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## THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this Prospectus or as to the action to be taken, you should consult a licensed securities dealer, registered institution in securities, a bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in China Zenith Chemical Group Limited (the “Company”), you should at once hand this Prospectus and the accompanying PAL(s) and EAF(s) to the purchaser(s) or other transferee(s) or bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

A copy of each of the Rights Issue Documents, having attached thereto the documents specified in the paragraph headed “14. Documents delivered to the Registrar of Companies” in Appendix III to this Prospectus, has been registered by the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of any of the Rights Issue Documents. You should read the whole of the Rights Issue Documents including the discussions of certain risks and other factors as set out in the paragraph headed “Warning of the Risks of Dealing in the Shares and nil-paid Rights Shares” in the “Letter from the Board” in this Prospectus.

Dealings in the Rights Shares in their nil-paid and fully-paid forms may be settled through CCASS established and operated by HKSCC and you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from their respective commencement dates of dealings in the Rights Shares on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of the Rights Issue Documents, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of these documents.

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# China Zenith Chemical Group Limited

## 中國天化工集團有限公司

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

### PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE (5) RIGHTS SHARES FOR EVERY TWO (2) SHARES HELD ON RECORD DATE AT HK\$0.20 PER RIGHTS SHARE

#### Underwriter to the Rights Issue



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Capitalised terms used in this cover page shall have the same meanings as those defined in this Prospectus.

The Latest Time for Acceptance is 4:00 p.m. on Monday, 16 January 2023. The procedures for acceptance, payment and transfer are set out on pages 20 to 25 of this Prospectus.

**The Rights Issue is only underwritten on a best effort basis. Pursuant to the Company’s constitutional documents and the Companies Law, there are no requirements for minimum levels of subscription in respect of the Rights Issue.**

The Shares have been dealt in on an ex-rights basis from Monday, 19 December 2022. Dealings in the Rights Shares in the nil-paid form will take place from Wednesday, 4 January 2023 to Wednesday, 11 January 2023 (both dates inclusive). It is expected that the conditions referred to in the section headed “Termination of the Underwriting Agreement” in this Prospectus are to be fulfilled on or before 4:00 p.m. on Tuesday, 17 January 2023. If the conditions referred to in that section are not fulfilled or the Underwriting Agreement is terminated, the Rights Issue will not proceed. Any person contemplating buying or selling Shares from the Latest Practicable Date and up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form from Wednesday, 4 January 2023 to Wednesday, 11 January 2023 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its own professional advisers. It should be noted that the Underwriting Agreement contains provisions entitling the Underwriter by notice in writing to the Company at any time prior to 4:00 p.m. on Tuesday, 17 January 2023 to terminate its obligations under the Underwriting Agreement on the occurrence of certain events including force majeure. These events are set out under the section headed “Termination of the Underwriting Agreement” on pages 8 to 10 of this Prospectus.

Upon termination pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriter thereunder (save for certain exceptions) shall cease and determine and no Party shall have any claim against the other Party under the Underwriting Agreement for costs, damages, compensation or otherwise save for any antecedent breaches. If the Underwriter exercises such right, the Rights Issue will not proceed.

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## DEFINITIONS

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*In this Prospectus, unless the context otherwise requires, the following expressions shall have the following meanings:*

“2021 Rights Issue”	the rights issue previously conducted by the Company as announced on 23 November 2021 and completed in January 2022
“acting in concert”	having the meaning as set out in the Takeovers Code
“Announcement”	the announcement of the Company dated 18 October 2022 in relation to, among other things, the Rights Issue
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Beneficial Owner”	any beneficial owner of Shares whose Shares are registered in the name of a Registered Owner
“Board”	the board of Directors
“Business Day(s)”	any day (other than a Saturday, Sunday or public holiday or a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong between 9:00 a.m. and 5:00 p.m.) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Capital Reorganisation”	the capital reorganisation of the share capital of the Company approved by the Shareholders at the SGM
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular of the Company dated 21 November 2022 in relation to, among other things, the Rights Issue
“Companies Act”	the Companies Act 1981 of Bermuda
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended from time to time

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## DEFINITIONS

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“Company”	China Zenith Chemical Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued shares of which are listed on the Stock Exchange
“connected person(s)”	shall have the meaning as ascribed to it under the Listing Rules
“Controlling Shareholder”	shall have the meaning as ascribed to it under the Listing Rules
“Convertible Bonds”	the outstanding convertible bonds in the aggregate principal amount of HK\$20,000,000 issued by the Company to six individual and corporate subscribers on 13 November 2020
“Director(s)”	the director(s) of the Company
“EAF(s)”	the form(s) of application for excess Rights Shares to be issued in connection with the Rights Issue
“Excess Rights Shares”	any nil-paid Rights Share(s) provisionally allotted but not accepted by any of the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares prior to the Latest Time for Acceptance, any entitlements of the Non-Qualifying Shareholders provisionally allotted to a nominee of the Company which are left unsold, and shall include any of the Rights Shares created from the aggregation of fractions of the Rights Shares and the Scale-down PAL Shares (if any)
“Final Acceptance Date”	the last date for acceptance and payment in respect of provisional allotments under the Rights Issue and for application and payment for excess Rights Shares, which is currently scheduled to be on Monday, 16 January 2023 or such later date as determined by the Company
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

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## DEFINITIONS

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“Independent Shareholder(s)”	any Shareholder(s) other than the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates
“Independent Third Party(ies)”	a person(s) or company(ies) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, are independent of and not acting in concert or connected with the Company and its connected persons or any of their respective associates
“Intrinsic Value”	the difference between the market price (or theoretical ex-entitlement price) of the Shares under the Share Options and the subscription prices on the exercise of the Share Options (or revised subscription prices on the exercise of the Share Options following an alteration in the capital structure of the Company)
“Irrevocable Undertaking”	the irrevocable undertakings given by Mr. Chan in favour of the Company, the principal terms of which are disclosed in the paragraph headed “Underwriting arrangement and undertakings – The Shareholder’s undertaking” in this Prospectus
“Last Closing Price”	the theoretical closing price of HK\$0.28 per Share with reference to the closing price per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation
“Last Day for Transfer”	Tuesday, 20 December 2022, being the last date for lodging transfer of Shares prior to the closure of register of members of the Company
“Last Trading Day”	Tuesday, 18 October 2022, being the last full trading day for the Shares before the release of the Announcement
“Latest Practicable Date”	20 December 2022, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information contained in this Prospectus
“Latest Time for Acceptance”	a time which is currently expected to be 4:00 p.m. on the Final Acceptance Date

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## DEFINITIONS

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“Latest Time for Termination”	4:00 p.m. on Tuesday, 17 January 2023 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”	has the meaning ascribed thereto in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the main board of the Stock Exchange
“MGO Obligation”	the obligation to make a mandatory general offer under the Takeovers Code
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules adopted by the Company
“Mr. Chan”	Mr. Chan Yuen Tung, a substantial shareholder of the Company, who directly holds 25,896,876 Shares (representing 17.18% of the issued share capital of the Company as at the Latest Practicable Date)
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) whom the Directors, after making enquiries regarding the legal restrictions under the laws of the relevant places, consider it necessary or expedient to exclude them from the Rights Issue (if any)
“Overseas Letter”	the letter from the Company to the Non-Qualifying Shareholders explaining the circumstances in which the Non-Qualifying Shareholders (if any) are not permitted to participate in the Rights Issue
“Overseas Shareholder(s)”	Shareholder(s) (if any) whose names appear on the register of members of the Company as at the close of business on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued in connection with the Rights Issue

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## DEFINITIONS

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“Posting Date”	Friday, 30 December 2022 or such other date as the Company determines for the despatch of the Rights Issue Documents to the Qualifying Shareholders or the Prospectus with Overseas Letter for information only to the Non-Qualifying Shareholders (if any), as the case may be
“Prospectus”	this prospectus to be issued by the Company in relation to the Rights Issue
“Public Float Requirement”	the public float requirement under Rule 8.08 of the Listing Rules
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear on the register of members of the Company on the Record Date
“Record Date”	Thursday, 29 December 2022, or on such other date as the Company may determine, being the date of reference to which the Shareholders’ entitlements to the Rights Issue are to be determine
“Registered Owner”	in respect of a Beneficial Owner, means a nominee, trustee, depository or any other authorised custodian or third party which is the registered holder in the register of members of the Company of the Shares in respect of which the Beneficial Owner is beneficially interested
“Registrar”	Tricor Tengis Limited, the branch share registrar and transfer office of the Company, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
“Rights Issue”	the issue of up to 397,355,377 Rights Shares at the Subscription Price on the basis of five (5) Rights Shares for every two (2) Shares held on the Record Date payable in full on acceptance
“Rights Issue Documents”	the Prospectus, PAL and EAF
“Rights Share(s)”	up to 397,355,377 new Share(s) to be allotted and issued in respect of the Rights Issue

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## DEFINITIONS

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“Scale-down PAL Shares”	such number of Rights Shares applied for under the PAL(s) which would, if allotted by the Company, result in the incurring of an MGO Obligation on the part of the applicant
“Scaling-down”	the scale-down mechanisms of the Rights Issue as determined by the Company to which any application for the Rights Shares under the PALs, or transferees of nil-paid Rights Shares shall be subject to ensure that no application for the Rights Shares or the allotment thereof by the Company shall be at such level which may trigger any MGO Obligation
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company convened and held for the purpose of considering and, if thought fit, approving the Capital Reorganisation and the Rights Issue
“Share(s)”	ordinary share(s) of par value of HK\$0.10 each in the share capital of the Company
“Share Option(s)”	the share option(s) of the Company granted pursuant to the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 20 December 2012
“Shareholder(s)”	the holder(s) of the issued Share(s)
“Specified Event”	an event occurring or matter arising on or after the date of execution of the Underwriting Agreement and prior to the Latest Time for Termination which, if it had occurred or arisen before the date of execution of the Underwriting Agreement, would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.20 per Rights Share



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## DEFINITIONS

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“substantial Shareholder”	shall have the meaning as ascribed to it under the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers published by the SFC
“Underwriter”	Koala Securities Limited, a licensed corporation to carry out business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO and its ordinary course of business includes underwriting of securities
“Underwriting Agreement”	the underwriting agreement dated 18 October 2022 entered into between the Company and the Underwriter in relation to the underwriting arrangement of the Rights Issue
“Underwritten Shares”	all the Rights Shares to be underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
“United States” or “US”	the United States of America (including its territories and dependencies, any state in the US and the District of Columbia)
“Untaken Shares”	all those Underwritten Shares not taken up by the Qualifying Shareholders on or before the Latest Time for Acceptance
“US person(s)”	any person(s) or entity(ies) deemed to be a US person for the purposes of Regulation S under the US Securities Act, as amended
“US Securities Act”	the US Securities Act of 1933, as amended from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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Pursuant to the Underwriting Agreement, the Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing issued to the Company by the Underwriter at any time prior to the Latest Time for Termination with immediate effect if:

- (i) in the absolute opinion of the Underwriter, the success of the Rights Issue 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 absolute opinion of the Underwriter materially and adversely affects 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 Rights Issue; 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 of the Underwriting Agreement) 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 absolute opinion of the Underwriter materially and adversely affects 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 Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (ii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction on trading in securities) occurs which in the absolute opinion of the Underwriter are likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (iii) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will 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
- (iv) other than coronavirus disease 2019 (COVID-19), any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion or unrest, fire, flood, explosion, epidemic, pandemic,

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter materially and adversely affects the business or the financial or trading position or prospects of the Group as a whole; or

- (v) there occurs any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (vi) any matter which, had it arisen or been discovered immediately before the Posting Date and not having been disclosed in the Rights Issue Documents, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or
- (vii) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than twenty (20) consecutive trading days otherwise than due to or in connection with or in relation to the Underwriting Agreement and/or the Rights Issue and excluding any suspension in connection with the clearance of the Announcement or other matters in connection with the Underwriting Agreement and/or the Rights Issue; or
- (viii) the Rights Issue Documents when published contains 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 may in the absolute opinion of the Underwriter be material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue.

The Underwriter shall be entitled by a notice in writing to the Company, served on or prior to the Latest Time for Termination, to terminate the Underwriting Agreement and the Rights Issue shall not proceed.

Upon termination pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriter thereunder (save for certain exceptions) shall cease and determine and no Party shall have any claim against the other Party under the Underwriting Agreement for costs, damages, compensation or otherwise save for any antecedent breaches.

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if, prior to the Latest Time for Termination:

- (i) any material breach of any of the representations, warranties or undertakings as specified in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (ii) any Specified Event comes to the knowledge of the Underwriter.

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

**In the event the Underwriter exercises its rights to terminate the Underwriting Agreement prior to the Latest Time for Termination, the obligations of the Underwriter thereunder (save for certain exceptions) shall cease and determine and no Party shall have any claim against the other Party under the Underwriting Agreement for costs, damages, compensation or otherwise save for any antecedent breaches.**

**If the Underwriter exercises such right, the Rights Issue will not proceed. A further announcement will be made by the Company if the Underwriting Agreement is terminated by the Underwriter.**

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## EXPECTED TIMETABLE

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*Set out below is the expected timetable for the proposed Rights Issue which is indicative only and has been prepared on the assumption that the conditions of the Rights Issue will be fulfilled. The expected timetable is subject to change. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate.*

<b>Event</b>	<b>2023</b>
First day of dealing in nil-paid Rights Shares . . . . .	Wednesday, 4 January
Designated broker starts to stand in the market to provide matching services for odd lots of the Shares . . . . .	9:00 a.m. on Wednesday, 4 January
Latest time for splitting of the PAL . . . . .	4:30 p.m. on Friday, 6 January
Last day of dealing in nil-paid Rights Shares. . . . .	Wednesday, 11 January
Latest Time for Acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares . . . . .	4:00 p.m. on Monday, 16 January
Latest Time for Termination of the Underwriting Agreement and for the Rights Issue to become unconditional. . . . .	4:00 p.m. on Tuesday, 17 January
Announcement of results of the Rights Issue . . . . .	Thursday, 26 January
Designated broker ceases to provide matching services for odd lots of the Shares . . . . .	4:00 p.m. on Friday, 27 January
Despatch of certificates for fully-paid Rights Shares and refund cheques, if any, in respect of wholly or partially unsuccessful applications . . . . .	Friday, 27 January
Expected first day of dealings in fully-paid Rights Shares. . . . .	9:00 a.m. on Monday, 30 January

*Note:* All times and dates in this Prospectus refer to Hong Kong local times and dates. In the event that any special circumstances arise, such dates and deadlines may be adjusted by the board of directors of the Company if it considers appropriate. Any changes to the expected timetable will be published or notified to the Shareholders by way of announcement(s) on the website of the Stock Exchange and on the website of the Company as and when appropriate.

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## EXPECTED TIMETABLE

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### **EFFECT OF BAD WEATHER ON LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES**

The Latest time for Acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning or “extreme conditions” caused by super typhoon issued by the Hong Kong Observatory:

- (1) in force in Hong Kong at any time before 12:00 noon and no longer in force after 12:00 noon on the Final Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (2) in force in Hong Kong at any time between 12:00 noon and 4:00 p.m. on the Final Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the Latest Time for Acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take place on the currently scheduled date for the Final Acceptance Date, the dates mentioned in “Expected Timetable” in this section may be affected. The Company will notify the Shareholders by way of announcement of any change to the expected timetable as soon as practicable in this regard.

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## LETTER FROM THE BOARD

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### China Zenith Chemical Group Limited

### 中國天化工集團有限公司

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

*Executive Directors:*

Ms. Chan Yuk Foebe  
(Chairman and Chief Executive Officer)  
Mr. Gao Ran (Vice-chairman)  
Mr. Law Tze Ping Eric

*Non-executive Director:*

Mr. Liu Yang Yang

*Independent non-executive Directors:*

Mr. Ma Wing Yun Bryan  
Mr. Tam Ching Ho  
Mr. Hau Chi Kit

*Registered office:*

Victoria Place, 5th Floor  
2 Church Street  
31 Victoria Street  
Hamilton HM10  
Bermuda

*Head office and principal place  
of business in Hong Kong:*

Room 4007, 40/F  
China Resources Building  
26 Harbour Road  
Wanchai  
Hong Kong

30 December 2022

*To the Qualifying Shareholders and,  
for information purpose only,  
to the Excluded Shareholders, the holders of the Share Options and the Convertible Bonds*

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE (5) RIGHTS SHARES  
FOR EVERY TWO (2) SHARES HELD ON RECORD DATE  
AT HK\$0.20 PER RIGHTS SHARE**

#### **INTRODUCTION**

References are made to the Announcement and the Circular in relation to, among other things, the Rights Issue. On 18 November 2022 (after trading hours of the Stock Exchange), the Board proposed to implement the Rights Issue on the basis of five (5) Rights Shares for every two (2) Shares held on the Record Date at the Subscription Price of HK\$0.20 per Rights Share to raise gross proceeds up to approximately HK\$79.5 million before expenses by way of a rights issue of up to 397,355,377 Rights Shares (assuming new Shares are allotted and issued on or

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## LETTER FROM THE BOARD

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before the Record Date pursuant to the full exercise of all outstanding Share Options and the full conversion of the Convertible Bonds but otherwise no other change in the share capital of the Company on or before the Record Date). The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders (if any).

The purpose of this Prospectus is to provide you, among other things, further details on (i) the Rights Issue and the Underwriting arrangement; (ii) the financial information of the Group; and (iii) the general information of the Group.

### PROPOSED RIGHTS ISSUE

The Board proposes the Rights Issue, details of which are summarised below:

#### Issue Statistics

Basis of the Rights Issue:	Five (5) Rights Shares for every two (2) Shares held on the Record Date
Subscription Price:	HK\$0.20 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	150,728,048 Shares
Number of Rights Shares:	Up to 397,355,377 Rights Shares (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all outstanding Share Options and the full conversion of the Convertible Bonds but otherwise no other change in the share capital of the Company on or before the Record Date)
Aggregate nominal value of the Rights Shares:	Up to HK\$39,735,537.7 (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all outstanding Share Options and the full conversion of the Convertible Bonds but otherwise no other change in the share capital of the Company on or before the Record Date)



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## LETTER FROM THE BOARD

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Maximum funds to be raised before expenses:	Up to approximately HK\$79.5 million (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all outstanding Share Options and the full conversion of the Convertible Bonds but otherwise no other change in the share capital of the Company on or before the Record Date)
Number of Rights Shares undertaken to be taken up:	Mr. Chan has undertaken to take up an aggregate of 64,742,190 Rights Shares under his assured entitlement. As at the Latest Practicable Date, Mr. Chan holds 25,896,876 Shares, representing approximately 17.18% of the entire issued share capital of the Company. The Irrevocable Undertaking is subject to a cap and the maximum number of Rights Shares together with the Shares already held by Mr. Chan shall not be more than 29.99% of the total enlarged issued share capital of the Company at completion of the Rights Issue so as not to trigger any obligation for a general offer under the Takeovers Code
Total number of Shares in issue as enlarged by the Rights Shares upon completion of the Rights Issue:	Up to 556,297,528 Shares (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all outstanding Share Options and the full conversion of the Convertible Bonds but otherwise no other change in the share capital of the Company on or before the Record Date)
Right of excess applications:	Qualifying Shareholders may apply for Rights Shares in excess of their provisional entitlements

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, 376,820,120 Rights Shares to be allotted and issued pursuant to the terms of the Rights Issue represents approximately 250% of the Company's entire issued share capital as at the Latest Practicable Date and will represent approximately 71.43% of the Company's entire issued share capital as enlarged by the issue of the Rights Shares immediately after completion of the Rights Issue.

Save for the Share Options and the Convertible Bonds, as at the Latest Practicable Date, the Company has no outstanding derivatives, convertible securities, options, warrants or other similar securities in issue which would otherwise confer any right to subscribe for, convert or exchange into Shares.

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## LETTER FROM THE BOARD

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**The Rights Issue is only underwritten on a best effort basis and is not on a fully underwritten basis. Pursuant to the Company's constitutional documents and the Companies Act, there are no requirements for minimum levels of subscription in respect of the Rights Issue. Subject to fulfilment or satisfaction of the conditions precedent of the Underwriting Agreement, the Rights Issue shall proceed regardless of the conditions of its level of acceptances, and up to 64,742,190 Rights Shares are committed to be subscribed pursuant to the Irrevocable Undertaking subject, however, to any Scaling-down vis-a-vis the MGO Obligation.**

**In the event of under-subscription, any Rights Shares not taken up by the Qualifying Shareholders whether under PAL(s) or EAF(s), or transferees of nil-paid Rights Shares, and not subscribed by subscribers procured by the Underwriter will not be issued, and hence, the size of the Rights Issue will be reduced accordingly. Investors are advised to exercise caution when dealing in the Shares.**

### **Qualifying Shareholders**

To qualify for the Rights Issue, a Shareholder's name must appear on the register of members of the Company on the Record Date, and such Shareholder must not be a Non-Qualifying Shareholder.

Qualifying Shareholders who take up their pro rata entitlement in full will not suffer any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements).

If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

### **Non-Qualifying Shareholders**

The Rights Issue Documents are not intended to be registered or filed under the applicable securities legislation or equivalent legislation of any jurisdictions other than Hong Kong. Overseas Shareholder(s) may not be eligible to take part in the Rights Issue.

According to the register of members of the Company as at the Record Date, there was no Overseas Shareholders with registered addresses situated outside Hong Kong. It is the responsibility of the Qualifying Shareholders outside Hong Kong wishing to make an application for the Rights Shares to satisfy himself/herself/itself before acquiring any rights to subscribe for the Rights Shares as to the observance of the laws and regulations of all relevant territories, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such territory in connected therewith. Any acceptance of or application for Rights Shares by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and

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## LETTER FROM THE BOARD

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requirements have been fully complied with. If you are in doubt as to your position, you should consult your own professional advisers. The Company reserves the right to refuse to accept any application for the Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above representation and warranty.

### **Subscription Price**

The Subscription Price of HK\$0.20 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the provisional allotment of the Rights Shares under the Rights Issue or application for excess Rights Shares or when a renouncee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares. The Subscription Price represents:

- (i) a premium of approximately 0.5% to the closing price of HK\$0.199 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 28.57% to the Last Closing Price;
- (iii) a discount of approximately 25.93% to the theoretical average closing price of approximately HK\$0.27 per Share with reference to the average closing price per Share as quoted on the Stock Exchange for the five (5) consecutive trading days ending on and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iv) a discount of approximately 25.93% to the theoretical average closing price of approximately HK\$0.27 per Share with reference to the average closing price per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days ending on and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (v) a discount of approximately 33.33% to the theoretical average of the closing prices of approximately HK\$0.30 per Share with reference to the average closing price per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (vi) a discount of approximately 9.10% to the theoretical ex-right price of approximately HK\$0.22 per Share (after taking into account the effect of the Capital Reorganisation), based on the theoretical ex-right price of approximately HK\$0.011 per Share and the Last Closing Price;

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## LETTER FROM THE BOARD

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- (vii) a premium over the audited net liabilities value per Share of approximately HK\$5.47 (based on the latest published consolidated net liabilities value of the Group of approximately HK\$824,850,000 as at 30 June 2022 as disclosed in the annual report of the Company for the year ended 30 June 2022 and 150,728,048 Shares in issue as at the Latest Practicable Date);
- (viii) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 21.43%, represented by the theoretical diluted price of approximately HK\$0.22 per Share to the benchmarked price of approximately HK\$0.28 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.014 per Share, the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the date of the Announcement of HK\$0.0136 per Share and the effect of the Capital Reorganisation); and
- (ix) a cumulative theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) in aggregation with the 2021 Rights Issue represented by a discount of approximately 21.80%, represented by the cumulative theoretical diluted price of approximately HK\$2.08 per Share to the theoretical benchmarked price of HK\$2.66 per Share in respect of the 2021 Rights Issue (after taking into account the effect of the Capital Reorganisation) (as defined under Rule 7.27B of the Listing Rules, taking into account the benchmarked price of the 2021 Rights Issue, being HK\$0.133 per Share).

The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of Rights Shares will be approximately HK\$0.195.

The Subscription Price and the subscription ratio were determined by the Directors with reference to (i) the market price of the Shares prior to and including the Last Trading Day; (ii) the prevailing market conditions; and (iii) the fund-raising size intended by the Company after taking into consideration of the par value per Share of the Company. According to the relevant Bermuda laws, the Company shall not issue shares at a price below its par value.

It is a common market practice that, in order to enhance the attractiveness of rights issue to existing shareholders, the subscription price would be set at a discount to the prevailing market prices of the relevant shares. The Company considers that the Subscription Price provides a more attractive opportunity to encourage the Qualifying Shareholders to participate in the Rights Issue and to maintain their respective shareholding interests in the Company and is therefore fair and reasonable.

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## LETTER FROM THE BOARD

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The Directors consider that the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Basis of Provisional Allotment**

The basis of the provisional allotment shall be five (5) Rights Shares for every two (2) Shares held by the Qualifying Shareholders on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited on or before the Latest Time for Acceptance.

### **Fractional Entitlements to the Rights Shares**

The Company will not provisionally allot and issue and will not accept application for any fraction of the Rights Shares and the entitlements of the Qualifying Shareholders will be rounded down to the nearest whole number. All fractions of Rights Shares will be aggregated (rounded down to the nearest whole number). All nil-paid Rights Shares arising from such aggregation will be provisionally allotted (in nil-paid form) and sold in the market for the benefit of the Company if a premium (net of expenses) can be obtained, and the Company will retain the proceeds from such sale. Any unsold fractions of Rights Shares will be made available for excess application by the Qualifying Shareholders under the EAFs.

### **Odd lot trading arrangement**

Upon completion of the Rights Issue, the board lots of the Company will remain as 10,000 Shares. In order to facilitate the trading of odd lots of Shares which will arise upon the Rights Issue, the Company will procure the Underwriter to stand in the market and provide matching services on a best effort basis for the holders of odd lots of Shares during the period between Wednesday, 4 January 2023 to Friday, 27 January 2023 (both days inclusive). Holders of odd lots Shares who wish to take advantage of this facility either to dispose of their odd lots of Shares or to top up to board lots of 10,000 Shares may contact the Underwriter at (852) 3700 7812 or by facsimile at (852) 2117 1831 as soon as possible during the period. The Underwriter is an independent third party not connected with the Company or any of the directors, chief executives, or substantial shareholders of the Company or any of its subsidiaries or associates. Holders of Shares in odd lots should note that the matching services mentioned above are on a "best effort" basis only and successful matching of the sale and purchase of odd lots of Shares is not guaranteed and will depend on there being adequate amount of odd lots of Shares available for matching. Shareholders are advised to consult their financial advisers if they are in doubt about the above arrangements.

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## LETTER FROM THE BOARD

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### **Status of the Rights Shares**

The Rights Shares (when allotted, issued and fully paid) will rank *pari passu* with the then Shares in issue in all respects. Holders of fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid after the date of allotment and issue of the Rights Shares in their fully-paid form.

### **Application for the Rights Shares**

The PALs and the EAFs relating to the Rights Shares will be enclosed with this Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares as shown therein and application by Qualifying Shareholders shall be made by completing such form(s) and lodging the same with separate remittance for the Rights Shares being applied for with the Registrar of the Company by the Latest Time for Acceptance.

### ***Procedures for acceptance and payment or transfer***

#### *General*

Any Qualifying Shareholder (including, without limitation, any agent, custodian, nominee and trustee) wishing to take up the Rights Shares (in nil-paid or fully-paid form) under the Rights Issue must satisfy himself/herself/itself as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories.

Each subscriber of the Rights Shares will be deemed (by accepting delivery of this Prospectus) to have given each of the following representations and warranties to the Company and to any person acting on their behalf, unless the Company waives such requirement in its sole discretion in relation to the relevant representation(s) and/or warranty(ies) given to each of them:

- he/she/it was a Shareholder as at the Record Date, or he/she/it lawfully acquired or may lawfully acquire rights, directly or indirectly, from such a person;
- he/she/it may lawfully be offered, take up, exercise, obtain, subscribe for and receive the rights and/or the Rights Shares in the jurisdiction in which he/she/it resides or is currently located;
- subject to certain exceptions, he/she/it is not resident or located in, or a citizen of, the United States, and is not a US person;

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## LETTER FROM THE BOARD

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- subject to certain exceptions, he/she/it is not accepting an offer to acquire, take up or exercise rights or Rights Shares on a non-discretionary basis for a person who is resident or located in, or a citizen of the United States or is a US person at the time the instruction to accept was given;
- he/she/it is not doing so for the account of any person who is located in the United States or is a US person, unless:
  - a. the instruction to purchase or take up the rights or to subscribe for or accept Right Shares was received from a person outside the United States who is not a US person; and
  - b. the person giving such instruction has confirmed that he/she/it (i) has the authority to give such instruction; and (ii) either (A) has investment discretion over such account; or (B) is an investment manager or investment company that is acquiring the Rights Shares in an “offshore transaction” within the meaning of Regulation S under the US Securities Act;
- he/she/it is acquiring the rights and/or the Rights Shares in an “offshore transaction” as defined in Regulation S under the US Securities Act;
- he/she/it has not been offered the Rights Shares by means of any “directed selling efforts” as defined in Regulation S under the US Securities Act;
- he/she/it is not acquiring rights or Rights Shares with a view to the offer, sale, transfer, delivery or distribution, directly or indirectly, of such rights or Rights Shares into the United States; and
- he/she/it understands that neither the rights nor the Rights Shares have been or will be registered under the US Securities Act or with any securities regulatory authority of any state, territory, or possession of the United States and the rights or Rights Shares are being distributed and offered outside the United States to persons who are not US persons in reliance on Regulation S under the US Securities Act. Consequently, he/she/it understands the rights or Rights Shares may not be offered, sold, pledged or otherwise transferred in or into the United States or to US persons, except in reliance on an exemption from, or in transactions not subject to, the registration requirements of the US Securities Act.

For the avoidance of doubt, neither HKSCC nor HKSCC Nominees is subject to any of the above representations and warranties.



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## LETTER FROM THE BOARD

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### *Action to be taken by Qualifying Shareholders*

Subscription for all Rights Shares provisionally allotted

For each Qualifying Shareholder, a PAL is enclosed with this Prospectus which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of the Rights Shares shown therein.

If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PAL, they must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:00 p.m. on Monday, 16 January 2023. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier's orders which must be issued by, a licensed bank in Hong Kong and made payable to "**CHINA ZENITH CHEMICAL GROUP LIMITED – RIGHTS ISSUE ACCOUNT**" and crossed "**Account Payee Only**". Such payment will constitute acceptance of the terms of the PAL(s) and this Prospectus and subject to the bye-laws of the Company. No receipt will be issued for sums received on application. Share certificate(s) for all fully-paid Rights Share in respect of which the application is accepted will be sent to the Qualifying Shareholders, and in the case of joint Qualifying Shareholders, to the first named Qualifying Shareholder, by ordinary post at their own risk at the address stated overleaf on or before Friday, 27 January 2023.

It should be noted that unless the PAL, together with the appropriate remittance, have been lodged with the Registrar by no later than 4:00 p.m. on Monday, 16 January 2023, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled and such Rights Shares will be available for excess application under the EAF by other Qualifying Shareholders. The Company may, at its sole discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require such incomplete PAL to be completed by the relevant applicants at a later stage.

All cheques or banker's cashier orders will be presented for payment immediately following receipt and all interest earned on such monies will be retained for the benefit of the Company. **Completion and return of the PAL(s) will constitute a warranty and representation to the Company that all registration, legal and regulatory requirements of all relevant jurisdictions in connection with the PAL(s) and any acceptance of it have been, or will be, duly complied with.** For the avoidance of doubt, neither HKSCC nor HKSCC Nominees is subject to such warranty and representation. Any PAL(s) in respect of which the accompanying cheque or banker's cashier order is dishonoured on first presentation is liable to be rejected, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. If any of the



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## LETTER FROM THE BOARD

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conditions mentioned in the section headed “Conditions precedent of the Underwriting Agreement” below is not fulfilled, the monies received in respect of the relevant provisional allotments will be returned to the relevant persons without interest by means of cheques despatched by ordinary post at the risks of such persons on or before Friday, 27 January 2023.

The Company reserves the right to refuse to accept any application for Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction.

### Transfers and “splitting” of nil-paid Rights Shares

The nil-paid Rights Shares can be traded on the Stock Exchange. A Qualifying Shareholder can accept all of his/her/its provisional allotment of Rights Shares, or sell all of his/her/its provisional allotment on the Stock Exchange or accept only part of his/her/its provisional allotment and/or sell the remaining part on the Stock Exchange.

If the Qualifying Shareholders wish to accept only part of provisional allotment or transfer part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or to transfer part or all of their rights to more than one person, the entire PAL must be surrendered and lodged for cancellation together with a covering letter stating clearly the number of split PAL(s) required and the number of nil-paid Rights Shares to be comprised in each split PAL(s) (which, in aggregate, should be equal to the number of Rights Shares provisionally allotted to such holder as stated in Box B of the original PAL(s)), by no later than 4:30 p.m. on Friday, 6 January 2023, to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required which will be available for collection from the Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL. This process is commonly known as “splitting” the nil-paid Rights Shares.

Having “split” the nil-paid Rights Shares, a Qualifying Shareholder who wishes to accept the provisional allotment of Rights Shares represented by a new PAL(s) should do so in accordance with the instructions given above in relation to the subscription for all the Rights Shares provisionally allotted.

If a Qualifying Shareholder wishes to transfer all of his/her/its nil-paid Rights Shares under a PAL(s) (or a split PAL(s), as the case may be) to another person, he/she/it should complete and sign the “Form of transfer and nomination” (Form B) in the PAL(s) and hand the PAL(s) to the person to or through whom he/she/it is transferring his/her/its nil-paid Rights Shares. The transferee must then complete, sign and stamp “Registration application form” (Form C) in the PAL(s) and lodge the PAL(s) intact together with a remittance for the full amount payable on acceptance with the Registrar to effect the transfer by no later than 4:00 p.m. on Monday, 16 January 2023. It should be noted that Hong Kong stamp duty

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## LETTER FROM THE BOARD

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is payable in connection with the transfer of your rights to subscribe for the relevant Rights Shares and the transferee(s) of such rights.

The Company reserves the right to refuse to register any transfer in favour of any person in respect of which the Company believes such transfer may violate applicable legal or regulatory requirements.

*Action to be taken by Beneficial Owners whose Shares are held by a Registered Owner (other than Shares deposited in CCASS)*

Subscription for Rights Shares provisionally allotted and transfers and “splitting” of nil-paid Rights Shares

If you are a Beneficial Owner whose Shares are registered in the name of a Registered Owner and you wish to subscribe for the Rights Shares provisionally allotted to you, or sell your nil-paid Rights Shares or “split” your nil-paid Rights Shares and accept part of your provisional allotment and sell the remaining part, you should contact the Registered Owner and provide the Registered Owner with instructions or make arrangements with the Registered Owner in relation to the acceptance, transfer and/or “splitting” of the rights to subscribe for Rights Shares which have been provisionally allotted in respect of the Shares in which you are beneficially interested.

Such instructions and/or arrangements should be given or made in advance of the relevant dates stated in the “Expected Timetable” in this Prospectus and otherwise in accordance with the requirements of the Registered Owner in order to allow the Registered Owner sufficient time to ensure that your instructions are given effect.

*Action to be taken by Beneficial Owners holding interests in Shares through CCASS*

Subscription for Rights Shares provisionally allotted and transfers and “splitting” of nil-paid Rights Shares

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered in the name of HKSCC Nominees, and you wish to subscribe for the Rights Shares provisionally allotted to you, or sell your nil-paid Rights Shares or “split” your nil-paid Rights Shares and accept part of your provisional allotment and sell the remaining part, you should (unless you are a CCASS Investor Participant) contact your Intermediary and provide your Intermediary with instructions or make arrangements with your Intermediary in relation to the acceptance, transfer and/or “splitting” of the rights to subscribe for Rights Shares which have been provisionally allotted in respect of the Shares in which you are beneficially interested.

Such instructions and/or arrangements should be given or made in advance of the relevant dates stated in the “Expected Timetable” in this Prospectus and otherwise in accordance with the requirements of your Intermediary in order to allow your Intermediary

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## LETTER FROM THE BOARD

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sufficient time to ensure that your instructions are given effect. The procedure for acceptance, transfer and/or “splitting” by CCASS Participants of the Rights Shares provisionally allotted to CCASS stock accounts in respect of the Shares registered in the name of HKSCC Nominees shall be in accordance with the “General Rules of CCASS”, the “CCASS Operational Procedures” and any other requirements of CCASS.

The procedures for acceptance, transfer and/or “splitting” of Rights Shares provisionally allotted to Beneficial Owners who have been admitted to participate in CCASS as CCASS Investor Participants shall be in accordance with “Operating Guide for Investor Participants” and any other requirements of CCASS. Beneficial Owners who have been admitted to participate in CCASS as CCASS Investor Participants should contact CCASS and provide CCASS with instructions or make arrangements with CCASS in relation to the manner in which such Beneficial Owners’ interests in Rights Shares should be dealt with.

If the Underwriter exercises the right to terminate the Underwriting Agreement at or before the Latest Time for Termination or if the conditions of the Underwriting Agreement are not fulfilled or waived (as appropriate) at or before 4:00 p.m. on Tuesday, 17 January 2023, the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the nil-paid Rights Shares shall have been validly transferred, or in case of joint acceptances, to the first-named person, without interest by means of cheques despatched by ordinary post to their respective registered address at their own risk on or before Friday, 27 January 2023.

No receipt will be issued in respect of any application monies received.

### **Application for Excess Rights Shares**

The Company shall make the Excess Rights Shares available for subscription by the Qualifying Shareholders by means of EAFs, and the Excess Rights Shares represent:

- (i) any nil-paid Rights Shares provisionally allotted but not accepted by any of the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares prior to the Latest Time for Acceptance;
- (ii) subject to the provisions of the Underwriting Agreement, any entitlements of the Non-Qualifying Shareholder provisionally allotted to a nominee of the Company which are left unsold;
- (iii) any of the Rights Shares created from the aggregation of fractions of the Rights Shares; and
- (iv) the Scale-down PAL Shares (if any).

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## LETTER FROM THE BOARD

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Application for Excess Rights Shares can be made by the Qualifying Shareholders only and by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate remittance for the Excess Rights Shares being applied for with the branch share registrar of the Company in Hong Kong no later than 4:00 p.m. on Monday, 16 January 2023. The Directors will, upon consultation with the Underwriter, allocate any Excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (i) any Excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro rata basis by reference to the number of the Excess Rights Shares applied for;
- (ii) reference will only be made to the number of Excess Rights Shares being applied for but no reference will be made to the Rights Shares subscribed through applications by PALs or the existing number of Shares held by Qualifying Shareholders;
- (iii) if the aggregate number of Rights Shares not taken up by the Qualifying Shareholders and/or transferees of nil-paid Rights Shares under the PALs is greater than the aggregate number of Excess Rights Shares applied for through the EAFs, the Company will allocate to each Qualifying Shareholder who applies for Excess Rights Shares in full application; and
- (iv) no preference will be given to topping up odd-lots to whole board lots.

Shareholders with their Shares held by a nominee company (or which are deposited in CCASS) should note that the Board will regard such nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the allocation of the Excess Rights Shares will not be extended to the relevant beneficial owners individually save and except for the beneficial owner(s) which the Company may permit in its absolute discretion. Shareholders with their Shares held by a nominee company (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares under their own names on or prior to the Record Date for the purpose of the Rights Issue. Shareholders who would like to have their names registered on the register of members of the Company on the Record Date, must lodge all necessary documents with the branch share registrar of the Company in Hong Kong for registration by no later than 4:30 p.m. on Tuesday, 20 December 2022. Shareholders and investors of the Company should consult their professional advisers if they are in doubt as to their status.

Any Qualifying Shareholder wishing to apply for any Rights Shares in addition to his/her/its provisional allotment must complete and sign the EAF in accordance with the instructions printed thereon and lodge the same, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the

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## LETTER FROM THE BOARD

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Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:00 p.m. on Monday, 16 January 2023. All remittances must be made by cheque or cashier's order in Hong Kong dollars. Cheques must be drawn on an account with, and cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "CHINA ZENITH CHEMICAL GROUP LIMITED – EXCESS APPLICATION ACCOUNT" and crossed "Account Payee Only".

The allocation of excess Rights Shares (if any) made to the Qualifying Shareholders will be announced on or about Thursday, 26 January 2023. If no excess Rights Shares are allotted to the Qualifying Shareholders, a cheque for the amount tendered on application is expected to be refunded in full on or before Friday, 27 January 2023. If the number of excess Rights Shares allotted to the Qualifying Shareholders is less than that applied for, a cheque for the surplus application monies is also expected to be refunded to them on or before Friday, 27 January 2023.

All cheques or banker's cashier orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and return of the EAF will constitute a warranty and representation to the Company that all registration, legal and regulatory requirements of all relevant jurisdictions in connection with the EAF and any acceptance of it have been, or will be, duly complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give or be subject to any of the above representations and warranties. The Company reserves the right to refuse to accept any application for excess Rights Shares where it believes that doing so would violate the applicable securities legislation or other laws or regulations of any jurisdiction.

Completion and return of the EAF together with a cheque or a banker's cashier order in payment for the excess Rights Shares applied for will constitute a warranty by the applicant that the cheque or the banker's cashier order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereto, the Company reserves the right to reject any EAF in respect of which the accompanying cheque or banker's cashier order is dishonoured on first presentation, and in that event, all rights thereunder will be deemed to have been declined and will be cancelled.

The EAF is for use only by the Qualifying Shareholders to whom it is addressed and is not transferable. All documents, including cheques or banker's cashier orders for amounts due, will be sent by ordinary post at the risk of the persons entitled thereto to their registered addresses by the Registrar. The Company may, at its discretion, treat an EAF as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the EAF is not completed in accordance with the relevant instructions. The Company may require such incomplete EAF to be completed by the relevant applicants at a later stage.

If the Underwriter exercises the right to terminate the Underwriting Agreement at or before the Latest Time for Termination or if the conditions of the Underwriting Agreement are not fulfilled or waived (as appropriate) at or before 4:00 p.m. on Tuesday, 17 January

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## LETTER FROM THE BOARD

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2023, the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the nil-paid Rights Shares shall have been validly transferred, or in case of joint acceptances, to the first-named person, without interest by means of cheques despatched by ordinary post to their respective registered address at their own on or before Friday, 27 January 2023.

It should be noted that no receipt will be issued in respect of any EAF and/or remittances received.

### **Share Certificates and Refund Cheques for the Rights Issue**

Subject to the fulfilment of the conditions of the Rights Issue, share certificates for fully paid Rights Shares are expected to be posted to those who have accepted and (where applicable) applied for, and paid for, the Rights Shares by ordinary post at their own risk on or before Friday, 27 January 2023. Each Shareholder will receive one share certificate for all allotted Rights Shares, except HKSCC Nominees Limited. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted to the applicants by ordinary post at their own risk on or before Friday, 27 January 2023.

### **Scale-down of subscriptions to avoid the triggering of MGO Obligation**

Pursuant to the Underwriting Agreement, as the Rights Issue is only underwritten by the Underwriters on a best effort basis, and so as to avoid the unwitting triggering of the MGO Obligation and/or any non-compliance with the Public Float Requirement, all applications for Rights Shares under the PAL(s), or by transferees of nil-paid Rights Shares, or by subscribers procured by the Underwriters (or either of them, whichever shall be appropriate) will be made on the basis that the applications are to be scaled-down by the Company to a level which does not trigger an MGO Obligation on the part of the applicant or parties acting in concert with him/her/it. Any subscription monies for the Scale-down PAL Shares will be refunded to the applicants, and the Scale-down PAL Shares will be made available for subscription by other Qualifying Shareholders through the EAF(s).

In addition, under and/or pursuant to the Scaling-down, any application for Rights Shares under PAL(s), shall be subject to the scale-down mechanisms of the Rights Issue as determined by the Company to levels which do not trigger any MGO Obligation. Such scale-down of applications of Rights Shares shall operate on a fair and equitable basis under the following principle: where the scale-down is necessitated by the exceeding of shareholding by a group rather than an individual Shareholder, the allocations of PAL(s) to members of the affected group should be made on a pro rata basis by reference to the number of Shares held by the affected applicants on the Record Date, but for avoidance of any doubt, any or any such onward allocation(s) shall be subject to the Scaling-down as well.

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## LETTER FROM THE BOARD

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Qualifying Shareholders who wish to apply for excess Rights Shares in addition to their provisional allotment must complete and sign an EAF and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited on or before the Latest Time for Acceptance.

### **Application for Listing**

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. No part of the securities of the Company is listed, or dealt in, or for which listing or permission to deal is being or is proposed to be sought, on any other stock exchange. Nil-paid Rights Shares are expected to be traded in board lots of 10,000 (as the Shares are currently traded on the Stock Exchange in board lots of 10,000).

As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived.

### **Rights Shares will be eligible for admission into CCASS**

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day after the date of the transaction.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

### **Stamp duty and other applicable fees and charges**

Dealings in the Rights Shares (in both nil-paid and fully-paid forms) will be subject to the payment of stamp duty, Stock Exchange trading fee, the Securities and Futures Commission transaction levy and other applicable fees and charges in Hong Kong.



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## LETTER FROM THE BOARD

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### Conditions of the Rights Issue

The Rights Issue is conditional upon the Underwriting Agreement having become unconditional and not being terminated in accordance with the terms thereof.

### UNDERWRITING ARRANGEMENT AND UNDERTAKING

#### The Shareholder's undertaking

As at Latest Practicable Date, Mr. Chan, a substantial Shareholder of the Company, directly holds 25,896,876 Shares, representing approximately 17.18% of the issued share capital of the Company.

On 18 October 2022, the Company received the Irrevocable Undertaking from Mr. Chan, pursuant to which Mr. Chan has irrevocably undertaken to the Company, among other things, to:

- (i) subscribe for 64,742,190 Rights Shares, which will be provisionally allotted to Mr. Chan nil-paid in respect of the 25,896,876 Shares legally and beneficially owned by Mr. Chan, pursuant to the terms of the Rights Issue Documents provided that the total number of the Rights Shares to be subscribed will be scaled down (if necessary) to the extent that his percentage shareholding in the Company will not be more than 29.99% immediately after completion of the Rights Issue; and
- (ii) ensure that the 25,896,876 Shares currently legally and beneficially owned by Mr. Chan will remain legally and beneficially owned by Mr. Chan on the Record Date.

The Irrevocable Undertaking is subject to a cap and the maximum number of Rights Shares together with the Shares already held by Mr. Chan shall not be more than 29.99% of the total enlarged issued share capital of the Company at completion of the Rights Issue so as not to trigger any obligation for a general offer under the Takeovers Code.

The Company has not received, as at the Latest Practicable Date, any information or irrevocable undertaking from any other substantial Shareholder of the Company of any intention in relation to the Rights Shares to be provisionally allotted to that Shareholder under the Rights Issue.



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## LETTER FROM THE BOARD

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### The Underwriting Agreement

Date: 18 October 2022 (after trading hours of the Stock Exchange)

Issuer: The Company

Underwriter: Koala Securities Limited

The Underwriter is a licensed corporation to carry out business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO and its ordinary course of business includes underwriting of securities. The Underwriter has complied with Rule 7.19(1)(a) of the Listing Rules

Number of Underwritten Shares: Up to 332,613,187 Rights Shares being the maximum total number of Rights Share issuable, excluding the Rights Shares which Mr. Chan will take up in accordance with the Irrevocable Undertaking, underwritten by the Underwriter on a best effort basis pursuant to the terms and conditions of the Underwriting Agreement

Underwriting Commission: 1% of the aggregate Subscription Price in respect of the actual number of Underwritten Shares procured by the Underwriter for subscription pursuant to the Underwriting Agreement

The Rights Issue is underwritten by the Underwriter on a best effort basis pursuant to the terms of the Underwriting Agreement. The Rights Issue is not fully underwritten by a person or persons whose ordinary course of business includes underwriting. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are independent of the Company and its connected persons. As at the date of the Underwriting Agreement, the Underwriter is not interested in any Shares.

The said commission rate was determined after arm's length negotiations between the Company and the Underwriter with reference to the existing financial position of the Group, the size of the Rights Issue, and the current and expected market condition. The Directors (including the independent non-executive Directors) consider that the terms of the Underwriting Agreement (including the commission rate) are fair and reasonable so far as the Company and the Shareholders are concerned.

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## LETTER FROM THE BOARD

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Save for the Underwriting Agreement, the Company has not entered into any agreement, arrangement, understanding or undertaking in regard of the Rights Issue with the Underwriter or any of its connected persons and their respective associate.

### **Conditions precedent of the Underwriting Agreement**

The Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms. The Underwriting Agreement is conditional upon the following conditions being fulfilled or waived (as appropriate):

- (i) the passing of the necessary resolutions at the SGM to approve the Capital Reorganisation, the Rights Issue and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by the Shareholders (other than those who are required to abstain from voting according to the Listing Rules or other application laws and regulations if necessary);
- (ii) the Capital Reorganisation having become effective;
- (iii) the Company and the Underwriter having obtained all necessary consent and/or approval (including passing of all necessary resolutions) for entering into the Underwriting Agreement and the transactions contemplated therein;
- (iv) 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 Rights Issue Documents duly signed by two Directors (or by their attorneys or agents duly authorised in writing) in accordance with section 342C of the Companies (WUMP) Ordinance as having been approved by resolutions of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (WUMP) Ordinance not later than the Posting Date;
- (v) the posting of the Rights Issue Documents to the Qualifying Shareholders and the posting of the Prospectus to the Non-Qualifying Shareholders for information purpose only, if any, by no later than the Posting Date;
- (vi) 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 the permission to deal in the Rights Shares (in their nil-paid and fully-paid forms) by no later than the first day of dealings in the nil-paid Rights Shares (or such other date as may be agreed between the Company and the Underwriter in writing), and such listing and permission not being withdrawn or revoked prior to the Latest Time for Termination;
- (vii) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms hereof on or before the Latest Time for Termination;

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## LETTER FROM THE BOARD

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- (viii) there being no breach of the undertakings and obligations of the Company under the terms of the Underwriting Agreement at the Latest Time for Termination;
- (ix) the compliance with and performance by the Company and the Underwriter of all the undertakings and obligations under the terms of the Underwriting Agreement at the Latest Time for Termination;
- (x) the entering into of binding agreements by the Underwriter with certain subscriber(s) procured by the Underwriter and/or sub-underwriter(s), which shall be Independent Third Parties, for placing and/or sub-underwriting the Rights Shares, such that neither the Underwriter nor any of the subscriber(s) procured by the Underwriter and/or sub-underwriter(s) and/or party or parties acting in concert (having the meaning as set out in the Takeovers Code) with the respective subscribers or any of the connected persons or associates of the respective subscribers shall be interested in 30% or more of the issued share capital of the Company as enlarged by the Rights Issue;
- (xi) each condition to enable the Rights Shares in their nil-paid or fully-paid forms to be admitted as eligible securities for deposit, clearance and settlement in CCASS having been satisfied on or before the Business Day prior to the commencement of trading of the Rights Shares (in their nil paid and fully-paid forms, respectively) and no notification having been received by the Company from HKSCC by such time that such admission or facility for holding and settlement has been or is to be refused;
- (xii) there being no Specified Event occurring on or before the Latest Time for Termination; and
- (xiii) the Underwriter having received from the Company all the documents required under the Underwriting Agreement in such form and substance satisfactory to the Underwriter in accordance with the times specified therein.

Save for the conditions (viii), (ix), (xii) and (xiii) which can be waived by the Underwriter and the Company in whole or in part jointly, none of the above conditions can be waived. If any of the conditions referred to above is not fulfilled, or waived (where applicable) by the Latest Time for Termination, the Rights Issue will not proceed.

As at the Latest Practicable Date, conditions (i), (ii) and (iii) were satisfied and the remaining conditions above are expected to have been fulfilled on the Posting Date.

### **Termination of the Underwriting Agreement**

Terms in relation to the termination of the Underwriting Agreement are summarized in the section headed “Termination of the Underwriting Agreement” in this Prospectus.

## LETTER FROM THE BOARD

In the event the Underwriter exercises its rights to terminate the Underwriting Agreement prior to the Latest Time for Termination, the obligations of the Underwriter thereunder (save for certain exceptions) shall cease and determine and no Party shall have any claim against the other Party under the Underwriting Agreement for costs, damages, compensation or otherwise save for any antecedent breaches.

If the Underwriter exercises such right, the Rights Issue will not proceed. A further announcement will be made by the Company if the Underwriting Agreement is terminated by the Underwriter.

### EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

(1) Assuming no new Shares are allotted and issued pursuant to any exercise of the Share Options and/or pursuant to the conversion of the Convertible Bonds and no other change in the share capital of the Company from the Latest Practicable Date up to the Record Date:

Shareholders	As at the Latest Practicable Date		Immediately after completion of the Rights Issue (assuming full acceptance by the Qualifying Shareholders)		Immediately after completion of the Rights Issue (assuming (a) no acceptance by the Qualifying Shareholders (other than the Rights Shares which Mr. Chan will take up in accordance with the Irrevocable Undertaking); and (b) none of the Untaken Shares are taken up by the Underwriter and its subscribers procured by the Underwriter)		Immediately after completion of the Rights Issue (assuming (a) no acceptance by the Qualifying Shareholders (other than the Rights Shares which Mr. Chan will take up in accordance with the Irrevocable Undertaking); and (b) all the Untaken Shares are taken up by the Underwriter and its subscribers procured by the Underwriter)	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
<b>Substantial Shareholder</b>								
Mr. Chan	25,896,876	17.18	90,639,066	17.18	53,473,600	29.99	90,639,066	17.18
						(Note 3)		
<b>Directors</b>								
Chan Yuk Foebe	143,000	0.09	500,500	0.09	143,000	0.08	143,000	0.03
Gao Ran	122,000	0.08	427,000	0.08	122,000	0.07	122,000	0.02
Liu Yang Yang	166,000	0.11	581,000	0.11	166,000	0.09	166,000	0.03
<b>Public Shareholders</b>								
Underwriter, sub-underwriter(s) and/or subscriber(s) procure by it (Note 2)	-	-	-	-	-	-	312,077,930	59.16
Other public Shareholders	124,400,172	82.54	435,400,602	82.54	124,400,172	69.77	124,400,172	23.58
<b>Total</b>	<b>150,728,048</b>	<b>100.00</b>	<b>527,548,168</b>	<b>100.00</b>	<b>178,304,772</b>	<b>100.00</b>	<b>527,548,168</b>	<b>100.00</b>

## LETTER FROM THE BOARD

- (2) Assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all outstanding Share Options and the full conversion of the Convertible Bonds but otherwise no other change in the share capital of the Company on or before the Record Date:

Shareholders	As at the Latest Practicable Date		Immediately after full exercise of all Shares Options and the full conversion of the Convertible Bonds but otherwise no other change in the issued share capital of the Company up to the Record Date		Assuming full acceptance by all Qualifying Shareholders		Immediately after completion of the Rights Issue (assuming (a) no acceptance by the Qualifying Shareholders (other than the Rights Shares which Mr. Chan will take up in accordance with the Irrevocable Undertaking); and (b) none of the Untaken Shares are taken up by the Underwriter and its subscribers procured by the Underwriter)		Immediately after completion of the Rights Issue (assuming (a) no acceptance by the Qualifying Shareholders (other than the Rights Shares which Mr. Chan will take up in accordance with the Irrevocable Undertaking); and (b) all the Untaken Shares are taken up by the Underwriter and its subscribers procured by the Underwriter)	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
<b>Substantial Shareholder</b>										
Mr. Chan	25,896,876	17.18	25,896,876	16.29	90,639,066	16.29	56,992,266	29.99	90,639,066	16.29
								(Note 3)		
<b>Directors</b>										
Chan Yuk Foebe	143,000	0.09	765,590	0.48	2,679,565	0.48	765,590	0.40	765,590	0.14
Gao Ran	122,000	0.08	122,000	0.08	427,000	0.08	122,000	0.06	122,000	0.02
Liu Yang Yang	166,000	0.11	166,000	0.10	581,000	0.10	166,000	0.09	166,000	0.03
Law Tze Ping Eric	-	-	622,590	0.39	2,179,065	0.39	622,590	0.33	622,590	0.11
Ma Wing Yun Bryan	-	-	407,078	0.26	1,424,773	0.26	407,078	0.21	407,078	0.07
Tam Ching Ho	-	-	407,078	0.26	1,424,773	0.26	407,078	0.21	407,078	0.07
Hau Chi Kit	-	-	407,078	0.26	1,424,773	0.26	407,078	0.21	407,078	0.07
<b>Public Shareholders</b>										
Holders of the Share Options except for Directors	-	-	2,490,361	1.57	8,716,263	1.57	2,490,361	1.31	2,490,361	0.45
Holders of the Convertible Bonds	-	-	3,257,328	2.05	11,400,648	2.05	3,257,328	1.71	3,257,328	0.59
Underwriter, sub-underwriter(s) and/or subscriber(s) procure by it (Note 2)	-	-	-	-	-	-	-	-	332,613,187	59.79
Other public shareholders	124,400,172	82.54	124,400,172	78.26	435,400,602	78.26	124,400,172	65.48	124,400,172	22.37
<b>Total</b>	<b>150,728,048</b>	<b>100.00</b>	<b>158,942,151</b>	<b>100.00</b>	<b>556,297,528</b>	<b>100.00</b>	<b>190,037,541</b>	<b>100.00</b>	<b>556,297,528</b>	<b>100.00</b>

**Notes:**

- The above percentage figures are subject to rounding adjustments. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding it.
- Pursuant to the Underwriting Agreement, the Underwriter shall confirm with the Company the actual number of Untaken Shares as at the Latest Time for Acceptance, and shall procure for subscription therefor on a best effort basis whilst ensuring that (i) each of the subscribers of the Untaken Shares procured by the Underwriters (or the

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## LETTER FROM THE BOARD

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Underwriters concerned, whichever shall be appropriate) shall be an Independent Third Party and not connected with the Company, any of the Directors or chief executive or substantial Shareholders or their respective associates; and (ii) the Underwriter or each subscriber procured by the Underwriters (together with parties acting in concert with the respective subscribers or any of the connected persons or associates of the respective subscribers) shall not hold in aggregate 30% or more of the voting rights of the Company immediately after the Rights Issue. The Company also undertakes to fulfill the Public Float Requirement upon completion of the Rights Issue.

3. The Irrevocable Undertaking is subject to a cap and the maximum number of Rights Shares together with the Shares already held by Mr. Chan shall not be more than 29.99% of the total enlarged issued share capital of the Company at completion of the Rights Issue so as not to trigger any obligation for a general offer under the Takeovers Code.
4. The above tables show that all public Shareholders (including other public Shareholders) will, immediately after completion of the Rights Issue, hold not less than 25% of the issued share capital of the Company and hence the Company will be in compliance with the Public Float Requirement.

### REASONS FOR THE PROPOSED RIGHTS ISSUE AND USE OF PROCEEDS

As disclosed in the interim report of the Company for the six months ended 31 December 2021, the Company has issued bonds in 2013 and the aggregate principal amount of the bonds outstanding was HK\$276 million with the maturity date on 11 September 2021. A settlement has been reached between the Company and bondholders to extend the maturity date of the bonds outstanding to 10 September 2025, and the bonds shall bear interest at the rate of 7.5% per annum from 11 September 2021 to 10 September 2025. The interest of the bonds shall accrue and be paid, together with the principal amount of the bonds, on the new maturity date, being 10 September 2025.

As at 31 December 2021, the bonds payable within one year amounted to approximately HK\$212,939,000 and these bonds payable are unsecured and interest bearing at coupon rates of 3% to 12%.

The Company is in the process of negotiating for a settlement of a bond payable to several bondholders in the amount of HK\$100 million. In the event that a settlement is reached between the Company and bondholders, the Company expects the relevant bond payable in the amount of HK\$100 million to be deferred or discounted.

The Directors currently intend to use the net proceeds of approximately HK\$77.6 million as follows:

- approximately 87.11% of the net proceeds (approximately HK\$67.6 million) will be used for repayment of the Company's indebtedness (i.e. the partial repayment of the bonds of the Company of approximately HK\$186.1 million repayable within one year and for more details, please refer to the subparagraph headed "Bonds" in the statement of indebtedness set out in Appendix I to this Prospectus) and interest expenses (excluding those of Mudanjiang BD Power); and

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## LETTER FROM THE BOARD

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- approximately 12.89% of the net proceeds (approximately HK\$10 million) will be used for general working capital of the Group.

In the event that there is an under-subscription of the Rights Issue, the net proceeds of the Rights Issue will be utilised in proportion to the above uses.

As disclosed in the announcement of unaudited results for the year ended 30 June 2022 of the Company dated 29 September 2022, the operation of Mudanjiang Better Day Power Limited (“**Mudanjiang BD Power**”) was temporarily taken-over by Mudanjiang Authority of Housing and Urban-Rural Development and upon the cease of control over Mudanjiang BD Power, Mudanjiang BD Power should be deemed as deconsolidated from the consolidated financial statements of the Group and be classified as a discontinued operation as from 26 August 2022. None of the net proceeds of the Rights Issue will be utilised for repayment of the indebtedness of Mudanjiang BD Power.

Apart from the Rights Issue, the Directors have considered other debt/equity fund raising alternatives such as bank borrowings, placing or an open offer. The Directors noted that bank borrowings will carry interest costs and may require the provision of security and creditors will rank before the Shareholders, and placings will dilute the interests of Shareholders without giving them the opportunity to take part in the exercise. As opposed to an open offer, the Rights Issue enables the Shareholders to sell the nil-paid rights in the market. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Company.

Having considered the abovementioned alternatives, the Directors consider raising funds by way of the Rights Issue is more attractive in the current market condition and the Rights Issue will enable the Company to strengthen its working capital base and enhance its financial position, while at the same time, allowing the Qualifying Shareholders to maintain their proportional shareholdings in the Company, and thus, in the interests of the Company and the Shareholders as a whole.

Based on the above, the Board considers that raising capital through the Rights Issue is in the interests of the Company and the Shareholders as a whole. In addition, having considered the capital needs of the Group, the terms of the Rights Issue and the Subscription Price, the Board also considers that it is in the interests of the Company to proceed with the Rights Issue. **However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholder(s), if any, should note that their shareholdings will be diluted.**

The estimated expenses in relation to the Rights Issue, including financial, legal and other professional expenses, of approximately HK\$1.9 million, will be borne by the Company. Assuming (1) full acceptance by the Qualifying Shareholders; (2) new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all outstanding Share Options and the full conversion of the Convertible Bonds; and (3) no other change in the share capital of the Company on or before the Record Date, the estimated net proceeds of the Rights Issue will be not more than approximately HK\$77.6 million.

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## LETTER FROM THE BOARD

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### EQUITY FUND-RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

The Company has conducted the following fund-raising activity involving issue of securities in the twelve (12) months before the Latest Practicable Date:

Date of announcement/circular/prospectus	Fund-raising activity	Net proceeds (approximate)	Intended use of proceeds as announced	Actual use of proceeds
23 November 2021, 15 December 2021, 6 January 2022	Rights issue	HK\$101.13 million	Approximately HK\$81.13 million for the repayment of the Group's indebtedness and interest expenses and approximately HK\$20 million as general working capital of the Group.	All net proceeds have been fully utilised as intended.

Save as disclosed above, the Company had not conducted any other equity fund-raising activities in the past twelve months immediately prior to the Latest Practicable Date.

### TAXATION

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

### INFORMATION ON THE GROUP

The Group is principally engaged in the manufacturing and sales of coal-related chemical products, the generation and supply of electricity and thermal energy and construction services.

### POSSIBLE ADJUSTMENTS TO THE OUTSTANDING SHARE OPTIONS UNDER THE SHARE OPTION SCHEMES AND THE CONVERTIBLE BONDS

Pursuant to the terms of the Share Option Scheme and the terms and conditions of the Convertible Bonds, (i) the subscription prices on the exercise of the Share Options and/or number of Shares related to the Share Options under the Share Option Scheme; and/or (ii) the conversion prices of the Convertible Bonds may be adjusted in accordance with the Share Option Scheme and the terms and conditions of the Convertible Bonds, respectively, upon the Rights Issue becoming unconditional.



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## LETTER FROM THE BOARD

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### **Adjustment Mechanism**

Pursuant to the terms of the Share Option Scheme, the Company shall instruct an auditor or an independent financial adviser to certify in writing the adjustment, if any, that ought in their opinion fairly and reasonably to be made, provided that (a) any adjustments shall give a grantee the same proportion of the issued share capital of the Company to which he was entitled prior to such adjustment; (b) the issue of Shares or other securities of the Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; (c) no such adjustment shall be made to the advantage of the grantees or prospective grantees (including but not limited to, adjustments which would increase the Intrinsic Value of the Share Options); and (d) no adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. In addition, in respect of any such adjustments, other than any adjustment made on a capitalisation issue, such auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules.

Pursuant to the terms and conditions of the Convertible Bonds, the conversion prices of the Convertible Bonds may be adjusted by multiplying the conversion price in force immediately before the date of the Announcement by the amount equal to (i) the sum of: (a) the number of Shares in issue immediately before the date of the Announcement; and (b) the aggregate number of Rights Shares multiplied by the Subscription Price, and divided by the greater of either the closing price per Share quoted on the Stock Exchange on the Last Trading Day or the conversion price in force immediately before the date of the Announcement; divided by, (ii) the sum of (a) the number of Shares in issue immediately before the date of the Announcement; and (b) the aggregate number of Rights Shares.

The Company will notify the holders of the Share Options and the Convertible Bonds and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms of the Share Option Schemes and the Convertible Bonds and such adjustment will be certified by an independent financial adviser or auditors of the Company (as the case may be).

### **WARNING OF THE RISKS OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES**

**Shareholders and potential investors of the Company should note that the Rights Issue is upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Rights Issue may or may not proceed.**

**Shareholders should note that the Shares are expected to be dealt in on an ex-right basis from Monday, 19 December 2022. Dealings in the Rights Shares in the nil-paid form will take place from Wednesday, 4 January 2023 to Wednesday, 11 January 2023 (both dates inclusive).**

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## LETTER FROM THE BOARD

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Any Shareholder or other person contemplating selling or purchasing the Shares and/or nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled will bear the risk that the Rights Issue may not become unconditional and may not proceed. Shareholders and the public are reminded to exercise caution when dealings in the Shares and any dealings in the Rights Shares in their nil-paid form from Wednesday, 4 January 2023 to Wednesday, 11 January 2023 (both dates inclusive) will accordingly bear the risk that the Right Issue cannot become unconditional and may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or nil-paid Rights Shares are recommended to consult their own professional advisers.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information as set out in the appendices to this Prospectus.

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

## 1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three years ended 30 June 2020, 2021 and 2022 are disclosed in the annual reports of the Company for the years ended 30 June 2020, 2021 and 2022, respectively. These annual reports are published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company ([http://www.chinazenith.com.hk/en/ir\\_reports.php](http://www.chinazenith.com.hk/en/ir_reports.php)):

- (a) annual report of the Company for the year ended 30 June 2020 published on 1 November 2020 (pages 70 to 184) in relation to the financial information of the Group for the same year (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1101/2020110100115.pdf>);
- (b) annual report of the Company for the year ended 30 June 2021 published on 16 November 2021 (pages 60 to 180) in relation to the financial information of the Group for the same year (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/1116/2021111600412.pdf>); and
- (c) annual report of the Company for the year ended 30 June 2022 published on 31 October 2022 (pages 59 to 204) in relation to the financial information of the Group for the same year (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1031/2022103100473.pdf>).

## 2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 November 2022, being the indebtedness date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this Prospectus, the details of the Group's indebtedness were as follows:

### **Lease liabilities**

As at 30 November 2022, the Group, as a lessee, had lease liabilities with outstanding principal amount of approximately HK\$0.4 million.

### **Convertible bonds**

The Group had an outstanding principal of convertible bonds, being unsecured and unguaranteed, of approximately HK\$20.0 million, which is non-interest bearing and repayable by 12 November 2023.

### **Interest-bearing bank borrowings**

The Group had interest-bearing and unguaranteed bank borrowings of approximately HK\$21.3 million, which is secured by the Group's property, plant and equipment and right-of-use assets of approximately HK\$1.8 million and HK\$133.0 million respectively. The bank borrowings of (i) approximately HK\$8.7 million are repayable on demand or

repayable within one year; (ii) approximately HK\$2.9 million repayable in the second year; (iii) approximately HK\$8.9 million repayable in the third to fifth years; and (iv) approximately HK\$0.8 million repayable after five years.

#### **Other borrowings**

The Group had interest-bearing other borrowings of approximately HK\$48.8 million which are repayable within one year, unguaranteed and secured by the Group's property, plant and equipment and right-of-use assets of approximately HK\$1.8 million and HK\$133.0 million respectively.

#### **Bonds**

The Group had outstanding bonds, being unsecured and unguaranteed, with principal amount of approximately HK\$1,248.1 million, which is unsecured and of which (i) approximately HK\$204.4 million repayable within one year; (ii) approximately HK\$351.7 million repayable in the second year; and (iii) approximately HK\$692.0 million repayable in the third to fifth years inclusive.

#### **Disclaimers**

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities, normal trade and other payables and contract liabilities, as at 30 November 2022, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this Prospectus, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages and charges, hire purchase commitments, material contingent liabilities or guarantees outstanding.

To the best knowledge of the Directors, having made all reasonable enquiries, (i) there has been no material change in indebtedness or contingent liabilities of the Group since 30 November 2022; (ii) there has not been any default on repayments or other obligations in any material respect under the loan agreements; (iii) the Group does not have material covenants relating to the outstanding debts; (iv) the Group has complied with all of the finance covenants up to the Latest Practicable Date; and (v) the Group does not have any material external debt financing plans as at the Latest Practicable Date.

### **3. WORKING CAPITAL**

As noted from the Company's annual report for the year ended 30 June 2022, the audit opinion was disclaimed by the Company's independent auditor because of, *inter alia*, the limitation of scope in relation to the adoption of the going concern basis in preparing the consolidated financial statements for the year ended 30 June 2022.

As set out in the Company's annual report for the year ended 30 June 2022, the Group incurred net loss of approximately HK\$1,073.8 million and the Group's current liabilities exceeded its current assets by approximately HK\$966.5 million. As at 30 November 2022, the Group had bank loans and bonds payable amounted to approximately HK\$21.3 million and HK\$1,248.1 million respectively, out of which approximately HK\$5.9 and HK\$102.8 million had been overdue.

As of 30 November 2022, the Group's principal value of bonds which are payable within one year was approximately HK\$204.4 million. The Group is in the process of negotiating for a settlement of bond payables to several bondholders in the amount of approximately HK\$204.4 million. In the event that a settlement is reached between the Company and bondholders, the Company expects the relevant bond payables in the amount of HK\$204.4 million to be deferred or discounted.

As at the Latest Practicable Date,

- (i) no waiver was granted by the respective lenders;
- (ii) no agreement has been reached with bondholders for the bonds in the amount of HK\$204.4 million;
- (iii) no agreement has been reached with the counterparty in a litigation case in the amount of HK\$77 million.

In preparing the working capital forecast for the Group for the 12 months, the Group has carried out the following measures for the purpose of ensuring there are sufficient working capital for at least the next 12 months from the date of this Prospectus:

- (i) the Group is in the process of negotiating for a settlement of bond payables to several bondholders in the amount of approximately HK\$204.4 million. In the event that a settlement is reached between the Company and bondholders, the Company expects the relevant bond payables in the amount of HK\$204.4 million to be deferred or discounted;
- (ii) Heihe Longjiang Chemical Limited (“**Heihe Longjiang**”), a company indirectly owned as to 90% by the Company, would receive the gross proceeds of approximately HK\$184 million in connection with the sale of land use rights of certain lands in the PRC held by Heihe Longjiang to Heihe Longhe Investment Management Limited (黑河龍合投資管理有限責任公司), an independent third party;
- (iii) the Group had several idle right-of-use assets and buildings with a total carrying amount of approximately HK\$121 million and approximately HK\$43 million respectively. These right-of-use assets and buildings are available to be disposed, which have a total market value of approximately HK\$191 million;

- (iv) the Company was in the process of negotiating for a settlement with the counterparty in a litigation case and in the event that a settlement can be reached between the Company and the counterparty, there will be an excess in litigation provision of the Company in the amount of HK\$77 million; and
- (v) the Group would apply cost cutting measures to reduce administrative expenses and cash outflows for the next twelve months.

Taking into considerations of items (i) to (v) above, and the estimated net proceeds from the Rights Issue, the Directors after due and careful enquiry are of the opinion that the working capital available to the Group is sufficient for the Group's requirements for at least 12 months from the date of this Prospectus.

#### 4. MATERIAL ADVERSE CLAUSE

As at the Latest Practicable Date, the Directors confirm that there is not any material adverse change in the financial or trading position of the Group since 30 June 2022, being the date to which the latest published audited accounts of the Group were made up.

#### 5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in the manufacturing and sales of coal-related chemical products, the generation and supply of electricity and thermal energy and construction services.

As disclosed in the 2022 Annual Report, during the year ended 30 June 2022, revenue of the Group amounted to approximately HK\$370 million (2021: approximately HK\$229 million), representing an increase of approximately 62% compared with that of the last financial year. The increase in the Group's revenue was mainly derived from the increase in revenue of the calcium carbide segment.

##### **Coal-related Chemical Production Division**

Although the COVID-19 pandemic still has an impact on the PRC economies and market price of coal is at its peak, the Board overcame several barriers to resume the production of calcium carbide in Heihe Longjiang Chemical Co., Ltd. ("**Longjiang Chemical**"), a subsidiary of the Company and Longjiang Chemical has officially commenced the production of calcium carbide in late June 2021. The Board believes that Longjiang Chemical would be the growth driver of the Group in the forthcoming years. Looking forward, our management will closely monitor the situation and will consider to resume the lower stream operation as well as the polyvinyl-chloride and vinyl acetate production lines.

**Heat and Power Division**

On 26 August 2022, the Group received a notice issued by Mudanjiang Authority of Housing and Urban-Rural Development stating that the Authority has temporarily taken over the operations of Mudanjiang BD Power. Upon the cease of control over Mudanjiang BD Power, Mudanjiang BD Power shall be deemed as deconsolidated from the consolidated financial statements of the Group and be classified as a discontinued operation as from 26 August 2022. As at the Latest Practicable Date, there had not been any further update on the temporary takeover of Mudanjiang BD Power due to the COVID-19 pandemic.

**Construction Services Division**

Due to the impact of the outbreak of the Pandemic, Mudanjiang Jinyang Municipal Engineering Company Limited (“**Jinyang Engineering**”) was disposed during the year ended 30 June 2022.

The management is also seeking for opportunity to carry out new projects and transactions which could bring economic value and benefit to our shareholders.

**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 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)
	<u>(873,168)</u>	<u>73,480</u>	<u>(799,688)</u>	<u>(5.79)</u>
		<u>(799,688)</u>	<u>(5.79)</u>	<u>(1.52)</u>



*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.

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

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 completion of the Rights Issue <i>HK\$'000</i>	Effect of conversion of convertible bonds <i>HK\$'000</i>	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 <i>HK\$'000</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 and taken into consideration of the converted shares on 4 July 2022 <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)
	<u>                    </u>	<u>                    </u>	<u>                    </u> <u>                    </u>

**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 Prospectus.*



24th Floor  
Siu On Centre  
188 Lockhart Road  
Wanchai, Hong Kong

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

## 1. RESPONSIBILITY STATEMENT

This Prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

## 2. SHARE CAPITAL

### (A) Share Capital

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately following the completion of the Rights Issue (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date to completion of the Rights Issue and full acceptance by Qualifying Shareholders) are as follows:

#### (a) *As at the Latest Practicable Date*

<i>Authorised share capital:</i>		<i>HK\$</i>
<u>5,000,000,000</u>	Shares of HK\$0.1 each	<u>500,000,000</u>
 <i>Issued and fully paid:</i>		
<u>150,728,048</u>	Shares of HK\$0.1 each	<u>15,072,804.8</u>

- (b) The Shares in issue immediately following the completion of the Rights Issue (assuming no further issue and/or repurchase of Shares from the Latest Practicable Date to the completion of the Rights Issue) will be as follows:

<i>Authorised share capital:</i>		<i>HK\$</i>
<u>5,000,000,000</u>	Shares of HK\$0.1 each	<u>500,000,000</u>
 <i>Issued and fully paid:</i>		
150,728,048	Shares of HK\$0.1 each	15,072,804.8
376,820,120	Rights Shares to be allotted and issued under the Rights Issue	37,682,012.0
<u>527,548,168</u>	Total	<u>52,754,816.8</u>

The Rights Shares, when allotted and fully paid, will rank *pari passu* in all respects, including the rights to dividends, voting and return of capitals with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, save for the outstanding Share Options and Convertible Bonds disclosed in this Prospectus, the Company had no outstanding convertible securities, options, or warrants in issue which conferred any right to subscribe for, convert or exchange into Shares.

As at the Latest Practicable Date, save for the outstanding Share Options and Convertible Bonds disclosed in this Prospectus, none of the capital of any member of the Group was under option, or agreed conditionally or unconditionally to be put under option. As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived.

**(B) The Share Option Scheme**

As at the Latest Practicable Date, the Company has an outstanding 4,956,777 Share Options granted to the grantees, detail of which are set out below:

<b>Date of grant</b>	<b>Vesting Period</b>	<b>Exercise period</b>	<b>Exercise price at date of grant</b>	<b>Number of outstanding Share Options</b>
3 November 2020	3 November 2020	3 November 2020 to 2 November 2023	HK\$7.94	4,956,777

**(C) The Convertible Bonds**

As at the Latest Practicable Date, the Company has outstanding Convertible Bonds in the amount of HK\$20,000,000, which 3,257,328 new Shares will be issued upon exercise of the conversion rights under the Convertible Bonds at the conversion price of HK\$6.14 per conversion Share.

The conversion period is the period commencing from (and including) the issue date of the Convertible Bonds, being 13 November 2020, and ending on (but excluding) the fifth day prior to the maturity date of the Convertible Bonds, being the date of the third anniversary of the issue date of the Convertible Bonds.



### 3. DISCLOSURE OF INTEREST BY DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange, were as follows:

#### Interests in the Shares of the Company (Long Position)

Name of Director	Capacity	Number of the Shares held	Approximate percentage of issued capital of the Company
Ms. Chan Yuk Foebe	Beneficial owner	143,000	0.09%
Mr. Gao Ran	Beneficial owner	122,000	0.08%
Mr. Liu Yang Yang	Beneficial owner	166,000	0.11%

#### Interests in share options of the Company

Name of Director	Date of grant	Exercise period	Exercise price per Share	Balance at the Latest Practicable Date
Ms. Chan Yuk Foebe	03.11.2020	03.11.2020 to 02.11.2023	HK\$7.94	622,590
Mr. Law Tze Ping Eric	03.11.2020	03.11.2020 to 02.11.2023	HK\$7.94	622,590
Mr. Ma Wing Yun Bryan	03.11.2020	03.11.2020 to 02.11.2023	HK\$7.94	407,078
Mr. Tam Ching Ho	03.11.2020	03.11.2020 to 02.11.2023	HK\$7.94	407,078
Mr. Hau Chi Kit	03.11.2020	03.11.2020 to 02.11.2023	HK\$7.94	407,078

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors and chief executives of the Company and their respective associates had or was deemed to have any interests or short positions in any Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or proposed Director was a director or employee of a company which had any interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

#### 4. DISCLOSURE OF INTEREST OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors and chief executive of the Company, as at the Latest Practicable Date, the following persons (other than Directors or chief executives of the Company) were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules of the Stock Exchange:

##### Long Position in Shares

Name	Capacity	Number of Shares held	Approximate percentage of issued capital of the Company
Mr. Chan Yuen Tung	Beneficial owner	25,896,876	17.18%
Mr. Chiau Che Kong	Beneficial owner	7,693,444	5.10%

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than the Directors and chief executives of the Company) who had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## 5. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENT AND ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in the assets which had been, since 30 June 2022, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

## 6. DIRECTOR'S SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing service contract or proposed service contract with any member of the Group which is not expiring or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## 7. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and their respective close associates was interested in any business apart from the Group's business that competes or is likely to compete (either directly or indirectly) with the business of the Group.

## 8. LITIGATION

Save as disclosed in the section headed "Working Capital" in Appendix I to this Prospectus, no member of the Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group as at the Latest Practicable Date.

## 9. MATERIAL CONTRACTS

Save as disclosed below, there had been no contract, not being a contract entered into in the ordinary course of business carried on or intended to be carried on by members of the Group, entered into by members of the Group after the date falling two years immediately preceding the date of the Announcement and up to the Latest Practicable Date:

- (1) the disposal agreement dated 18 December 2020 entered into between Heihe Longjiang Chemical Co., Ltd. (黑河龍江化工有限公司) ("**Heihe Longjiang**") and Heihe Longhe Investment Management Limited (黑河龍合投資管理有限責任公司)

- (“**Heihe Longhe**”), pursuant to which Heihe Longjiang agreed to transfer the land use rights of certain lands located in the PRC with a transfer price in an aggregate amount of RMB139,440,000 and land compensation of RMB17,000,000;
- (2) the acquisition agreement dated 2 February 2021 (which was terminated according to its terms on 18 May 2021) entered into between Mudanjiang Longjin Wine Co., Ltd. (牡丹江龍晉酒業有限公司) (“**Mudanjiang Wine**”), an indirect wholly-owned subsidiary of the Company, and three individuals who are independent third parties, pursuant to which Mudanjiang Wine agreed to purchase the entire equity interest in Beijing Yaolai Longwei Wine Co., Ltd. (北京耀萊龍微酒業有限公司) at a consideration of HK\$80 million;
  - (3) the framework agreement dated 16 March 2021 entered into between Heihe Longjiang and Heihe Shark Technology Co., Ltd. (黑河鯊魚科技有限公司) regarding the establishment of a joint venture company to be held as to 50% by each party which would enable the Group to tap into businesses such as cryptocurrency and big data management and revitalise part of the assets of Heihe Longjiang;
  - (4) the placing agreement dated 1 June 2021 entered into between the Company, Mr. Chan Yuen Tung and China Tonghai Securities Limited for the placing of up to 100,000,000 Shares on a best effort basis at the placing price of HK\$0.3 per placing share to not less than 6 places;
  - (5) the subscription agreement dated 1 June 2021 entered into between the Company and Mr. Chan Yuen Tung to subscribe up to 100,000,000 Shares issued under general mandate at the subscription price of HK\$0.3 per subscription Share;
  - (6) the letter of intent dated 10 August 2021 entered into between the Company and Tianjin Boguang Chemical Technology Co., Ltd. (天津博光化工技術有限公司) regarding the establishment of a joint venture company to be held as to 50% by each party which would engage in the manufacturing and selling of lithium battery raw materials, including but not limited to lithium hexafluorophosphate, lithium difluorophosphate, ethylene sulfate, vinylene carbonate, nonafluoro-tert-butyl alcohol, trifluoromethyltrimethylsilane, etc.;
  - (7) the strategic investment framework agreement dated 16 August 2021 entered into between the Company and Beijing Gaoya Investment Management Limited (北京高雅投資管理有限公司) (“**Gaoya Investment**”) where Gaoya Investment agreed to cooperate with the Company and committed to make strategic investments in the Company to support the Company’s business development;
  - (8) the placing agreement dated 24 August 2021 entered into between the Company, Mr. Chan Yuen Tung and China Tonghai Securities Limited for the placing of a maximum of 170,000,000 Shares on a best effort basis at the placing price of HK\$0.25 per placing Share to not less than 6 places;

- (9) the subscription agreement dated 24 August 2021 entered into between the Company and Mr. Chan Yuen Tung to subscribe up to 170,000,000 Shares issued under general mandate at the subscription price of HK\$0.25 per subscription Share;
- (10) the underwriting agreement dated 23 November 2021 entered into between the Company and the Underwriter in respect of the 2021 Rights Issue;
- (11) the letter of intent dated 23 December 2021 entered into between the Company and Mudanjiang Xuri New Material Technology Co., Limited\* (牡丹江旭日新材料科技有限公司) (“**Mudanjiang Xuri**”) regarding the establishment of a joint venture company to be held as to 50% by each party for project cooperation;
- (12) the framework agreement dated 11 May 2022 entered into between the Company and Beijing Gaoya Investment Management Limited (“**Strategic Partner**”) in relation to the intention of the Strategic Partner to subscribe for convertible bonds and non-convertible bonds to be issued by the Company;
- (13) the Subscription Agreement dated 21 June 2022 entered into between the Company and each of Mr. Chiau Che Kong and Ms. Wong Chui Bing in relation to the issue of convertible bonds in an aggregate principal amount of HK\$35,400,000 at the conversion price of HK\$0.1 per conversion share;
- (14) the Underwriting Agreement; and
- (15) the extension letter entered into between the Company and the Underwriter in relation to the revised expected timetable for the implementation of the Capital Reorganisation, the Rights Issue and the Underwriting Agreement.

## 10. QUALIFICATIONS AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinion, letter or advice contained in this Prospectus (the “**Expert**”):

<b>Name</b>	<b>Qualification</b>
McMillan Woods (Hong Kong) CPA Limited	certified public accountants

As at the Latest Practicable Date, the Expert has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of its letters or reports and the reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the Expert did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the Expert did not have any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 30 June 2022, being the date to which the latest published audited accounts of the Company were made up.

## 11. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, underwriting commission (assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and underwriting all unsubscribed Rights Shares by the Underwriter), printing, registration, translation, legal and accountancy charges are estimated to be up to approximately HK\$1.9 million, which are payable by the Company.

## 12. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

### Board of Directors

#### *Executive Directors*

Ms. Chan Yuk Foebe

*(Chairman and Chief Executive Officer)*

Mr. Gao Ran *(Vice-chairman)*

Mr. Law Tze Ping Eric

#### *Non-executive Director*

Mr. Liu Yang Yang

#### *Independent non-executive Directors*

Mr. Ma Wing Yun Bryan

Mr. Tam Ching Ho

Mr. Hau Chi Ki

### Audit committee

Mr. Ma Wing Yun Bryan *(Chairman)*

Mr. Tam Ching Ho

Mr. Hau Chi Kit

<b>Nomination committee</b>	Ms. Chan Yuk Foebe ( <i>Chairman</i> ) Mr. Ma Wing Yun Bryan Mr. Tam Ching Ho Mr. Hau Chi Kit
<b>Remuneration committee</b>	Mr. Ma Wing Yun Bryan ( <i>Chairman</i> ) Mr. Tam Ching Ho Mr. Hau Chi Kit
<b>Registered office</b>	Victoria Place, 5th Floor 31 Victoria Street Hamilton HM10 Bermuda
<b>Head office and principal place of business</b>	Room 4007, 40/F China Resources Building 26 Harbour Road Wanchai Hong Kong
<b>Authorised representatives</b>	Ms. Chan Yuk Foebe Mr. Law Tze Ping Eric
<b>Company secretary</b>	Mr. Ma Kin Ling
<b>Share registrar in Hong Kong</b>	<b>Tricor Tengis Limited</b> 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
<b>Principal bankers</b>	<b>Bank of China (Hong Kong) Limited</b> Bank of China Tower 1 Garden Road Central Hong Kong  <b>Agricultural Bank of China</b> No. 462 Zhong Yang Road Heihe City Heilongjiang Province PRC

<b>Auditors and reporting accountants</b>	<b>McMillan Woods (Hong Kong) CPA Limited</b> <i>Certified Public Accountants</i> 24/F, Siu On Centre 188 Lockhart Road Wanchai, Hong Kong
<b>Legal adviser to the Company as to Hong Kong laws in relation to the Rights Issue</b>	<b>Michael Li &amp; Co.</b> 901 & 19th Floor, Prosperity Tower 39 Queen's Road Central Central, Hong Kong
<b>Underwriter</b>	<b>Koala Securities Limited</b> Units 01-02, 13/F, Everbright Centre 108 Gloucester Road Wanchai, Hong Kong

### 13. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT

#### **Executive Directors**

Ms. Chan Yuk Foebe, aged 53, is the chairman and chief executive officer of the Group and joined the Group as an executive Director in January 2004. Ms. Chan is responsible for the overall management and business development of the Group. Ms. Chan holds a bachelor's degree in Accountancy from the Queensland University of Technology in Australia. Ms. Chan has more than 10 years of experience in the areas of corporate finance and management. Save as disclosed herein, Ms. Chan did not hold any other directorships in listed public companies in the last three years. Ms. Chan was appointed as the Chairman and a member of nomination committee of the Company (the "**Nomination Committee**") with effect from 2 February 2012.

Mr. Gao Ran, aged 31, is an executive Director and vice-chairman. He is currently the chairman of Shenzhen Global Fund Management Co., Ltd.\* (深圳市全球基金管理有限公司). He was the non-executive director of Lapco Holdings Limited (Stock Code: 8472), a company listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") until 20 November 2020. He has extensive experience in fund investment and asset management, corporate strategy, corporate finance and business development and management. Mr. Gao was appointed as an executive Director with effect from 23 July 2020.



From June 2013 to September 2015, he was the chairman of Changchun Houde Real Estate Brokerage Co., Ltd.\* (長春市厚德房地產經紀有限公司). He also served as the chairman of Changchun Haizhong Real Estate Brokerage Co., Ltd.\* (長春市海眾房地產經紀有限公司) from October 2011 to May 2012.

Mr. Gao was recognized as “Top Ten Leaders in China’s Financial Industry”\* (中國金融行業十佳領軍人物), “Outstanding Leader of Jilin Province”\* (吉林省傑出領軍人物) and “Top Ten Outstanding Youth in Jilin Province”\* (吉林省十大傑出青年) and “First Person in Venture Capital after 90s”\* (90後風險投資第一人) by Beijing General Evaluation and Certification Center\* (北京鑒優品質量認證中心) and Beijing Evaluation and Assessment Center for Enterprise Creditability\* (北京審信核信企業信用評估中心), in 2017, 2018 and 2019 respectively.

Mr. Gao is currently pursuing an executive master of business administration degree with The PBC School of Finance of Tsinghua University (清華大學五道口金融學院).

Mr. Law Tze Ping Eric, aged 42, is an executive Director. Prior to joining the Group, Mr. Law worked as a business consultant and provided consultancy services for listed and non-listed companies in Hong Kong. Save as disclosed herein, Mr. Law did not hold any other directorships in listed public companies in the last three years. Mr. Law was appointed as an executive Director with effect from 3 March 2015.

#### **Non-executive Director**

Mr. Liu Yang Yang, aged 27, is a non-executive Director. He is currently the director of China business division of Cornerstone Financial Holdings Limited, a listed company on the GEM of the Stock Exchange (stock code: 8112). He is vastly experienced in project investment and asset management, sales and market development and management. From November 2019 to April 2020, he served as the chairman of Shen Zhen AVIC Int’l Corporate Management Co., Ltd.\* (深圳市中航國際企業管理有限公司). From July 2018 to September 2019, he also served as the business director of Shen Zhen Catic Taikee Co., Ltd.\* (深圳市中航大記股份有限公司). Mr. Liu is currently enrolled in the public affair management programme of the Communication University of China.

#### **Independent non-executive Directors**

Mr. Ma Wing Yun Bryan, aged 57, is an independent non-executive Director and is also the chairman of the audit committee of the Company (the “**Audit Committee**”) and a member of each of the remuneration committee of the Company (the “**Remuneration Committee**”) and the Nomination Committee. Mr. Ma is the finance director of Union Sun International Group Limited, a non-listed company with affiliates dealing in property development in the PRC. He was an independent director of Celestial Nutrifoods Limited (the shares of which are listed on the main board of Singapore Exchange Securities Trade Limited (the “**Singapore Exchange**”)) until 18 July 2011. He has approximately 20 years of experience in the areas of audit, financial management and operational management. Mr.

Ma is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Ma was appointed as an independent non-executive Director in February 2001.

Mr. Tam Ching Ho, aged 51, appointed on 30 June 2007, is an independent non-executive Director and is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Tam is a certified public accountant (practising) registered with the Hong Kong Institute of Certified Public Accountants (“HKICPA”). He has worked in a reputable international accounting firm for about eight years and specialised in providing assurance services for pre-listing, listed and multinational companies. He has also held senior positions in several companies, including as a financial controller of a company listed on the main board of the Stock Exchange and another company listed on the main board of the Singapore Exchange for a total of about seven years. Mr. Tam has accumulated extensive experiences in corporate finance and administration, listing compliance, investor relations, accounting and auditing. Mr. Tam holds a bachelor’s degree of arts with honors in accountancy. He is an associate member of the HKICPA and a fellow member of The Association of Chartered Certified Accountants. Mr. Tam is also currently an independent non-executive director of Chaoda Modern Agriculture (Holdings) Limited (Stock Code: 682), the shares of which are listed on the main board of the Stock Exchange. Save as disclosed herein, Mr. Tam did not hold any other directorships in listed companies in the last three years.

Mr. Hau Chi Kit, aged 50, appointed on 18 December 2013, is an independent non-executive Director and also a member of each of the Audit committee, the Remuneration Committee and the Nomination Committee. He was a barrister-at-law in private practice in Hong Kong from 2001 to 2008. Prior to becoming a barrister, he worked at the Securities and Futures Commission. Mr. Hau is currently a solicitor and is an independent non-executive director of Zhongzheng International Company Limited (formerly known as “e-Force Holdings Limited”) (Stock Code: 943), a company listed on the Main Board of the Stock Exchange. Mr. Hau was an independent non-executive director of Code Agriculture (Holdings) Limited (currently known as “Farnova Group Holdings Limited”) (Stock Code: 8153) and hmvod Limited (formerly known as “Trillion Grand Corporate Company Limited”) (Stock Code: 8103), both companies listed on GEM of the Stock Exchange, until 18 July 2019 and 12 August 2022, respectively. Save as disclosed herein, Mr. Hau did not hold any other directorships in listed companies in the last three years.

### **Senior Management**

Mr. Ma Kin Ling, aged 40, is the chief financial officer and the company secretary of the Group. Mr. Ma is responsible for the financial reporting and company’s secretarial functions of the Group. Mr. Ma graduated from City University of Hong Kong with a bachelor’s degree in Accountancy and Law. Mr. Ma joined the Group in May 2016. Prior to joining the Group, he worked in a reputable international accounting firm and has over 10 years of professional experience in accounting, auditing and financial management. Mr. Ma is a member of the HKICPA. Mr. Ma is also an independent non-executive director of

SunCorp Technologies Limited (Stock Code: 1063) and Wisdom Wealth Resources Investment Holding Group Limited (formerly known as “Hong Kong Finance Investment Holding Group Limited”) (Stock Code: 7), the shares of which are listed on the Main Board of the Stock Exchange, respectively. Save as disclosed herein, Mr. Ma did not hold any other directorships in listed companies in the last three years.

**14. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

A copy of each of the Rights Issue Documents and the written consent referred to in the section headed “10. Qualifications and Consent of Experts” in this appendix have been delivered to the Registrar of Companies in Hong Kong for registration as required by Section 342C of the Companies (WUMP) Ordinance.

**15. LEGAL EFFECT**

The Rights Issue Documents and all acceptances of any offer or application contained in such documents are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by all the provisions, other than the penal provisions, of Sections 44A and 44B of the Companies (WUMP) Ordinance, so far as applicable.

**16. DOCUMENTS ON DISPLAY**

The following documents are available on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company ([www.chinazenith.com.hk](http://www.chinazenith.com.hk)) for a period of 14 days from the date of this Prospectus:

- (a) the letter from McMillan Woods (Hong Kong) CPA Limited dated 30 December 2022 in respect of the unaudited pro forma financial information on the Group, the text of which is set out in Appendix II to this Prospectus;
- (b) the material contracts referred to in the section headed “9. Material Contracts” in this appendix;
- (c) the written consent referred to in the section headed “10. Qualifications and Consent of Experts” in this appendix; and
- (d) the Rights Issue Documents.

**17. MISCELLANEOUS**

- (a) The business address of all directors and senior management of the Company is Room 4007, 40/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.
- (b) As at the Latest Practicable Date, to the best knowledge of the Directors, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (c) As at the Latest Practicable Date, the Group had no exposure to foreign exchange liabilities.
- (d) In the event of any inconsistency, the English texts of this Prospectus, the PAL, and the EAF shall prevail over the Chinese text.

\* *For identification purpose only*