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China Zenith Chemical Group Limited

中國天化工集團有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 362)

MAJOR TRANSACTION DISPOSAL OF INTERESTS IN WHOLLY-OWNED SUBSIDIARIES

THE DISPOSAL

The Board is pleased to announce that on 15 July 2016 (after trading hours), the Company as vendor entered into the Agreement with the Purchaser as purchaser, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares. The Company is the legal and beneficial owner of the entire issued share capital the Target Company which in turn directly and indirectly holds the entire equity interests in the WFOE. The total consideration for the Disposal is RMB192,000,000 (equivalent to approximately HK\$222,720,000) which shall be satisfied in cash.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules for the Disposal exceed 25% but are less than 75%, the Disposal contemplated under the Sale and Purchase Agreement constitutes a major transaction for the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, among other things, further information in respect of the Sale and Purchase Agreement and the Disposal and other information as required by the Listing Rules, together with the notice convening the EGM and the proxy form in respect of the EGM is expected to be despatched to the Shareholders on or before 8 August 2016.

Shareholders and potential investors of the Company should note that Completion is subject to the satisfaction of the conditions precedent of the Agreement. Therefore, the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to the action they should take.

INTRODUCTION

The Board is pleased to announce that on 15 July 2016 (after trading hours), the Company as vendor entered into the Agreement with the Purchaser as purchaser, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares. The Company is the legal and beneficial owner of the entire issued share capital of the Target Company which in turn directly and indirectly holds the entire equity interests in the WFOE. The consideration for the Disposal is RMB192,000,000 (equivalent to approximately HK\$222,720,000).

Principal terms of the Agreement are set out below.

THE AGREEMENT

Date

15 July 2016

Parties

Vendor: The Company

Purchaser: Direct High Limited

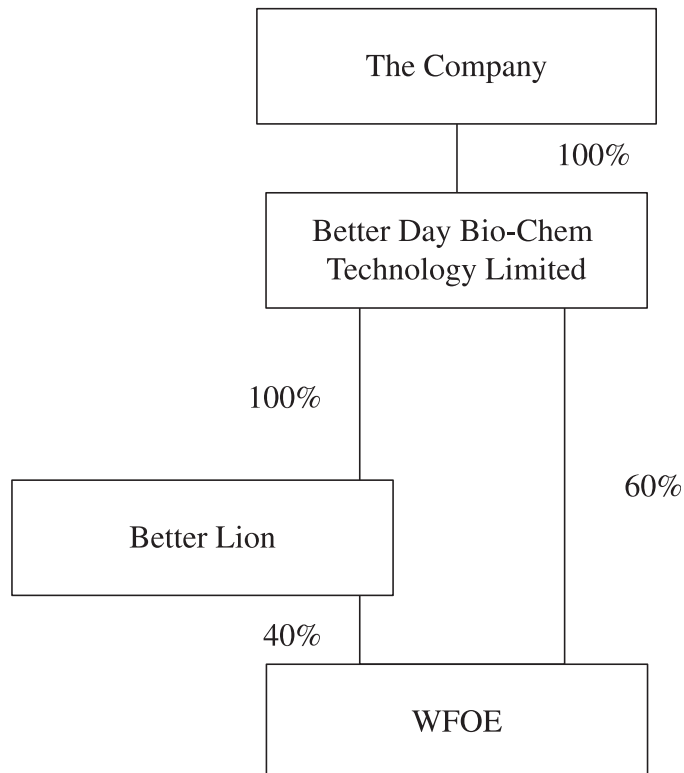
The Purchaser is a company incorporated in the BVI with limited liability and is principally engaged in investment holding.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Assets being disposed of

The Sale Shares together with the Shareholder's Loan.

The following diagram illustrates a simplified shareholding structure of the Target Group as at the date of this announcement:



Consideration

The Consideration for the Disposal shall be RMB192,000,000 (equivalent to approximately HK\$222,720,000) which shall be satisfied in cash and is payable in the following manner:

- (a) RMB10,000,000 (equivalent to approximately HK\$11,600,000) payable as a non-refundable deposit and for settling part of the Consideration on or before signing of the Agreement; and
- (b) RMB182,000,000 (equivalent to approximately HK\$211,120,000) payable upon Completion of the Agreement.

The Company has received the RMB10,000,000 non-refundable deposit upon signing of the Agreement.

The consideration has been arrived at between the parties after arm's length negotiations after taken into account of (a) the market value of the Properties of RMB175,550,000 (equivalent to approximately HK\$208,988,000) as at 30 June 2015; (b) the unaudited consolidated net asset value of the Target Group as at 30 June 2016 which is prepared under HKFRS; and (c) the operating condition of the Target Group which have been loss making over the last few years.

Upon Completion, the Company expects to record a gain on disposal of approximately HK\$153,000,000, being the difference between the Consideration, the unaudited consolidated net asset value of the Target Group as at 30 June 2016 and the expenses incurred in connection with the Disposal. The actual gain or loss as a result of the Disposal to be recorded by the Company is subject to audit and will be assessed after Completion.

Conditions precedent

Completion of the Agreement is subject to, among other things, the following:

- (A) the obtaining of all consents which are necessary or desirable for the implementation of the transactions contemplated by the parties under the Agreement, including without limitation, approval of the shareholders of the Company, if required, in relation to the Agreement and the transactions contemplated thereunder and any other approvals or notifications required pursuant to the requirements of the Listing Rules;
- (B) there shall not be in effect on the Completion Date any law restraining, enjoining or otherwise prohibiting or making illegal the consummation of any of the transactions contemplated by the Agreement or which may have a material adverse effect on the Target Company, Better Lion or the WFOE;
- (C) all Consents, in form and substance reasonably satisfactory to the Purchaser, to the performance by the Company of its obligations under the Agreement as are required under any law or arrangement (contractual or otherwise) having been obtained and remaining in full force and effect; and
- (D) none of the Warranties being found to be, or no event occurring or matter arising which may render or renders any of the warranties of the vendor, untrue or inaccurate or misleading on and as at the Completion Date.

In the event that all the foregoing conditions precedent shall not have been satisfied or waived by the Purchaser on or before 30 September 2016 (or such later date as the Purchaser and the Company may agree in writing), the Agreement shall lapse and no party shall make any claim against the other in respect hereof, save for any antecedent breach.

Completion

Subject to the various conditions precedent and terms of the Agreement having been fulfilled, Completion shall take place on the Completion Date.

Immediately after Completion, each members of the Target Group will cease to be subsidiaries of the Company and the Company will cease to have any interest in the Target Group. Accordingly, the profits and losses and the assets and liabilities of the Target Group will no longer be consolidated into the consolidated financial statements of the Company after Completion.

INFORMATION ON THE COMPANY, THE TARGET COMPANY, BETTER LION AND THE WFOE

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

The Purchaser is incorporated in the BVI with limited liability and is an investment holding company.

The Target Company, a direct wholly-owned subsidiary of the Company is incorporated in the BVI with limited liability and is an investment holding company.

Better Lion is incorporated in the BVI with limited liability and a subsidiary of the Company. Better Lion is an investment holding company which sole asset is a 40% equity interest in the registered capital of the WFOE, an indirect wholly-owned subsidiary of the Company.

The WFOE is a wholly-foreign owned enterprise established in the PRC with limited liability and is owned as to 60% by the Target Company, a direct wholly-owned subsidiary of the Company, and 40% by Better Lion. The WFOE was engaged in manufacture and sale of Vitamin C, glucose and starch. It had ceased operation since October 2011. The principal assets of the WFOE are the Properties which comprise the Main Plant and the Land.

The Main Plant, situated at No. 160 Yumin Road, Yangming District, Mudanjiang City, Heilongjiang Province, the PRC, is a parcel of land and 60 various buildings and structures erected thereon. The buildings are 1 to 13-storey in height and were completed between 1980 and 1997. The land on which the buildings situated has a site area of 344,965.3 sq.m. The Main Plant has a total gross floor area of approximately 97,529.56 sq.m. The land of the Main Plant is held under the land use rights for a term up to 27 April 2056.

The Land is a parcel of land located at No. 160 Yumin Road, Yangming District, Mudanjiang City, Heilongjiang Province, the PRC. It comprises a parcel of land having a site area of 22,591.5 sq.m. The land is held under the land use rights for a term of up to 27 April 2056.

The following is a summary of the audited consolidated financial results of Target Group, prepared based on the HKFRS:

The Target Group

	For the year ended	
	30 June	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net loss (before taxation and extraordinary items)	43,181	21,210
Net loss (after taxation and extraordinary items)	329,037	21,210

As at 30 June 2016, the unaudited consolidated net assets value of the Target Group based on the HKFRS amounted of approximately HK\$69,488,000.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the production and sale of coal related chemical products, bio-chemical products and the generation and supply of power and steam. The Target Company has been loss making and had ceased production since October 2011. The Directors are of the view the Disposal would benefit the Group by realising its investment and also strengthen the liquidity and overall financial position of the Group. Also, the Group may cut the costs of maintaining the dormant buildings, plants and equipment owned by the WFOE which had ceased production.

The net proceeds from the Disposal will be used by the Group for general working capital purposes.

In light of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Agreement are normal commercial terms, fair and reasonable and in the interests of the shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules for the Disposal exceed 25% but are less than 75%, the Disposal contemplated under the Agreement constitutes a major transaction for the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, among other things, further information in respect of the Sale and Purchase Agreement and the Disposal and other information as required by the Listing Rules, together with the notice convening the EGM and the proxy form in respect of the EGM is expected to be despatched to the Shareholders on or before 8 August 2016.

Shareholders and potential investors of the Company should note that Completion is subject to the satisfaction of the conditions precedent of the Agreement. Therefore, the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to the action they should take.

DEFINITIONS

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

“Agreement”	the sale and purchase agreement dated 15 July 2016 entered into between the Company and the Purchaser in relation to the Disposal;
“Better Lion”	Better Lion Holdings Limited (佳獅控股有限公司), a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Target Company;
“Board”	the board of Directors;
“BVI”	the British Virgin Islands;
“Business Day”	a day other than a Saturday or Sunday on which banks are open in Hong Kong to the general public for business;
“Company”	China Zenith Chemical Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange;
“Completion”	completion of the Disposal in accordance with the Agreement;
“Completion Date”	the tenth (10th) Business Day following the satisfaction (or waiver) of the conditions precedent of the Agreement or such other date as otherwise agreed by the Company and the Purchaser in writing;
“Consideration”	the consideration in the sum of RMB192,000,000 (equivalent to approximately HK\$222,720,000) for the Disposal;
“Director(s)”	the director(s) of the Company;
“Disposal”	the disposal of the Sale Shares together with the Shareholder’s Loan from the Company to the Purchaser pursuant to the Agreement;
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and approve the Agreement and transactions contemplated thereunder including the Disposal;

“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Land”	the parcel of land located at No. 160 Yumin Road, Yangming District, Mudanjiang City, Heilongjiang Province, the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Main Plant”	the main plant situated at No. 160 Yumin Road, Yangming District, Mudanjiang City, Heilongjiang Province, the PRC;
“PRC”	the People’s Republic of China;
“Properties”	the Main Plant and the Land;
“Purchaser”	Direct High Limited, a company incorporated in the BVI with limited liability;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Shares”	the entire issued share capital of the Target Company;
“Shareholders”	shareholders of the Company;
“Shareholder’s Loan”	the shareholder’s loan(s) due from the Target Group to the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Better Day Bio-Chem Technology Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company;
“Target Group”	The Target Company, Better Lion and the WFOE collectively;
“WFOE”	Mudanjiang Gaoke Bio-Chem Co. Ltd. (牡丹江高科生化有限公司), a wholly-foreign owned enterprise established in the PRC; and
“%”	per cent.

For the purposes of this announcement, unless otherwise indicated, conversion of RMB and HK\$ is calculated at the exchange rate of RMB1 to HK\$ 1.16. The exchange rate is for illustrative purpose only and does not constitute a representation that any amount has been, could have been, or may be exchanged at this or any other rate at all.

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

Hong Kong, 15 July 2016

As at the date hereof, 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.

This announcement will be available for viewing on the website of the Hong Kong Exchange and Clearing Limited (www.hkexnews.hk) and the Company's website at www.irasia.com/listco/hk/chinazenith.