issuance of 376,820,120 Rights Shares had been completed on 30 June 2022, but does not take into account any shares which have been or may be issued upon the exercise of options granted under the share option scheme and conversion of convertible bonds (if any) subsequent to 30 June 2022, other than 354,000,000 shares issued upon the conversion of convertible bonds on 4 July 2022.
5. Save as disclosed above, no adjustments have been made to the unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2022. On 21 June 2022, the Company issued convertible bonds in aggregate principal amount of HK\$35,400,000 with the rights to converted into 354,000,000 ordinary shares of the Company at conversion price of HK\$0.1 per share. The convertible bonds with carrying amount of approximately HK\$29,939,000, were converted into 354,000,000 ordinary shares on 4 July 2022. The converted shares of 354,000,000 shares, being a non-adjusting subsequent event and not directly attributable to the Rights Issue, not be included as a pro forma adjustment. The number of 376,820,120 Rights Shares assumed in the presenting unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 30 June 2022 per share immediately after the completion of the Rights Issue is based on the actual number of shares in issue on the Record Date which took into the consideration of the converted shares of 354,000,000 shares on 4 July 2022.

6. On 4 July 2022, convertible bonds with carrying amount of approximately HK\$29,939,000 were converted into 354,000,000 ordinary shares of the Company. Upon the completion of the conversion, the total number of issued shares of the Company was increased from 2,660,560,978 shares to 3,014,560,978 shares. The conversion of convertible bonds will reduce the Company's net tangible liabilities with approximately HK\$29,939,000.

For illustrative purpose, the table below shows the unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company as at 30 June 2022 immediately after completion of the Rights Issue and taken into consideration of the conversion of convertible bonds on 4 July 2022 per share, which is calculated based on the unaudited adjusted consolidated net tangible liabilities of the Group attributable to the owners of the Company immediately after completion of the Rights Issue and taken into consideration of the conversion of convertible bonds on 4 July 2022 of approximately HK\$769,749,000, divided by 527,548,168 shares, which represents the sum of (i) 2,660,560,978 shares in issue as at 30 June 2022; (ii) 354,000,000 converted shares from conversion of convertible bonds on 4 July 2022; (iii) after Share Consolidation, the number of shares before the Rights Issue were 150,728,048 shares; and (iv) 376,820,120 Rights Shares to be issued for the Rights Issue.

	Unaudited pro forma adjusted consolidated net tangible liabilities attributable to the owners of the Company as at 30 June 2022 immediately after the completion of the Rights Issue	Effect of conversion of convertible bonds	Unaudited pro forma adjusted consolidated net tangible liabilities attributable to owners of the Company as at 30 June 2022 immediately after the completion of the Rights Issue and taken into consideration of the converted shares on 4 July 2022	Unaudited pro forma adjusted consolidated net tangible liabilities attributable to owners of the Company per Share as at 30 June 2022 immediately after the completion of the Rights Issue and taken into consideration of the converted shares on 4 July 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
Based on 376,820,120 Rights Shares to be issued at Subscription Price of HK\$0.20 per Rights Share	(799,688)	29,939	(769,749)	(1.46)

B. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from McMillan Woods (Hong Kong) CPA Limited, Certified Public Accountants, Hong Kong, the independent reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.



McMillanWoods
Professionalism at the forefront

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30 December 2022

The Board of Directors of
China Zenith Chemical Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Zenith Chemical Group Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible liabilities as at 30 June 2022 and related notes as set out on pages 46 to 48 of the prospectus issued by the Company dated 30 December 2022 (the “**Prospectus**”). The applicable criteria on the basis of which the directors have compiled the unaudited pro forma financial information are described in Section A of Appendix II of the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the proposed rights issue on the basis of five rights shares for two consolidated shares at the subscription price of HK\$0.2 per rights share (the “**Rights Issue**”) on the Group’s consolidated financial position as at 30 June 2022 as if the Rights Issue had taken place on 30 June 2022. As part of this process, information about the Group’s net tangible liabilities as at 30 June 2022 has been extracted by the directors from the Group’s consolidated statement of financial position as at 30 June 2022, included in the annual report of the Group for the year ended 30 June 2022.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our Firm applies Hong Kong Standard on Quality Management (HKSQM) 1 “Quality Management for Firms that Perform Audits and Reviews of Financial Statements, or Other Assurance or Related Services Engagements”, and which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant’s Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 30 June 2022 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the director of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,



McMillan Woods (Hong Kong) CPA Limited

Certified Public Accountants

Hong Kong