

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 this announcement.*

*This announcement is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities in the Company.*



## **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)**

## **MAJOR TRANSACTION ACQUISITION OF 70% EQUITY INTERESTS IN MUDANJIANG TRANSPORTATION GROUP INVESTMENT LIMITED**

### **THE ACQUISITION AGREEMENT**

Reference is made to the announcement of the Company dated 31 August 2015 in relation to the share acquisition framework agreement entered into by the Vendor and the Company.

On 29 February 2016, the Company entered into the Acquisition Agreement with the Vendor pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase, the Sale Interests which shall be satisfied by the allotment and issue of the Consideration Shares.

### **LISTING RULES IMPLICATIONS**

Since the applicable percentage ratios under Rule 14.07 of the Listing Rules exceed 25% but are less than 100%, the Acquisition constitutes a major transaction for the Company and is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Acquisition. As such, no Shareholders would be required to abstain from voting in favour of the resolution approving the Acquisition.

A circular containing, amongst other things, further details about the Acquisition Agreement and the Acquisition will be despatched to the Shareholders. As it is expected that additional time will be required to prepare the relevant information to be included in the circular, the Company will apply to the Stock Exchange for an extension of time for despatch of the circular by no later than 31 May 2016.

**Shareholders and potential investors should note that the Acquisition contemplated under the Acquisition Agreement is subject to satisfaction of certain conditions precedent and it may or may not be completed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.**

### **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on Monday, 29 February 2016 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Company's shares with effect from 9:00 a.m. on 2 March 2016.

Reference is made to the announcement of the Company dated 31 August 2015 in relation to the share acquisition framework agreement entered into by the Vendor and the Company.

The Board announces that on 29 February 2016 the Company entered into the Acquisition Agreement with the Vendor pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase, the Sale Interests.

### **THE ACQUISITION AGREEMENT**

**Date:** 29 February 2016

**The Parties:** (i) The Vendor; and  
(ii) The Company, as the Purchaser.

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

### **Subject Matter**

Pursuant to the Acquisition Agreement, the Company conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Interests. Upon Completion, the Company will hold 70% of the registered capital of the Target Company.

## **Consideration**

The Consideration for the Acquisition was arrived at after arm's length negotiation between the parties and shall be determined in accordance with the appraisal report endorsed by the relevant State-owned Assets Supervision and Administration Department on the net asset value of the Target Company. The Consideration shall be satisfied by the allotment and issue by the Company of the Consideration Shares. For the purpose of reference the unaudited carrying value of 100% of the net assets of the Target Company as of 29 February 2016 amounted to approximately RMB239.2 million (equivalent to approximately HK\$282.1 million). Based on such carrying value, the Consideration is estimated to be approximately RMB167.4 million (equivalent to approximately HK\$197.5 million). The final Consideration shall be fixed by the parties on the basis of the appraised value of the foregoing appraisal report after it is issued and endorsed by the State-Owned Assets Supervision and Administration Department.

Based on the aforesaid, the Directors consider that the terms and conditions of the Acquisition, including the Consideration, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The allotment and issue of the Consideration Shares are subject to the passing of an ordinary resolution by the Shareholders at the EGM approving and authorizing the Acquisition Agreement and the transactions contemplated thereby.

The Consideration Shares shall be issued at the Issue Price which shall be agreed upon by the parties with reference to the trading price range of the Shares for the 10 trading days immediately before the date of the Acquisition Agreement, in particular, the 10-day average closing of HK\$0.479 per Share up to and including 26 February 2016.

The total of number of Consideration Shares to be issued shall be calculated based on the following formula:

Total number of Consideration Shares = Consideration/Issue Price

The Company expects that the final amounts of the Consideration, Issue Price and number of Consideration Shares to be issued will be fixed before the EGM.

The Consideration Shares when allotted and issued, will rank pari passu in all respects with each other and with the Shares in issue on the date of allotment and issue of the Consideration Shares.

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

## **Conditions precedent**

Completion of the Acquisition Agreement is subject to the fulfillment of the following conditions precedent:

- (a) consummation of the sale and purchase of the Sale Interests on the trading platform of the institution for the trading and exchange of state-owned equity interests; and

- (b) approval of the Acquisition Agreement by the relevant authority (including but not limited to, the State-owned Assets Supervision and Administration Department, Commerce Department and State Administration for Industry & Commerce Department).

### **Completion**

The Company shall use its best endeavors to (i) convene the EGM for the Shareholders to approve the transactions contemplated under the Acquisition Agreement in accordance with the Listing Rules within 40 Business Days (subject to the progress of the preparation of the accountants report in respect of the Target Company) after signing of the Acquisition Agreement; and (ii) procure the share registrar of the Company to allot and issue the Consideration Shares within 14 days from the approval of the Acquisition by the Shareholders at the EGM; and (iii) complete the allotment and issue of the Consideration Shares within 80 Business Days from the date of signing of the Acquisition Agreement.

### **Transfer of the Sale Interests and Remaining Interests in the Target Company**

The Company agrees not to dispose of the Sale Interests except to the Vendor within 30 months from completion of the transfer of the Sale Interests provided that transfer of the Sale Interests by the Company is not subject to the 30-month lock-up period in case the Vendor has disposed of the Consideration Shares.

The Company and the Vendor agree to commence the process of transfer of the remaining 30% interests in the Target Company held by the Vendor by the end of 2016 with an aim to complete the transfer of all the remaining interests by the end of June 2017.

### **Undertaking by the Vendor and the Company**

The Vendor has agreed not to sell, transfer or otherwise dispose of the Consideration Shares for a period of two years from the date of issue without the consent of the Company.

The Company has unconditionally undertaken to the Vendor that if the market value of the Consideration Shares upon expiry of the foregoing two-year lock-up period is lower than the Consideration, the Vendor may seek compensation from the Company by one or more of the following ways:

- (i) payment by the Company of cash compensation (in RMB) or equivalent value of tradable shares or other assets to compensate the shortfall;
- (ii) third party guarantee provided by the Company; and
- (iii) transfer by the Company to the Vendor for nil consideration such amount of equity interest in the Target Company based on the appraisal value of the Target Company appraised by a PRC valuer engaged by the Vendor.

## INFORMATION ON THE TARGET GROUP

The Target Company was established in the PRC and is a stated-owned enterprise owned and supervised by the Transport Department of the Mudanjiang City Government. The Target Company is principally engaged in transport infrastructure development in the Mudanjiang City, Heilongjiang Province of the PRC. The Target Company owns the Mudanjiang International Transportation and Logistics Centre (Phase 1) (“Phase 1”); the Mudanjiang International Transportation and Logistics Centre (Phase 2) (“Phase 2”); the drop and pull transportation project; and the stated-owned interest in the general commercial complex developed by the Vendor. As the PRC government adopts the strategy of rejuvenating the northeast region, improving the openness of cities along the border and listing Ha Mu Suidong to the Russian Trade Processing District (哈牡綏東對俄貿易加工圍區) as the national main functional region, Mudanjiang is of great importance to this strategy. The plan of the Logistics Centres project covers a site area of 400,000 square meters and is divided into two phases. The total amount of investment for the Logistics Centres is estimated to amount to RMB\$520 million. Phase 1 provides domestic logistics services while Phase 2 caters for international logistics demand. Phase 1 is located at three kilometers away from interchange point of the east of TieLingZhen (鐵嶺鎮), Suifenhe – Manzhouli Highway (綏芬河 – 滿洲里公路) (G10) and the Hegang – Dalian Highway (鶴崗 – 大連公路) (G11), which is at Ha Mu Suidong to Russian Trade Processing District (哈牡綏東對俄貿易加工圍區), one of “the eight economic zones” in Heilongjiang Province. Phase 2 is located in the south west of State Road Beltway (G11), north of the Mu Dou Shui An District (木都水岸小區), east of Hu Lu Jie (護路街), south of Ai He He Di (愛河河堤).

Set out below is the unaudited financial information of the Target Group for the financial year ended 31 December 2014 and period ended 31 August 2015 provided by the Vendor:

	<b>Period ended 31 August 2015</b>	<b>Year ended 31 December 2014</b>
	<i>(in HK\$ million)</i>	<i>(in HK\$ million)</i>
Loss before tax	1.7	0.5
Loss after tax	1.7	0.5
Total assets	247.3	97.4

## REASONS FOR AND BENEFITS OF THE ACQUISITION

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 steam. The Group is actively exploring for business opportunities in other sectors to diversify its business into industries that provide better returns for the shareholders of the Group and broaden the sources of income of the Group.

The Target Company owns the Phase 1 and the Phase 2 which will form the largest domestic and international logistics centre in the eastern Heilongjiang Province and becomes the leader in the freight industry in the region. Construction of the Logistics Centres has won the support of the local government. In particular it accords with the plan of the Transport Bureau of Heilongjiang Province to build Mudanjiang City as the hub of land and sea transport in the northeast Asia. Benefited from the “one belt one road” development strategy of the PRC

government and being located in the China-Russia-Mongolia economic corridor promoted by the Heilongjiang provincial government, the Logistic Centres are well positioned to tap on the rapidly growing trade with Russia and Mongolia and domestic trade in Heilongjiang Province. The Board believes that the Acquisition represents a valuable business opportunity to the Company to expand into the logistics industry.

The Board considers that the Acquisition Agreement was entered into after arm's length negotiation between the Company and the Vendor on normal commercial terms and the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Since the applicable percentage ratios under Rule 14.07 of the Listing Rules exceed 25% but are less than 100%, Acquisition constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Acquisition. As such, no Shareholders would be required to abstain from voting in favour of the resolution approving the Acquisition.

A circular containing, amongst other things, further details about the Acquisition Agreement and the Acquisition will be despatched to the Shareholders. As it is expected that additional time will be required to prepare the relevant information to be included in the circular, the Company will apply to the Stock Exchange for an extension of time for despatch of the circular by no later than 31 May 2016.

## **TRADING HALT AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 29 February 2016 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the shares of the Company from 9:00 a.m. on 2 March 2016.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the proposed acquisition of the Sale Interests by the Company from the Vendor pursuant to the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the Acquisition Agreement dated 29 February 2016 entered into by the Vendor and the Company in relation to the Acquisition

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday or a Sunday but excluding those Saturdays and Sundays which the PRC government proclaims to be working days) on which banks are generally open for business in the PRC
“Company”	China Zenith Chemical Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
“Completion Date”	the Business day immediately after the fulfillment of all the conditions precedent stipulated in the Acquisition Agreement (or such other date as agreed between the Company and the Vendor)
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the Acquisition pursuant to the Acquisition Agreement
“Consideration Shares”	Shares to be issued by the Company as Consideration for the Acquisition
“Director(s)”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, among other things, the Acquisition Agreement and the Acquisition
“Group”	the Company together with its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Third Party”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Issue Price”	the final issue price per Share agreed by the parties to the Acquisition Agreement for the allotment and issue of the Consideration Shares

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mudanjiang City Government”	the People’s Government of Mudanjiang City
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interests”	70% of the registered capital of the Target Company immediately before Completion
“Shareholders”	shareholders of the Company
“Shares”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Mudanjiang Transportation Group Investment Limited (牡丹江廣運交通集團投資有限公司), a company incorporated in the PRC
“Vendor”	Mudanjiang Transportation Group, a PRC state-owned enterprise engaged in the transportation and logistics businesses and is controlled by the Transport Department of Mudanjiang City Government, Heilongjiang Province of the PRC (黑龍江省牡丹江市人民政府) and holds 100% of the entire issued share capital of the Target Company as at the date of this announcement
“%”	per cent

*For the purpose of illustration only and unless otherwise stated, conversion of RMB into Hong Kong dollars in this announcement is based on the exchange rate of RMB0.848 to HK\$1. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.*

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

Hong Kong, 1 March 2016

*As at the date of this announcement, Ms. Chan Yuk Foebe, Mr. Law Tze Ping Eric and Mr. Yu Defa are the executive directors and Mr. Ma Wing Yun Bryan, Mr. Tam Ching Ho and Mr. Hau Chi Kit are the independent non-executive directors.*