



THE STOCK EXCHANGE OF HONG KONG LIMITED

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)
(the “Exchange”)

27 July 2011

The Listing Committee of The Stock Exchange of Hong Kong Limited (the “Listing Committee”) criticises Mr Chan Yuen Tung (“Mr Chan”), an executive director and the Chairman of China Zenith Chemical Group Limited (the “Company”) (Stock Code: 362) for his breaches of:

- (1) Rule A.3(a)(i) of the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) (Appendix 10 to the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the “Listing Rules”)); and**
- (2) his obligation under the Declaration and Undertaking with regard to Directors given to the Exchange in the form set out in Appendix 5b to the Listing Rules (the “Undertaking”) by failing to comply to the best of his ability with the Listing Rules.**

Facts

Under Rule A.3(a)(i) of the Model Code, a director must not deal in any securities of the listed issuer on any day on which its financial results are published and during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results (the “**Black-Out Period**”).

Under Rule A.3(b) of the Model Code, the listed issuer must notify the Exchange in advance of the commencement of each period during which directors are not allowed to deal.

According to the response to question 64 of Frequently Asked Questions Series 8 published by the Exchange (http://www.hkex.com.hk/eng/rulesreg/listrules/listrulesfaq/Documents/FAQ_8.pdf), the commencement date of the Black-Out Period does not change if the issuer decides to postpone publishing the results after it has notified the Exchange under Rule A.3(b) of the Model Code. The Black-Out Period will be extended and end on the date of publication.

On 12 August 2009, the Company notified the Exchange under Rule A.3(b) of the Model Code that, in respect of the Company’s annual results for the year ended 30 June 2009 (the “**Annual Results**”), the Black-Out Period prohibiting the Company’s directors from dealing in its shares would be from 12 August to 11 October 2009.

On 20 August 2009, Mr Chan obtained clearance to deal from the director designated under Rule B.8 of the Model Code, and bought 6,550,000 shares of the Company on the Exchange at the average price of \$0.153 per share (the “**Dealing**”) within the Black-Out Period.

On 21 August 2009, the Company notified the Exchange that as it was busy engaging in its open offer which was completed on that day, it expected a delay in announcing the Annual Results. The Company requested to change the Black-Out Period to the period from 22 August to 21 October 2009.

On 24 August 2009 after the Exchange informed the Company that the starting date of the Black-Out Period would not change despite a delay in the announcement of the Annual Results, the Company reported the Dealing to the Exchange.

On 21 October 2009 at 8:26pm, the Company published the Annual Results.

Investigation

Breach of Rule A.3(a)(i) of the Model Code

As the Dealing was carried out within the Black-Out Period (the starting date of which did not change despite the postponement of publication of the Annual Results), the Listing Division (the “**Division**”) concluded (and the Listing Committee agrees) that Mr Chan has breached Rule A.3(a)(i) of the Model Code.

Breach of Undertaking

The Division also concluded (and the Listing Committee agrees) that Mr Chan has breached his Undertaking by failing to comply to the best of his ability with the Listing Rules, in that:

- (1) Mr Chan was aware of the Listing Rule change regarding the duration of the Black-Out Period under Rule A.3(a) of the Model Code (which came into effect on 1 April 2009) by July 2009, well before the Dealing took place;
- (2) Mr Chan’s explanation that it was the first time for him to apply the new Listing Rule on the Black-Out Period is not a valid reason for breaching the Model Code. In any event, Mr Chan accepted that the Listing Rule change did not affect his ability to comply with the Model Code; and
- (3) despite Mr Chan’s assertions that:
 - (a) during July 2009, he orally instructed the company secretary of the Company (the “**Company Secretary**”) that the compliance department should inform the Board of Directors and the Exchange simultaneously of the start of the Black-Out Period, and
 - (b) during early August 2009, he verbally enquired with the Company Secretary several times about whether the Black-Out Period for the Annual Results had started and was told that it had not,

there is no evidence that Mr Chan took any steps to procure his compliance with Rule A.3(a)(i) of the Model Code just before the Dealing. He simply presumed that the Black-Out Period had not started. The Listing Committee was of the view that Mr Chan should have been alert to the possibility that the Black-Out Period might have started, and should at least have checked the position again before he proceeded with the Dealing.

Settlement

As a consequence of a settlement, Mr Chan does not contest the breaches of Rule A.3(a)(i) of the Model Code and his Undertaking, and accepts the sanctions imposed on him by the Listing Committee.

Sanctions

The Listing Committee decides to criticise Mr Chan for his conduct as described above giving rise to breaches of Rule A.3(a)(i) of the Model Code and his Undertaking.

Further, the Listing Committee directs Mr Chan undergo 24 hours of training on Listing Rule compliance, director's duties and corporate governance matters to be given by the Hong Kong Institute of Chartered Secretaries, Hong Kong Institute of Directors or other course providers approved by the Division (the "**Training**"). Such Training is to be completed within 90 days from the publication of this Press Release. Mr Chan is to confirm to the Division in writing that he has fully complied with this Training requirement and provide the Division with the training provider's written certification of his full compliance with this Training requirement within two weeks after full compliance.

For the avoidance of doubt, the Exchange confirms that this criticism applies only to the director identified above, and not to the Company or any other past or present member of its Board of Directors.