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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 with limited liability)

(Stock Code: 362)

ISSUE OF UNLISTED WARRANTS UNDER GENERAL MANDATE

The Directors are pleased to announce that on 12 March 2013 (after trading hours), the Company entered into the Subscription Agreement A and the Subscription Agreement B with the Subscriber A and the Subscriber B respectively. Under the Subscription Agreement A, the Company agreed to issue and Subscriber A agreed to subscribe for 112,000,000 Warrants at the Issue Price of HK\$0.002 per Warrant. Under the Subscription Agreement B, the Company agreed to issue and the Subscriber B agreed to subscribe for 112,000,000 Warrants at the Issue Price of HK\$0.002 per Warrant. Each of the Warrants carries the right to subscribe for one Warrant Share at the Subscription Price of HK\$0.19 per Share (subject to the Adjustment Events), during a period of 15 months commencing from the date of issue of the Warrants (provided that on the date of submitting the Subscription Form, the closing price of the Shares as quoted on the Stock Exchange is equal to or higher than HK\$0.3 per Share.). The Warrant Shares will be issued under the General Mandate.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or other stock exchange.

Shareholders and potential investors should note that the issue of Warrants is subject to the fulfillment of the condition(s) under the Subscription Agreements. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

SUBSCRIPTION AGREEMENTS

The Directors are pleased to announce that on 12 March 2013 (after trading hours), the Company entered into the Subscription Agreement A and the Subscription Agreement B with the Subscriber A and the Subscriber B respectively. Both the Subscription Agreement A and the Subscription Agreement B have the same principal terms which are set out as follows:

Date

12 March 2013 (after trading hours)

Parties

Subscription Agreement A

- (1) the Company; and
- (2) Subscriber A, Mr. Ko Kin Hang, who is an investor.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Subscriber A is an Independent Third Party.

Subscription Agreement B

- (1) the Company; and
- (2) Subscriber B, Oxley Investment Company Ltd., a company incorporated in the British Virgin Islands with limited liability and the entire share capital of which is legally and beneficially owned by Mr. Tsang Kwong Chiu, Kevin. The principal business of Subscriber B is investment in Hong Kong listed shares.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Subscriber B and its ultimate beneficial owner are Independent Third Parties.

Securities to be issued

Subject to the fulfillment of the conditions to Subscription Agreements, the Company agreed to issue in aggregate of 224,000,000 Warrants and pursuant to each of the Subscription Agreement A and the Subscription Agreement B respectively, each of the Subscriber A and the Subscriber B agreed to subscribe for 112,000,000 Warrants at the Issue Price of HK\$0.002 per Warrant. Each of the Warrants carries the right to subscribe for one Warrant Share at the Subscription Price.

Conditions

Completion of the Subscription Agreement A and the Subscription Agreement B respectively is subject to the fulfillment of the following conditions:

- (i) if required, the Listing Committee having approved the issue of the Warrants either unconditionally or subject to such conditions to which both the Company and Subscriber A and Subscriber B shall reasonably accept;
- (ii) the Listing Committee having granted the listing of, and permission to deal in, the Warrant Shares either unconditionally or subject to such conditions to which both the Company and Subscriber A and Subscriber B shall reasonably accept, and such permission and listing not subsequently being revoked or withdrawn prior to Completion; and
- (iii) the Company having obtained, without prejudice to conditions (i) and (ii) above, all necessary consent and approval in respect of the issue of the Warrants.

Completion of the Subscription Agreement A and the Subscription Agreement B respectively shall take place on or before 5:00 p.m. of the Long Stop Date subject to the above conditions being fulfilled or waived.

In the event that any of the above conditions is not fulfilled on or before 5:00 p.m. of the Long Stop Date, the Subscription Agreement A and all rights and obligations thereunder will lapse and become null and void and the parties to Subscription Agreement A shall be released from all obligations hereunder except for any antecedent breach.

In the event that any of the above conditions is not fulfilled on or before 5:00 p.m. of the Long Stop Date, the Subscription Agreement B and all rights and obligations thereunder will lapse and become null and void and the parties to Subscription Agreement B shall be released from all obligations hereunder except for any antecedent breach.

PRINCIPAL TERMS OF THE WARRANTS

Number of Warrants

Pursuant to Subscription Agreement A, the Company agreed to issue 112,000,000 Warrants to Subscriber A in registered form and constituted by the Instrument on Completion and pursuant to Subscription Agreement B, the Company agreed to issue 112,000,000 Warrants to Subscriber B in registered form and constituted by the Instrument on Completion. The Warrants will rank *pari passu* in all respects among themselves.

Issue Price

The Issue Price (not including legal expenses) is HK\$0.002 per Warrant. The net issue price, after deduction of relevant expenses, is approximately HK\$0.0019 per Warrant.

Number of Warrant Shares issuable

As at the date of this announcement, the Company has a total of 2,236,899,519 Shares in issue. Assuming there is no further issue or repurchase of the Shares and there is no adjustment to the Subscription Price, upon the full exercise of the subscription rights attaching to the Warrants, 224,000,000 Warrant Shares will be issued, which represent approximately 10.01% of the existing issued share capital of the Company and approximately 9.10% of the issued share capital as enlarged by the issue of the Warrant Shares.

Subscription Price

HK\$0.19 per Warrant Share, subject to adjustment upon the occurrence of any of the Adjustment Events and other dilutive events which may have adverse effects on the rights of the holders of the Warrants.

The Subscription Price represents:

- (i) the closing price of HK\$0.19 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 0.53% over the average of the closing price of Shares as quoted on the Stock Exchange for the last five consecutive trading days including the Last Trading Day of approximately HK\$0.189; and
- (iii) a premium of approximately 1.60% over the average of the closing price of Shares as quoted on the Stock Exchange for the last ten consecutive trading days including the Last Trading Day of approximately HK\$0.187.

The aggregate of the Issue Price and the Subscription Price represents:

- (i) a premium of approximately 1.05% over the closing price of HK\$0.19 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 1.59% over the average of the closing price of Shares as quoted on the Stock Exchange for the last five consecutive trading days including the Last Trading Day of approximately HK\$0.189; and
- (iii) a premium of approximately 2.67% over the average of the closing price of Shares as quoted on the Stock Exchange for the last ten consecutive trading days including the Last Trading Day of approximately HK\$0.187.

The Subscription Price is subject to adjustments in the event of, among others, share consolidation and subdivision of the Company and such adjustments will be certified by the auditors of the Company or an approved merchant bank.

The Subscription Price and the aggregation of it with the Issue Price were determined after arm's length negotiations between the Company, Subscriber A and Subscriber B, taking into account the recent trading prices of the Shares. The Directors are of the opinion that the Issue Price and the Subscription Price are fair and reasonable and in the best interest of the Company.

Exercise period and lot size

The subscription rights attaching to the Warrants can be exercised at any time during a period of 15 months commencing from the date of issue of the Warrants (provided that on the date of submitting the Subscription Form, the closing price of the Shares as quoted on the Stock Exchange is equal to or higher than HK\$0.3 per Share.) in integral multiples of 1,000,000 Warrants.

Application for listing

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or other stock exchange.

Ranking of the Warrant Shares

The Warrant Shares, when issued and fully paid, will rank pari passu in all respects with the existing issued Shares as at the date of allotment.

Transferability

The Warrants shall be in registered form and shall be transferable in integral multiples of 1,000,000 Warrants (or if at the time of transfer, the outstanding number of Warrants are less than 1,000,000 units, the whole but not in part of the outstanding Warrants) by instrument of transfer in any usual or common form or such other form as may be approved by the Directors provided that no transfer of the Warrants made to connected persons (as defined in the Listing Rules).

Voting rights of the Warrants

The holder(s) of the Warrants will not have any right to attend or vote at any meeting of the Company by virtue of them being the holders of the Warrants. The holder(s) of the Warrants shall not have the right to participate in any distributions and/or offers of further securities made by the Company.

GENERAL MANDATE TO ISSUE THE WARRANT SHARES

The issue of the Warrant Shares upon exercise of the subscription rights attaching to the Warrants is not subject to the Shareholders' approval.

The Warrant Shares will be issued pursuant to the General Mandate. The maximum number of new Shares which could be issued under the General Mandate is 447,379,903 Shares. The 224,000,000 Warrant Shares, to be allotted and issued upon full exercise of the subscription rights attaching to the Warrants, will utilize approximately 50.07% of the General Mandate.

As at the date of this announcement, save for the proposed issue of the Warrant Shares upon exercise of the subscription rights attaching to the Warrants, the Company has not utilized the General Mandate.

REASONS FOR THE ISSUE OF WARRANTS AND USE OF PROCEEDS

The Group is principally engaged in the manufacture and sale of coal-related chemical products, bio-chemical products and generation and supply of power and heat. Coal-related chemical products comprise vinyl acetate, polyvinyl-chloride and calcium carbide. Bio-chemical products include glucose, starch and Vitamin C.

The Board considers that the issue of Warrants would be a good opportunity to raise further capital for the Company in that it will not have an immediate dilution effect on the shareholding of the existing Shareholders and strengthen capital base of the Company. The net proceeds from the Warrant Subscriptions are approximately HK\$0.4 million which will be applied as the general working capital of the Group. Any additional proceeds from the issue of the Warrant Shares upon the exercise of the subscription rights attaching to the Warrants in future up to a maximum amount of approximately HK\$42.56 million will be applied as the general working capital of the Group.

Assuming the full exercise of the subscription rights attaching to the Warrants, the total net funds to be raised, including the funds raised by the Warrant Subscriptions, are approximately HK\$42.96 million. The net price to the Company of each Warrant, which is calculated by dividing the aggregate net proceeds from the Warrant Subscriptions and the exercise of the subscription rights attaching to the Warrants by the total number of the Warrants, is approximately HK\$0.19.

The Directors also consider that Subscription Agreements were entered into on normal commercial terms after arm's length negotiations between the Company, Subscriber A and Subscriber B and that the terms of the Subscription Agreements (including the Issue Price and the Subscription Price) are fair and reasonable so far as the interests of the Company and its Shareholders as a whole are concerned.

SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 2,236,899,519 Shares in issue. The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the full exercise of the subscription rights attaching to the Warrants (assuming that there will be no further changes in the issued share capital of the Company prior to such exercise and no adjustment to the Subscription Price) are as follows:

	As at the date of this announcement		Immediately after the full exercise of the subscription rights attaching to the Warrants	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Chan Yuen Tung	573,337,629	25.63	573,337,629	23.30
Master Oriental Limited ("MOL") (<i>Note 1</i>)	336,309,991	15.03	336,309,991	13.67
Chan Yuk Foebe (<i>Note 2</i>)	141,977,500	6.35	141,977,500	5.77
Chiau Che Kong (<i>Note 3</i>)	40,593,000	1.81	40,593,000	1.65
Tam Ching Ho (<i>Note 4</i>)	300,000	0.01	300,000	0.01
Subscriber A	–	–	112,000,000	4.55
Subscriber B	–	–	112,000,000	4.55
Public Shareholders	<u>1,144,381,399</u>	<u>51.17</u>	<u>1,144,381,399</u>	<u>46.50</u>
Total	<u>2,236,899,519</u>	<u>100.00</u>	<u>2,460,899,519</u>	<u>100.00</u>

Notes:

1. The interests in the 336,309,991 existing Shares are held through MOL. MOL is wholly-owned by Florfie Trading Limited and which it is beneficially and ultimately owned by Heng Tai Consumables Group Limited, the shares of which are listed on the main board of the Stock Exchange (stock code: 00197). By virtue of the interest in MOL, Florfie Trading Limited and Heng Tai Consumables Group Limited are deemed to be interested in such 336,309,991 Shares held by MOL for the purpose of SFO.
2. An executive Director, chief executive officer and chairman of the Company.
3. An executive Director.
4. An independent non-executive Director.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has conducted the following fund raising activity in the past twelve months from the date of this announcement:

Date of initial announcement	Fund raising activities	Net Proceeds	Intended use of proceeds as announced	Actual use of proceeds
26 April 2012	Open offer	Approximately HK\$219.7 million	HK\$70.0 million to be applied on construction of calcium carbide production facilities in Heihe; HK60.0 million to be applied to reduce debts of the Group; and HK\$89.7 million to be applied to enhance working capital of the production of calcium carbide and general working capital	HK\$70.0 million applied on construction of calcium carbide production facilities in Heihe; HK60.0 million applied to reduce debts of the Group; and HK\$89.7 million applied to enhance working capital of the production of calcium carbide and general working capital

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 15.02(1) of the Listing Rules, the Warrant Shares to be issued on exercise of the Warrants must not, when aggregated with all other equity securities remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the issued share capital of the Company at the time the Warrants are issued. Options granted under share option schemes which comply with Chapter 17 of the Listing Rules are excluded for the purpose of such limit. As at the date of this announcement, save for share options granted under the share option scheme of the Company, there are no securities with subscription rights outstanding and not yet exercised. Assuming (i) full exercise of the subscription rights attaching to the Warrants at the Subscription Price of HK\$0.19; and (ii) no Shares are further issued and repurchased, 224,000,000 Warrant Shares will be issued, which represent approximately 10.01% of the existing issued share capital of the Company and approximately 9.10% of the issued share capital as enlarged by the issue of the Warrant Shares as at the date of this announcement. Accordingly, the issue of the Warrants is in compliance with Rule 15.02(1) of the Listing Rules.

GENERAL

Shareholders and potential investors should note that the issue of Warrants is subject to the fulfillment of the condition(s) under the Subscription Agreements. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Adjustment Events”	(1) alteration to the nominal amount of each of the Shares by reason of any subdivision or consolidation of Shares; or (2) issue of Shares by way of capitalization of profit or reserves; or (3) capital distribution to Shareholders or grant to Shareholders rights to acquire for cash assets of the Company or any of its subsidiaries; or (4) offer to the Shareholders new Shares for subscription by way of rights; or grant of any options or warrants to Shareholders to subscribe for new Shares, at a price which is less than 80% per cent of the market price; or (5) issue for cash any securities which are convertible into or exchangeable for or carry rights of subscription for new Shares and the total effective consideration per Share initially received for such securities is less than 80% of the market price; or (6) issue for cash any Shares at a price which is less than 80% of the market price; or (7) the repurchase of any Shares or securities convertible into Shares or any rights to acquire Shares by the Company and the Directors cancel such Shares, securities convertible into Shares or any rights to acquire Shares
“Business Day”	a day (excluding Saturday, Sunday and public or statutory holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	China Zenith Chemical Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange
“Completion”	completion of Subscription Agreement A or Subscription Agreement B, as the case may be
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by the resolution of the Shareholders passed at the annual general meeting of the Company held on 13 December 2012

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	third party(ies) independent of the Company and connected person(s) of the Company and is/are not connected person(s) of the Company
“Instrument”	the deed poll constituting the Warrants to be executed by the Company on Completion
“Issue Price”	a price of HK\$0.002 per Warrant
“Last Trading Day”	12 March 2013, being the last trading day of the Shares and on the date of this announcement
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	12 April 2013, or such later date as the Company, Subscriber A and Subscriber B may agree in writing
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary shares of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holders of the Shares
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscriber A”	Mr. Ko Kin Hang
“Subscriber B”	Oxley Investment Company Ltd., a company incorporated in the British Virgin Islands with limited liability, the entire share capital of which is legally and beneficially owned by Mr. Tsang Kwong Chiu, Kevin
“Subscription Agreement A”	the conditional warrant subscription agreement dated 12 March 2013 entered into between Subscriber A and the Company in relation to the Warrant Subscriptions by Subscriber A
“Subscription Agreement B”	the conditional warrant subscription agreement dated 12 March 2013 entered into between Subscriber B and the Company in relation to the Warrant Subscriptions by Subscriber B

“Subscription Agreements”	Subscription Agreement A and Subscription Agreement B
“Subscription Form”	the form in respect of the exercise of the subscription rights attaching to the Warrants contained in the Warrant certificate to be issued to the holders of the Warrants, which may be obtained from the Company at its head office and principal place of business in Hong Kong
“Subscription Price”	a price of HK\$0.19 per Warrant Share (subject to the Adjustment Events) at which holder(s) of the Warrants may subscribe for the Warrant Shares
“Warrant(s)”	the total of 224,000,000 unlisted warrants conferring rights to subscribe up to HK\$42,560,000 for Shares, on the basis of a subscription price of HK\$0.19 per Share (subject to the Adjustment Events), during a period of 15 months commencing from the date of issue (provided that on the date of submitting the Subscription Form, the closing price of the Shares as quoted on the Stock Exchange is equal to or higher than HK\$0.3 per Share.) in accordance with the terms of the Subscription Agreements
“Warrant Share(s)”	the new Shares to be issued by the Company upon the exercise of the subscription rights attaching to the Warrants
“Warrant Subscriptions”	subscriptions of Warrants by the Subscriber A and the Subscriber B under the Subscription Agreement A and the Subscription Agreement B respectively
“%”	per cent

By order of the Board
China Zenith Chemical Group Limited
Chan Fuk Foebe
Chairman and Chief Executive Officer

Hong Kong, 12 March 2013

As at the date of this announcement, Ms. Chan Yuk Foebe, Mr. Chiau Che Kong, Mr. Peng Zhanrong and Mr. Wu Jianwei are the executive Directors and Mr. Ma Wing Yun Bryan, Mr. Tam Ching Ho, Dato' Wong Sin Just and Mr. Wong Sin Lai are the independent non-executive Directors.