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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)**

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION  
TO ACQUISITION OF THE TARGET GROUP INVOLVING THE ISSUE  
OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE**

**(2) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

**(3) APPOINTMENT OF DIRECTOR**

**AND**

**(4) PROPOSED CHANGE OF NAME OF THE COMPANY**

#### **THE SHARE TRANSFER AGREEMENT**

On 5 January 2018 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company entered into the Share Transfer Agreement with the Vendor pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company at a consideration of HK\$85,800,000 which will be settled by the allotment and issue of the Consideration Shares by the Company to the Vendor or its nominee(s) upon Completion.

#### **Specific Mandate**

The Directors will seek a specific mandate from the Independent Shareholders for the issue and allotment of Consideration Shares to the Vendor or its nominee(s). An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

## **NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

Upon Completion, Mr. Sha will become an executive Director and indirectly own 55% interest in the Vendor, which will become a substantial shareholder of the Company, holding approximately 16.54% of the enlarged issued share capital of the Company and Mr. Sha is therefore a connected person of the Company. Accordingly, any transaction between (1) Mr. Sha or his associates and (2) the Group (including the Target Group) will constitute a connected transaction of the Company.

The Target Company and its subsidiaries will become subsidiaries of the Company upon Completion, and accordingly certain ongoing transactions of the Target Group with Henan Xinyang Maojian, Xinyang Maojian Holding and Xinyangshi Longtan will become continuing connected transactions of the Company upon Completion under Chapter 14A of the Listing Rules.

It is expected that upon Completion, the Non-Exempt Continuing Connected Transactions will be subject to reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules and written agreements have been entered into between the subsidiaries of the Target Company on the one hand and Henan Xinyang Maojian, Xinyang Maojian Holding and Xinyangshi Longtan on the other hand before the Completion Date.

## **APPOINTMENT OF DIRECTOR**

A resolution will be proposed at the SGM to appoint Mr. Sha as an executive Director upon Completion. The Company will publish a circular setting out further biographical details of Mr. Sha as soon as possible under the requirements of the Listing Rules.

## **PROPOSED CHANGE OF COMPANY NAME**

The Board proposes to change the existing primary name of the Company to "Xinyang Maojian Group Limited" and the existing secondary name of the Company to "信陽毛尖集團有限公司", subject to the conditions set out in this announcement.

## **LISTING RULE IMPLICATIONS**

### **Discloseable and Connected Transaction**

As the applicable ratios in respect of the Acquisition exceed 5% but are below 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but exempted from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

The Vendor is owned as to 55% by Virtue Ever and 45% by Rising Mission. Mr. Sha, the legal and beneficial owner of the entire issued share capital of Virtue Ever and hence, an ultimate controlling shareholder of the Vendor, is nominated by the Vendor to be an executive Director upon Completion. Accordingly, the Acquisition constitutes a connected transaction of the Company which is subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

### **Non-Exempt Continuing Connected Transactions**

As at the date of this announcement, Henan Xinyang Maojian is indirectly owned as to 90.28% by Xinyang Maojian Holding, which in turn is owned as to 51% indirectly by Mr. Sha and 49% directly by Henan Xinyang Maojian. Xinyangshi Longtan is owned as to 70.03% by Henan Xinyang Maojian. Upon Completion, Mr. Sha will become an executive Director and indirectly own 55% in the Vendor, which will be a substantial shareholder of the Company. Hence, Henan Xinyang Maojian, Xinyang Maojian Holding and Xinyangshi Longtan are associates of Mr. Sha and will become connected persons of the Company upon Completion. Immediately upon Completion, the Non-Exempt Continuing Connected Transactions will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Since the annual caps under each of the Non-Exempt Continuing Connected Transactions represents more than 5% of the relevant applicable percentage ratios under the Listing Rules, the Non-Exempt Continuing Connected Transactions are subject to reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

The SGM will be convened and held for the purpose of considering and, if thought fit, approving (i) the Share Transfer Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate, (ii) the Non-Exempt Continuing Connected Transactions, (iii) the appointment of Mr. Sha as an executive Director and (iv) the Change of Company Name.

A circular containing, among other things, (i) further details of the Acquisition and the transactions contemplated thereunder, (ii) the Specific Mandate, (iii) the Non-Exempt Continuing Connected Transactions, (iv) the appointment of Mr. Sha as an executive Director, (v) the particulars of the Change of Company Name and (vi) the notice of the SGM will be despatched to the Shareholders by the Company as soon as possible and is currently expected to be by 5 February 2018 as additional time is required for preparing the information to be included in the circular.

**Shareholders and potential investors shall note that Completion of the Acquisition is subject to the conditions precedent and may or may not materialize. Shareholders and potential investor are advised to exercise caution when dealing in the securities of the Company.**

## **1. DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE TARGET GROUP INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE**

### **Introduction**

The Board is pleased to announce that on 5 January 2018 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Share Transfer Agreement with the Vendor. Principal terms of the Share Transfer Agreement are set out as follows:

### **The Share Transfer Agreement**

#### *Date*

5 January 2018

#### *Parties*

- (i) the Purchaser, a wholly-owned subsidiary of the Company; and
- (ii) the Vendor, being the sole legal and beneficial owner of the Target Company.

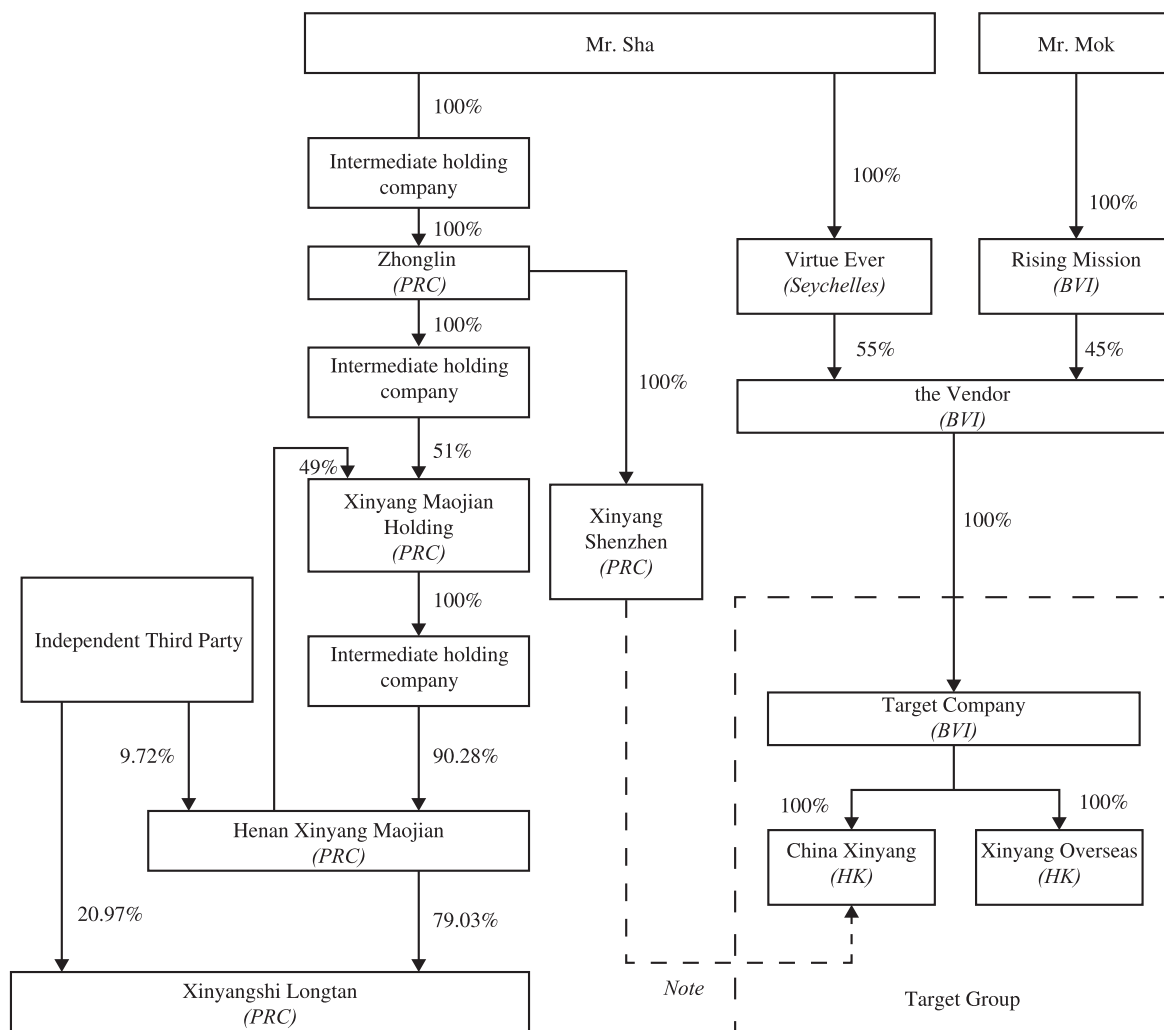
To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties.

**Assets to be acquired**

Pursuant to the Share Transfer Agreement the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing 100% of the entire issued share capital of the Target Company as at the date of the Share Transfer Agreement.

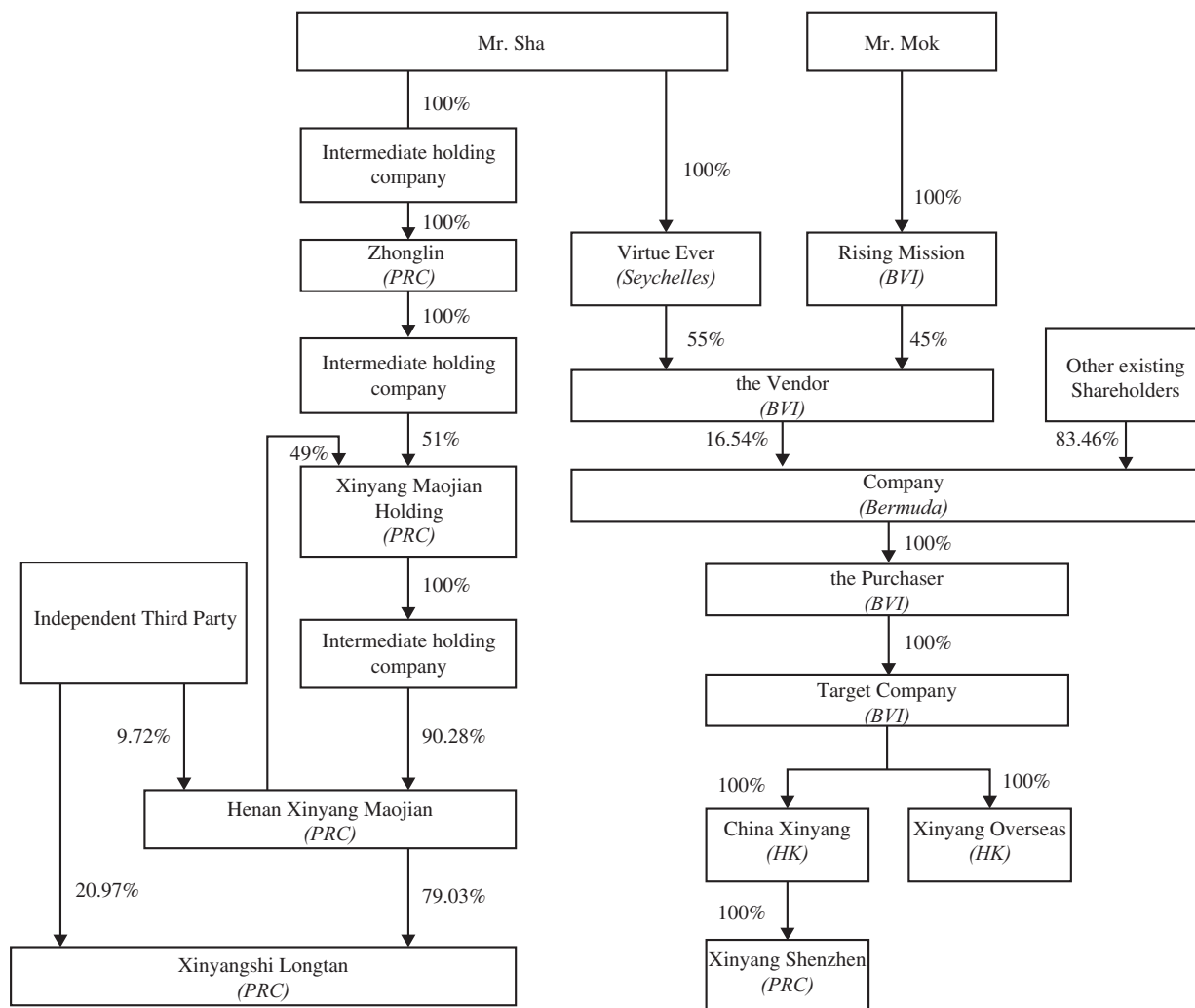
Upon Completion, the Target Company and its subsidiaries will become wholly-owned subsidiaries of the Company.

Set out below is a corporate structure chart showing the structure of the Target Group immediately before Completion:



*Note:* Based on the information provided by the Vendor, Zhonglin is in the process of transferring 100% equity interest of Xinyang Shenzhen to China Xinyang.

Set out below is a corporate structure chart showing the structure of the Group (including the Target Group) immediately after Completion and the allotment and issue of the Consideration Shares in full:



### **Consideration**

The consideration for the Sale Shares is HK\$85,800,000 (subject to adjustment as described in the paragraph headed “Profit Guarantees” below), which will be satisfied by the Company by allotting and issuing the Consideration Shares at the Issue Price of HK\$0.39 per Consideration Share to the Vendor upon Completion.

The Consideration has been arrived at between the parties after arm’s length negotiations, taken into account (i) the valuation on the Target Company of approximately RMB80 million as at 15 December 2017 based on the discounted cash flow method under the income approach prepared by the Valuer, (ii) the net asset value of the Target Company, (iii) the financial results of the Target Company for the period from its date of incorporation on 14 December 2016 to 31

December 2017, (iv) the future prospects of the principal business of the Target Group and (v) the Consideration to be satisfied by the allotment and issue of the Consideration Shares.

The Directors will seek a specific mandate from its Independent Shareholders for the issue and allotment of the Consideration Shares to the Vendor or its nominee(s).

### ***The Consideration Shares***

The Issue Price of HK\$0.39 per Consideration Share represents:

- (a) a discount of approximately 10.3% to the closing price per Share of HK\$0.435 as quoted on the Stock Exchange on 5 January 2018, being the date of the Share Transfer Agreement;
- (b) a discount of approximately 2.0% to the average closing price per Share of HK\$0.398 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Share Transfer Agreement; and
- (c) a premium of approximately 1.8% over the average closing price per Share of HK\$0.383 as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the date of the Share Transfer Agreement.

The Consideration Shares represent approximately 19.81% of the issued share capital of the Company as at the date of this announcement and approximately 16.54% of the issued share capital of the Company as enlarged by the Consideration Shares.

The Consideration Shares, once issued and fully paid, shall rank *pari passu* in all respects with the Shares then in issue including the rights to all dividends, distributions and other payments made or to be made, or on the record date which falls on or after the date of such allotment and issue. An 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 Share Transfer Agreement is conditional upon fulfillment of the conditions including but not limited to the following:

- (i) there being no material adverse impact on the financial, commercial and trading positions, or assets, liabilities or profitability or prospects of each of the members of the Target Group, or an event reasonably likely to result in such a material adverse change;

- (ii) completion of satisfactory due diligence, including the legal, financial, tax, business, ownership and other respects of the Target Group, by the Purchaser;
- (iii) the passing of resolutions by the Independent Shareholders or the Shareholders, as the case may be, at the SGM approving the Share Transfer Agreement and the transactions contemplated thereunder, including but not limited to the grant of the Specific Mandate, the Change of Company Name, the Non-Exempt Continuing Connected Transactions and the appointment of a Director nominated by the Vendor;
- (iv) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Consideration Shares (and such listing and permission not subsequently revoked prior to Completion);
- (v) there being no law in effect on the Completion Date restraining, enjoining or otherwise prohibiting or making illegal the consummation of any of the transactions contemplated by the Share Transfer Agreement or which may have a material adverse effect on any of the members of the Target Group;
- (vi) obtaining all necessary or appropriate consents in relation to the Share Transfer Agreement and the transactions contemplated thereunder;
- (vii) completion of the transfer of 100% equity interest in Xinyang Shenzhen and its entire assets to China Xinyang by Zhonglin, including completion of relevant approvals by and registrations with the governmental departments and regulatory authorities in the PRC; and
- (viii) none of the warranties being found to be, or no matter arising, which may render or renders any of the warranties untrue or inaccurate or misleading on and as at the Completion Date.

If the conditions have not been satisfied or waived by the Purchaser (other than conditions (iii) and (iv) which may not be waived) on or before 29 March 2018 or such other date as the parties may agree, the Share Transfer Agreement (save for the confidentiality clauses) shall lapse and no party shall make any claim against the other in respect thereof, save for any antecedent breach.

### ***Profit Guarantee***

Pursuant to the Share Transfer Agreement, the Vendor irrevocably warrants and guarantees that the audited net profit after tax of the Target Group prepared in accordance with HK GAAP for the period from the Completion Date to 30 June 2019 (the “**Actual Profit**”) shall be not less than RMB8 million (the “**Target Profit**”).



If the Target Profit is not met, the Vendor shall indemnify the Purchaser the Shortfall (as defined below) on the 10th Business Day after the issue of the audited consolidated financial statements of the Target Group for the year ending 30 June 2019:

Shortfall = (Target Profit – Actual Profit)

The Vendor shall deposit RMB8 million (or an equivalent amount in Hong Kong dollars calculated at the mid-point exchange rate provided by the People’s Bank of China as at noon on the day prior to the deposit of such RMB8 million) (the “**Deposit**”) into the bank account designated by the Purchaser as guarantee for the Target Profit on the Completion Date. If the Actual Profit exceeds or is equal to the Target Profit, the Purchaser shall refund the Deposit in full together with interest accrued to the Vendor within 10 Business Days after the issue of the audited consolidated financial statements of the Target Group for the year ended 30 June 2019. If the Actual Profit is less than the Target Profit, the Purchaser shall deduct the amount equal to the Shortfall from the Deposit as compensation, and refund the balance of the Deposit to the Vendor.

#### ***Lock-up undertaking***

The Vendor undertakes to the Purchaser that, from the Completion Date up to and including the date being 18 months of such Completion, it will not, and will procure that none of its respective nominees and companies controlled by it or trusts associated with it (and whether directly or indirectly) will, (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Consideration Shares or any interests therein or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Consideration Shares or interests or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic consequence of ownership of such Consideration Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Consideration Shares or such other securities, in cash or otherwise or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

#### ***Completion***

Completion shall take place on the day that is the 10th Business Day after the day on which the conditions of the Share Transfer Agreement have been satisfied or waived or such other day as the parties may agree.

## Effect of the Acquisition on the Shareholdings Structure

Set out below is the shareholding structure of the Company (i) as at the date of this announcement and (ii) immediately after the Completion and the allotment and issue of the Consideration Shares in full assuming no further issue or repurchase of the Shares before Completion:

Shareholders	As at the date of this announcement		Immediately after Completion and the allotment and issue of the Consideration Shares in full	
	No. of Shares	approx. %	No. of Shares	approx. %
<i>Substantial shareholder</i>				
Mr. Chan Yuen Tung	288,721,111	26.00	288,721,111	21.70
<i>Director</i>				
Ms. Chan Yuk Foebe	7,170,000	0.65	7,170,000	0.54
Vendor ( <i>Note</i> )	—	—	220,000,000	16.54
Public Shareholders	<u>814,536,208</u>	<u>73.35</u>	<u>814,536,208</u>	<u>61.22</u>
Total	<u>1,110,427,319</u>	<u>100</u>	<u>1,330,427,319</u>	<u>100</u>

*Note:*

The Vendor is owned as to (i) 55% by Virtue Ever, which in turn is wholly owned by Mr. Sha and (ii) 45% by Rising Mission, which in turn is wholly owned by Mr. Mok. Accordingly, Mr. Sha and Mr. Mok are deemed to be interested in the 220,000,000 Shares held by the Vendor for the purpose of the SFO.

## Valuation

According to the preliminary valuation report prepared by the Valuer, the fair value of 100% equity interest in the Target Company as at 15 December 2017 was approximately RMB80 million. The fair value under the said valuation report was determined using the discounted cash flow method under the income approach. Accordingly, such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules (the “**Profit Forecast**”).

For the purpose of complying with Rules 14.60A and 14.62 the Listing Rules, the principal assumptions upon which the Profit Forecast is based are as follows:

***General Market Assumptions***

- (a) the information provided and the representations made by the management of the Company, the management of the Target Company, and/or their representative(s) with regard to the Target Company's financial, business affairs and financial projection are accurate and reliable;
- (b) the Target Company will continue to operate as a going concern and has sufficient liquidity and capability to achieve the business operations;
- (c) there will be no material change in the existing political, legal, fiscal, technological, economic and market conditions in the jurisdiction where the Target Company is currently or will be situated;
- (d) there will be no material change in the taxation laws and regulations in the jurisdiction where the Target Company is currently or will be situated, that the tax rates will remain unchanged and that all applicable laws and regulations will be complied with;
- (e) the market return, market risk, interest rates and exchange rates will not differ materially from those of present or expected;
- (f) the supply and demand, both domestically and internationally, of the products and/or services of the Target Company or similar products and/or services will not differ materially from those of present or expected;
- (g) the market prices and the relevant costs, both domestically and internationally, of the products and/or services of the Target Company or similar products and/or services will not differ materially from those of present or expected;
- (h) the products and/or services of the Target Company or similar products and/or services are marketable and liquid, that there are active markets for the exchange of the products and/or services of the Target Company or similar products and/or services; and
- (i) the market data, industrial information and statistical figures obtained from Bloomberg Terminal and other publicly available sources are true and accurate.

### *Company-specific Assumptions*

- (a) all licenses, permits, certificates and consents issued by any local, provincial or national government or other authorized entity or organization that will affect the operation of the Target Company have been obtained or can be obtained upon request with an immaterial cost;
- (b) the core operation of the Target Company will not differ materially from those of present or expected;
- (c) the after-tax profit guarantee of RMB8 million in the financial year 2019 is materialized;
- (d) the acquisition of the operating company by China Xinyang is assumed to have been completed as instructed by the Management;
- (e) the financial and operational information in respect of the Target Company have been prepared on a reasonable basis that have been arrived at after due and careful consideration by the senior management of the Company;
- (f) the Target Company currently has, or will have, adequate human capital and capacity required for the production and/or provision of the products and/or services of the Target Company, and the required human capital and capacity will be acquired in a timely manner that will not affect the operation of the Target Company;
- (g) the Target Company has acquired, or will acquire, adequate financial capital for the investments in projected capital expenditure and working capital from time to time, and any scheduled interest or repayment of loan and payable will be paid on time;
- (h) the senior management of the Target Company will implement only those prospective financial and operational strategies that will maximize the efficiency of the operation of the Target Company;
- (i) the senior management of the Target Company has sufficient knowledge and experience in respect of the operation of the Target Company, and the turnover of any director, management or key person will not affect the operation of the Target Company;
- (j) the senior management of the Target Company has adopted reasonable and appropriate contingency measures against any natural disaster such as fire, flood and hurricane, and the occurrence of any natural disaster will not affect the operation of the Target Company;

- (k) the senior management of the Target Company has adopted reasonable and appropriate contingency measures against any human disruption such as fraud, corruption and strike, and the occurrence of any human disruption will not affect the operation of the Target Company; and
- (l) there are no undisclosed actual or contingent assets or liabilities, no unusual obligations or substantial commitments, other than in the ordinary course of business and as reflected in the financials, nor any litigation pending or threatened, which would have a material impact on the value of the Target Company as at 15 December 2017.

The Board has reviewed the principal assumptions upon which the Profit Forecast was based on and is of the view that the Profit Forecast was made after due care and enquiry. Elite Partners, the reporting accountants of the Company, has also reviewed the calculations of the discounted cash flow method under the income approach upon which the Valuation Report prepared by the Valuer was based on. A letter from the Board and a letter from Elite Partners are included in the appendices to this announcement for the purpose of Rules 14.60A and 14.62 of the Listing Rules. The following are the qualifications of the experts who have given their opinion in this announcement:

<b>Name</b>	<b>Qualification</b>
Ravia Global Appraisal Advisory Limited	Professional valuer
Elite Partners	Certified Public Accountants

To the best knowledge, information and belief of the Board and having made all reasonable enquiries, each of the Valuer and Elite Partners is a third party independent of the Group and is not a connected person of the Group. As at the date of this announcement, neither the Valuer nor Elite Partners has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group.

Each of the Valuer and Elite Partners has given and has not withdrawn its respective written consent to the publication of this announcement with inclusion of its opinion, advice, letters, reports and/or all references to its name included in this announcement in the form and context in which it appears in this announcement.

## **Information of the Group**

The Group is principally engaged in the manufacture and sale of coal-related chemical products and generation and supply of power and steam. Coal-related chemical products comprise vinyl acetate products and polyvinyl-chloride products.

## **Information of the Purchaser**

The Purchaser, an indirect wholly-owned subsidiary of the Company, was incorporated in the BVI with limited liability and is principally engaged in investments holding.

## **Information of the Target Group**

The Target Company is a company incorporated under the laws of the BVI with limited liability. The Target Group is principally engaged in sale of Xinyang Maojian Tea Leaves on the e-commerce market in the PRC and will develop the sale of Xinyang Maojian Tea Leaves outside of the PRC.

Two subsidiaries of the Target Company have obtained licences to distribute Xinyang Maojian Tea Leaves from the Suppliers. Henan Xinyang Maojian is the owner of the Longtan (龍潭), Wuyunshan (五雲山) and Luyu (陸羽) brands.

China Xinyang, a subsidiary of the Target Company, has been licensed by the Suppliers to be the exclusive distributor of Xinyang Maojian Tea Leaves on the e-commerce platforms (including but not limited to Tianmao (天貓) and Jingdong (京東) in the PRC) from 5 January 2018 to 5 January 2028 under the China Xinyang Agreement.

China Xinyang has entered into agreements on 1 December 2017 and 5 January 2018 with Zhonglin, under which China Xinyang has agreed to purchase and Zhonglin has agreed to sell the entire equity interest of Xinyang Shenzhen. Upon completion of all the relevant transfer and registration procedures, Xinyang Shenzhen will become a wholly-owned subsidiary of China Xinyang. Xinyang Shenzhen has been licensed by the Suppliers to carry out the sales operations of Xinyang Maojian Tea Leaves on the e-commerce platforms in the PRC under the China Xinyang Agreement. Xinyang Shenzhen has commenced the sale of Xinyang Maojian Tea Leaves on the e-commerce platform Jingdong since December 2017.

Xinyang Overseas, another subsidiary of the Target Company, has been licensed by the Suppliers to be the exclusive global distributor (outside of the PRC) of Xinyang Maojian Tea Leaves from 5 January 2018 to 5 January 2028 under the Xinyang Overseas Agreement.

Additional details of the China Xinyang Agreement and the Xinyang Overseas Agreement are set out in the section headed “Non-Exempt Continuing Connected Transactions” below.

As at the date of the Share Transfer Agreement, the Target Company has issued 50,000 shares, and immediately prior to the execution of the Share Transfer Agreement, the Vendor is the legal and beneficial owner of 50,000 shares of the Target Company. Set out below is the summary of the key financial data extracted from the unaudited management accounts of the Target Group (not taking into account Xinyang Shenzhen as the transfer of equity interest in Xinyang Shenzhen is yet to be completed) for the period from the incorporation of the Target Company on 14 December 2016 to 31 December 2017:

	<b>For the period from 14 December 2016 to 31 December 2017</b>
	Unaudited <i>HKD'000</i>
Net profit before taxation	Nil
Net profit after taxation	Nil
	<b>As at 31 December 2017</b>
	Unaudited <i>HKD'000</i>
Total assets	390
Net assets	390

### **Information of the Vendor**

The Vendor was incorporated under the laws of the BVI with limited liability and is principally engaged in investment holding. The Vendor is owned as to (i) 55% by Virtue Ever, which is in turn wholly owned by Mr. Sha, and (ii) 45% by Rising Mission, which is in turn wholly owned by Mr. Mok.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquires, as at the date of the announcement, the Vendor and its ultimate beneficial owners are Independent Third Parties.

## **Information of Henan Xinyang Maojian**

Established in 1989, Henan Xinyang Maojian Tea Group is a national key leading enterprise for agriculture industrialization and a marker of national standard on Xinyang Maojian tea. It is a group company covering a whole industry chain integrating tea plantation, research and development, processing and sales of tea drinks and tea food, tea garden tourism, tea industry and tea culture. Henan Xinyang Maojian possesses 450,000 Mu of Maojian Tea Core Tea Garden bases including “Cheyunshan, Lianyunshan, Jiyunshan, Tianyunshan, Yunwushan, Bailongtan, Heilongtan and Hejiazhai”, Luyu Tea Culture Park which covers an area of over 650 Mu, over 10 standard tea refining and processing plants, 6 cold chain systems with the storage of 50 tonnes and 1 tea fresh-keeping refrigeration storage with the capacity of 500 tonnes. Besides, it has a number of international full-automatic Maojian tea production lines and automatic filling lines with the fresh tea leaves handling capacity of 600kg per hour. In case of full production, it can annually produce 2,000,000kg of dry tea. Under the core brand “Longtan” of the Group, there are 50 series consisting of 400 types of products. As at 2013, the Company had 10 branches and 368 exclusive shops, and had set up 769 agents and 260 franchised outlets in large and medium-sized cities nationwide.

The Ministry of Agriculture of the PRC proposes to make an overall plan for the international and domestic markets under the leadership of new development idea, accelerate the construction of a batch of standard tea production bases, cultivate a batch of international tea groups and create a batch of tea brands with global competitiveness; and build 5 tea groups with the sales amount of more than RMB5 billion, 20 tea groups with the sales amount of more than RMB2 billion and 1-2 extra-large tea groups with international influence and brand awareness by 2020. Currently, the rapid growth of the domestic consumption market in the PRC and with the quickened implementation of “One Belt One Road” strategy have brought a rare opportunity for the development of the tea industry. The opportunity is beneficial to develop the international market, transform agriculture industry and carry forward the Chinese tea culture to make contributions to the promotion of China’s cultural industry.

According to the research conducted by CARD Agricultural Brand Research Center of Zhejiang University, an authoritative evaluation authority in the PRC, in the 2017 ranking list of regional public brand value of tea in the PRC, “Xinyang Maojian Tea” public brand ranks the second with the value of RMB5.991 billion.

The Longtan Teahouse established in 1913 and the present Henan Xinyang Maojian Tea Group witnessed the changes of China’s tea history in one hundred years. At the 1915 Panama Pacific International Exposition, Xinyang Maojian Tea from Longtan Teahouse won the gold award, enjoying great prestige in the world with the State Liquor Maotai. From then on, Xinyang Maojian Tea became the



representative of green tea in the world; in 1959, Xinyang Maojian Tea won the title of “China Top Ten Famous Teas”; in 1990, “Longtan” Xinyang Maojian Tea won the quality gold award of China; in 2007, at the second World Green Tea Congress held in Japan, Xinyang Maojian Tea won the gold award with the highest score through competition with hundreds of green tea varieties from 29 countries and regions including the PRC, Japan, Korea, India, Sri Lanka, the United States and Vietnam in the appraisal of green teas, and was hailed as the “King of Green Tea”; in 2009, the national standard on Xinyang Maojian tea, of which Henan Xinyang Maojian Tea Group participated in the preparation, was officially implemented; in 2010, “Longtan” Xinyang Maojian Tea was designated as the tea manufacturer and supplier of the Shanghai World Expo; in 2011, “Longtan” Xinyang Maojian Tea was officially approved as a “Time-honoured Brand of Henan”.

Since 2017, Henan Xinyang Maojian Tea Group started to perform transformation.

- I. It has prepared the plan on revitalizing the world with famous tea and transformed into global one-stop plebification tea manufacturer and operator and achieved the plan of big channel consisting of internet and one thousand stores, and spread traditional tea culture of China all over the world.
- II. Targeting at the tea drinks market with the size of over RMB400 billion in the PRC, it proposed the marketing idea of “origin, healthy tea” and created the “Tea Energy” branded series of tea drinks on the basis of adhering to original tea extraction, striving to achieve the annual output of RMB10 billion.
- III. The tea deep-processing project utilizes the unique tea polyphenol of green tea to create healthcare food and the stem leaf of tea to manufacture tea pulp and tea powder, creating a tremendous development space for the comprehensive utilization of tea trees.
- IV. In terms of cultural tourism in tea gardens, the Henan Xinyang Maojian Tea Group has the largest tea garden of 450,000 Mu and will fully tap the tourism potentials of tea gardens including Cheyunshan, Jiyunshan, Yunwushan, Lianyunshan and Tianyunshan.

### **Reasons for the Acquisition**

The Group was suffered from the slump of chemical market in the last five year. For the Group’s future development, the management explores new and value-added businesses from time to time. The management believes that the Acquisition could diversify the risk of the Group and, hence, to provide a stable return to the Group.

The Company considered that Chinese tea has greater potentiality and more long-term development after it reviewed the potentiality of the background tea market of Xinyang Maojian and the implementing of “One Belt One Road” strategy. The Company believes that the Chinese tea business will be one of the major sources of the future revenue and profit for the Group. Therefore, in line with the development of the Group in the future, the Company proposes to change its name into “Xinyang Maojian Group Limited 信陽毛尖集團有限公司”.

The Company wants to achieve the transformation into green development and accomplish the targeted poverty alleviation task as assigned by the central government. The Board firmly believes that the Green Tea Business of Xinyang Maojian Tea is currently the most vigorous green industry, which creates economic benefits for shares and bring about ecological benefits to the society to achieve cooperation and a win-win situation between capital and resources.

The Directors (excluding independent non-executive Directors who will advise the Independent Shareholders having taken into account the advice from independent financial adviser) are of the view that the terms of the Share Transfer Agreement are fair and reasonable and are on normal commercial terms and the entering into the Share Transfer Agreement is in the interest of the Company and Shareholders as a whole.

### **Listing Rules Implications**

As the applicable ratios in respect of the Acquisition exceed 5% but are below 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but exempted from the Shareholders’ approval requirement under Chapter 14 of the Listing Rules. The Vendor is owned as to 55% by Virtue Ever and as to 45% by Rising Mission. Mr. Sha, the legal and beneficial owner of the entire issued share capital of Virtue Ever and hence, a substantial shareholder of the Target Company, is nominated by the Vendor to be an executive Director upon Completion. Accordingly, the Acquisition constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

The Acquisition, including the issue of the Consideration Shares by way of a Specific Mandate to be sought from the Independent Shareholders, is subject to the reporting, announcement and Independent Shareholders approval requirements under Chapter 14A of the Listing Rules.

## **2. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

The Target Company and its subsidiaries will become subsidiaries of the Company upon Completion, and accordingly certain ongoing transactions of the Target Group with Henan Xinyang Maojian, Xinyangshi Longtan and Xinyang Maojian Holding will become continuing connected transactions of the Company under Chapter 14A of the Listing Rules upon Completion.

### **The Connected Persons**

Upon Completion, Mr. Sha will become an executive Director and indirectly own 55% interest in the Vendor, which will become a substantial shareholder of the Company, holding approximately 16.54% of the enlarged issued share capital of the Company, and Mr. Sha is therefore a connected person of the Company. Accordingly, any transaction between (1) Mr. Sha or his associates and (2) the Group (including the Target Group) will constitute a connected transaction of the Company.

As at the date of this announcement, Henan Xinyang Maojian is indirectly owned as to 90.28% by Xinyang Maojian Holding, which in turn is owned as to 51% indirectly by Mr. Sha and 49% directly by Henan Xinyang Maojian. Xinyangshi Longtan is owned as to 70.03% by Henan Xinyang Maojian. Therefore, Henan Xinyang Maojian, Xinyangshi Longtan and Xinyang Maojian Holding are associates of Mr. Sha and will become connected persons of the Company upon Completion.

The following transactions will be regarded as continuing connected transactions of the Group under Rule 14A.31 of the Listing Rules. As one or more of the relevant percentage ratios as set out in Rule 14A.76(2) of the Listing Rules exceeds 5% for each of the continuing connected transactions, each of such continuing connected transactions will be subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **The China Xinyang Agreement**

Set out below is a summary of the China Xinyang Agreement:

#### ***Date***

5 January 2018

## *Parties*

Henan Xinyang Maojian, Xinyangshi Longtan and Xinyang Maojian Holding as suppliers and China Xinyang and Xinyang Shenzhen as distributors.

## *Nature of the transaction*

Under the China Xinyang Agreement, the Suppliers agreed to supply Xinyang Maojian Tea Leaves to China Xinyang and Xinyang Shenzhen for sale on the e-commerce platforms in the PRC. The Suppliers authorized China Xinyang to act as its exclusive distributor on e-commerce platforms in PRC, including but not limited to Tianmao (天貓) and Jingdong (京東), and authorized Xinyang Shenzhen to carry out the sales operations of Xinyang Maojian Tea Leaves on such e-commerce platforms.

The Suppliers have undertaken to supply to China Xinyang:

- (i) Xinyang Maojian Tea Leaves representing a value not less than RMB100 million in 2018;
- (ii) Xinyang Maojian Tea Leaves representing a value not less than RMB200 million in 2019; and
- (iii) Xinyang Maojian Tea Leaves representing a value not less than RMB500 million per year from 2020 to 2028;

China Xinyang and/or Xinyang Shenzhen shall place the individual orders with the Suppliers by issuing a written order to the Suppliers stating the quantity, price and details of delivery. The Suppliers shall arrange for the manufacturing and delivery of products after receiving such orders from China Xinyang and/or Xinyang Shenzhen.

Under the China Xinyang Agreement, China Xinyang agreed to promote the products supplied by the Suppliers and bear the advertising costs.

The Suppliers agreed to provide the suggested retail price of the various Xinyang Maojian products to China Xinyang and Xinyang Shenzhen. China Xinyang and Xinyang Shenzhen may adjust the retail price of the Xinyang Maojian products in accordance with the circumstances of the market, and shall report the adjusted retail price of the Xinyang Maojian products to the Suppliers.

China Xinyang has been authorized to use trademarks (trade names and logos), patents, copyrights and trade secrets owned by the Suppliers at nil consideration for the purpose of sales of Xinyang Maojian products.

### ***Term***

The term of the China Xinyang Agreement shall be 10 years, commencing on 5 January 2018 to 5 January 2028.

### ***Pricing basis***

The Suppliers shall supply Xinyang Maojian Tea Leaves to China Xinyang at the ex-factory price. The ex-factory price is constituted by the cost of production, value-added tax and packaging costs.

As advised by the Company and based on information available from the Vendor and the Target Group, the above pricing basis was determined at retail market price less discount of more than 50% after arm's length negotiation between parties.

### ***Annual caps***

The proposed annual caps for the China Xinyang Agreement for each of the period commencing on the Completion Date to 30 June 2018 and for the two years ending 30 June 2020 are RMB60,000,000 (equivalent to approximately HK\$72,000,000), RMB150,000,000 (equivalent to approximately HK\$180,000,000) and RMB240,000,000 (equivalent to approximately HK\$288,000,000) respectively.

The annual caps are determined with reference to the following factors:

- (a) the estimated purchase for the period commencing from the Completion Date to 30 June 2018 and for each of the year ending 30 June 2019 and 30 June 2020; and
- (b) the estimated growth rates for each of the year ending 30 June 2019 and 30 June 2020 which are expected to be 150% and 60% respectively.

The Company will set the new annual caps for the remaining period of the China Xinyang Agreement when the annual cap for the year ending 30 June 2020 expires and will comply with all applicable requirements under Chapter 14A of the Listing Rules.

### **The Xinyang Overseas Agreement**

Set out below is a summary of the Xinyang Overseas Agreement:

### ***Date***

5 January 2018

### ***Parties***

Henan Xinyang Maojian, Xinyangshi Longtan and Xinyang Maojian Holding, as suppliers and Xinyang Overseas as distributor.

### ***Nature of the transaction***

Under the Xinyang Overseas Agreement, the Suppliers agreed to supply Xinyang Maojian Tea Leaves to Xinyang Overseas for sale in places outside the PRC, and authorized Xinyang Overseas to act as its exclusive global distributor (outside of the PRC).

The Suppliers have undertaken to supply Xinyang Maojian Tea Leaves representing a value not less than RMB200 million per year to Xinyang Overseas. Xinyang Overseas shall place the individual orders with the Suppliers by issuing a written order to the Suppliers stating the quantity, price and details of delivery. The Suppliers shall arrange for the manufacturing and delivery of products after receiving such orders from Xinyang Overseas.

Under the Xinyang Overseas Agreement, Xinyang Overseas agreed to promote the products supplied by the Suppliers and to bear the advertising costs.

The Suppliers agreed to provide the suggested retail price of the various Xinyang Maojian products to Xinyang Overseas. Xinyang Overseas may adjust the retail price of the Xinyang Maojian products in accordance with the circumstances of the market, and shall report the adjusted retail price of the Xinyang Maojian products to the Suppliers.

Xinyang Overseas has been authorized to use trademarks (trade names and logos), patents, copyrights and trade secrets owned by the Suppliers at nil consideration for the purpose of sales of Xinyang Maojian products.

### ***Term***

The term of the Xinyang Overseas Agreement shall be 10 years, commencing on 5 January 2018 to 5 January 2028.

### ***Pricing basis***

the Suppliers shall supply the Xinyang Maojian Tea Leaves to China Xinyang at the ex-factory price. The ex-factory price constitutes the cost of production, the value-added tax and the packaging costs.

As advised by the Company and based on information available from the Vendor and the Target Group, the above pricing basis was determined at cost plus a markup of no more than 10% as determined after arm's length negotiation between the parties.

### ***Annual caps***

The proposed annual caps for the Xinyang Overseas Agreement for each of the period commencing on the Completion Date to 30 June 2018 and for the two years ending 30 June 2020 are RMB25,500,000 (equivalent to approximately HK\$30,600,000), RMB32,300,000 (equivalent to approximately HK\$38,760,000) and RMB47,175,000 (equivalent to approximately HK\$56,610,000) respectively.

The annual caps are determined with reference to the following factors:

- (a) the estimated purchase for the period commencing on the Completion Date to 30 June 2018 and for each of the year ending 30 June 2019 and 30 June 2020; and
- (b) the estimated growth rates for each of the year ending 30 June 2019 and 30 June 2020 are expected to be 26% and 46% respectively.

The Company will set the new annual caps for the remaining period of the Xinyang Overseas Agreement when the annual cap for the year ending 30 June 2020 expires and will comply with all applicable requirements under Chapter 14A of the Listing Rules.

The Directors (excluding independent non-executive Directors who will advise the Independent Shareholders having taken into account the advice from independent financial adviser) are of the view that the terms of the China Xinyang Agreement and the Xinyang Overseas Agreement as well as the related annual caps are fair and reasonable and are on normal commercial terms and are in the interests of the Company and its Shareholders as a whole.

### **3. APPOINTMENT OF AN EXECUTIVE DIRECTOR**

A resolution will be proposed at the SGM to appoint Mr. Sha as an executive Director upon Completion.

A circular containing, among other things, details of biographical details of Mr. Sha will be despatched to the Shareholders as soon as practicable under the requirements of the Listing Rules.

#### **4. PROPOSED CHANGE OF NAME OF THE COMPANY**

For the purpose of reflecting the adjustment of the business development of the Group, the Directors will propose a special resolution to the Shareholders to change (i) the existing primary name of the Company to “Xinyang Maojian Group Limited” (“**Primary Name**”) and (ii) the existing secondary name of the Company to “信陽毛尖集團有限公司” (“**Secondary Name**”) at the SGM.

##### **Conditions**

The Change of Company Name is subject to the satisfaction of the following conditions:

1. the completion of the Acquisition;
2. the passing of a special resolution by the Shareholders at an SGM to approve the Change of Company Name; and
3. the approval of the Change of Company Name by the Registrar of Companies in Bermuda.

Subject to the approval of the Registrar of Companies in Bermuda, the Change of Company Name shall take effect upon the respective dates on which the Primary Name and the Secondary Name are entered on the register of companies maintained by the Registrar of Companies in Bermuda. Upon the Change of Company Name taking effect and the receipt of the certificate of incorporation on change of name, the Company will carry out the necessary filing procedures with the Registrar of Companies in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). Subject to the Change of Company Name becoming effective, the English and Chinese stock short names of the Company will also be changed. Further announcement on the Change of Company Name and change in stock short names will be made once the Change of Company Name has become effective.

##### **Effects of Change of Name**

The Change of Company Name, once approved and after becoming effective, will not in any way affect any of the rights of any Shareholders and all existing share certificates of the Company in issue bearing the present name of the Company will after the Change of Company Name has become effective, continue to be effective as documents of title to the shares of the Company and will be valid for trading, settlement and registration purposes.



Accordingly, there will not be any arrangement for free exchange of existing share certificates for new share certificates under the new name. Should the Change of Company Name become effective, all new share certificates of the Company will be issued in the new name of the Company thereafter.

## **GENERAL**

The SGM will be convened and held for the purpose of considering and, if thought fit, approving (i) the Share Transfer Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate, (ii) the Non-Exempt Continuing Connected Transaction, (iii) the appointment of Mr. Sha as an executive Director and (iv) the Change of Company Name.

As at the date of this announcement, (i) no Director has a material interest in the Share Transfer Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate), the Non-Exempt Continuing Connected Transactions, the appointment of Mr. Sha as an executive Director and the Change of Company Name which require any of them to abstain from voting on the Board resolutions in relation to the aforesaid matters; and (ii) to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has any material interest in the Share Transfer Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate), the Non-Exempt Continuing Connected Transactions, the appointment of Mr. Sha as an executive Director and the Change of Company Name and therefore no Shareholder is required to abstain from voting at the SGM in respect of the resolutions approving the aforesaid matters.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Ma Wing Yun Bryan, Mr. Tam Ching Ho and Mr. Hau Chi Kit, has been established to advise the Independent Shareholders in relation to the Share Transfer Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) and the Non-Exempt Continuing Connected Transactions and the proposed annual caps for the period from the Completion Date to 30 June 2018 and the two years ending 30 June 2020.

An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Share Transfer Agreement and the transactions contemplated thereunder, (ii) the Specific Mandate, (iii) the Non-Exempt Continuing Connected Transaction, (iv) the appointment of Mr. Sha as an executive Director, (v) the particulars of the Change of Company Name and (vi) the notice of the SGM will be despatched to the Shareholders by the Company as soon as possible and is currently expected to be by 5 February 2018 as additional time is required for preparing the information to be included in the circular.

**Shareholders and potential investors shall note that completion of the Acquisition is subject to the conditions precedent and may or may not materialize. Shareholders and potential investor are advised to exercise caution when dealing in the securities of the Company.**

## **DEFINITIONS**

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

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the terms and conditions set out in the Share Transfer Agreement
“associate(s)”	have the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or Sunday) on which banks are open for face-to-face banking business in Hong Kong
“BVI”	the British Virgin Islands
“Change of Company Name”	the proposed change of the primary name of the Company from “China Zenith Chemical Group Limited” to “Xinyang Maojian Group Limited”, and the proposed change of the secondary name of the Company from “中國天化工集團有限公司” to “信陽毛尖集團有限公司”
“China Xinyang”	China Xinyang Maojian Group Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target Company
“China Xinyang Agreement”	an agreement dated 5 January 2018 entered into between the Suppliers and China Xinyang in relation to, among other things, grant of exclusive distributorship on e-commerce platforms in the PRC by the Suppliers to China Xinyang to sell Xinyang Maojian Tea Leaves

“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
“Completion”	completion of the transactions contemplated under the Share Transfer Agreement
“Completion Date”	the day that is the 10th Business Day after the day on which the conditions of the Share Transfer Agreement have been satisfied or waived or such other day as the Purchaser and Vendor may agree
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“Consideration”	the total consideration of HK\$85,800,000 for the sale and purchase of the Sale Shares
“Consideration Shares”	the 220,000,000 new Shares to be issued by the Company to the Vendor to settle the Consideration
“controlling shareholder(s)”	has the meaning ascribed to this term under the Listing Rules
“Director(s)”	the director(s) of the Company
“Elite Partners”	Elite Partners CPA Limited, the reporting accountants of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK GAAP”	accounting principles generally accepted in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Henan Xinyang Maojian”	Henan Xinyang Maojian Group Co., Ltd.* (河南信陽毛尖集團有限公司), a company established in the PRC with limited liability and indirectly owned as to approximately 90.28% by Xinyang Maojian Holding, which in turn is indirectly owned as to 51% by Mr. Sha and directly owned as to 49% by Henan Xinyang Maojian
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Ma Wing Yun Bryan, Mr. Tam Ching Ho and Mr. Hau Chi Kit, which has been established to make recommendations to the Independent Shareholders in respect of the Share Transfer Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) and the Non-Exempt Continuing Connected Transactions and the proposed annual caps for the period from the Completion Date to 30 June 2018 and the two years ending 30 June 2020
“Independent Shareholders”	Shareholders who are not required to abstain under the Listing Rules from voting at the SGM for the resolution(s) approving the Share Transfer Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate), the Non-Exempt Continuing Connected Transactions and the proposed annual caps for the period from the Completion Date to 30 June 2018 and the two years ending 30 June 2020
“Independent Third Party(ies)”	third parties independent of and not connected with the Company and its connected persons
“Issue Price”	HK\$0.39 per Consideration Share
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Mok”	Mr. Mok Tsan Lam, who indirectly owns 45% interest in the Vendor
“Mr. Sha”	Mr. Sha Tao, who indirectly owns 55% interest in the Vendor

“Non-Exempt Continuing Connected Transactions”	the transactions contemplated under the China Xinyang Agreement and the Xinyang Overseas Agreement which will constitute continuing connected transactions of the Company within the meaning of the Listing Rules upon Completion
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Prosper Path Limited, a company incorporated under the laws of the BVI with limited liability, and is wholly owned by the Company
“Rising Mission”	Rising Mission Limited, a company incorporated under the laws of the BVI with limited liability and is legally and beneficially wholly owned by Mr. Mok
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	50,000 shares of the Target Company, representing 100% of the issued share capital of the Target Company as at the date of the Share Transfer Agreement
“SGM”	the special general meeting of the Company to be convened and held to consider, and if thought fit, to approve, among other things, the Share Transfer Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate), the Non-Exempt Continuing Connected Transactions and the proposed annual caps for the period from the Completion Date to 30 June 2018 and the two years ending 30 June 2020, the appointment of Mr. Sha as an executing Director and the proposed Change of Company Name
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Transfer Agreement”	the share transfer agreement dated 5 January 2018 entered into between the Purchaser and Vendor in relation to the Acquisition

“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Specific Mandate”	the specific mandate proposed to be granted to the Directors by the Independent Shareholders at the SGM to allot and issue the Consideration Shares
“Suppliers”	Henan Xinyang Maojian, Xinyangshi Longtan and Xinyang Maojian Holding
“Target Company”	Xinyang Maojian International Holding Limited, a company incorporated under the laws of the BVI with limited liability and is a wholly-owned subsidiary of the Vendor
“Target Group”	the Target Company and its subsidiaries
“Valuer”	Ravia Global Appraisal Advisory Limited, an independent professional valuer
“Vendor”	Dragon Wise Group Limited, a company incorporated under the laws of BVI with limited liability and is owned as to 55% by Virtue Ever and as to 45% by Rising Mission and is the sole legal and beneficial owner of the Target Company
“Virtue Ever”	Virtue Ever Limited, a company incorporated under the laws of Seychelles with limited liability and is legally and beneficially wholly owned by Mr. Sha
“Xinyang Maojian Holding”	Xinyang Maojian Holding Co., Ltd.*(信陽毛尖控股有限公司), a company established in the PRC with limited liability and owned as to 51% indirectly by Mr. Sha and 49% directly by Henan Xinyang Maojian
“Xinyang Maojian Tea Leaves”	tea leaves (including green tea and red tea) to be supplied by the Suppliers to China Xinyang and Xinyang Overseas under the China Xinyang Agreement and the Xinyang Overseas Agreement
“Xinyang Overseas”	Xinyang Maojian Overseas Development Limited, a company incorporated in Hong Kong with limited liability, and a wholly-owned subsidiary of the Target Company

“Xinyang Overseas Agreement”	an agreement dated 5 January 2018 entered into between the Suppliers and Xinyang Overseas in relation to, among other things, grant of exclusive distributorship for places outside of PRC by the Suppliers to Xinyang Overseas to sell Xinyang Maojian Tea Leaves
“Xinyang Shenzhen”	Xinyang Maojian Chaye (Shenzhen) Co., Ltd.* (信陽毛尖茶葉(深圳)有限公司) is a company in the PRC and established in the PRC with limited liability and is legally owned as to 100% by Zhonglin as at the date of this announcement
“Xinyangshi Longtan”	Xinyangshi Longtan Chaye Co., Ltd.* (信陽市龍潭茶葉有限公司), a company established in the PRC with limited liability and indirectly owned as to approximately 79.03% by Henan Xinyang Maojian
“Zhonglin”	Zhonglin Senlin Holdings Group Co., Ltd.* (中林森林控股集團有限公司), a company established in the PRC with limited liability and is indirectly wholly owned by Mr. Sha
“%”	per cent

*For illustration purposes, amounts in RMB have been translated into HK\$ at RMB1.00 = HK\$1.20 in this announcement*

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

Hong Kong, 5 January 2018

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

*\* For identification purpose only*

## APPENDIX I — LETTER FROM THE BOARD

5 January 2018

Listing Department  
The Stock Exchange of Hong Kong Limited  
11th Floor,  
One International Finance Centre  
1 Harbour View Street  
Hong Kong

Dear Sirs,

### **Discloseable Transaction — Acquisition of Xinyang Maojian International Holding Limited (the “Target Company”) by Prosper Path Limited involving the issue of Consideration Shares under Specific Mandate**

We refer to the announcement of the Company dated 5 January 2018 in relation to, among other things, the captioned transaction (the “**Announcement**”). Unless the context otherwise requires, defined terms used herein shall have the same meanings as those defined in the Announcement.

We refer to the valuation report dated 5 January 2018 issued by the Valuer regarding the valuation of 100% equity interests in the Target Company as at 15 December 2017 (the “**Valuation**”), which constitutes a profit forecast under Rule 14.61 of the Listing Rules.

We have discussed with the Valuer about different aspects including the bases and assumptions based upon which the Valuation has been prepared, and reviewed the Valuation for which the Valuer is responsible. We have also considered the report dated 5 January 2018 from Elite Partners CPA Limited, our reporting accountants, regarding the discounted future estimated cash flows, so far as the calculations are concerned, has been properly complied with the bases and assumptions. We have noted that the Profit Forecast in the Valuation are mathematically accurate and is presented on a basis consistent in all material aspects with the accounting policies currently adopted by the Company.

On the basis of the foregoing, we are of the opinion that the Profit Forecast prepared by the Valuer has been made after due and careful enquiry.

Yours faithfully,  
By order of the Board of  
**China Zenith Chemical Group Limited**  
**Chan Yuk Foebe**  
*Chairman and Chief Executive Officer*



## APPENDIX II — LETTER FROM THE COMPANY’S REPORTING ACCOUNTANTS

5 January 2018

The Board of Directors  
China Zenith Chemical Group Limited  
Room 4007, 40/F.,  
China Resources Building,  
26 Harbour Road, Wanchai, Hong Kong

Dear Sirs,

**China Zenith Chemical Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”)**

**Comfort letter on profit forecast underlying the valuation of the acquisition of the 100% equity interest of Xinyang Maojian International Holding Limited (the “Target Company”) and its subsidiaries (the “Target Group”) (the “Acquisition”) in connection with discloseable and connected transaction of the Group**

We report on the calculations of the discounted future estimated cash flows on which the valuation (the “**Valuation**”) report dated 5 January 2018 prepared by Rivia Global Appraisal Advisory Limited in respect of the Valuation of the transaction in connection with proposed acquisition of the 100% equity interest of the Target Company and its subsidiaries, as published in the Company’s announcement dated 5 January 2018 (the “**Announcement**”). Capitalised terms used in this letter have the same meanings as defined in the Announcement of the Company dated 5 January 2018 unless the context otherwise requires.

The Valuation which is determined based on the discounted cash flows and is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

### **Respective responsibilities of the directors of the Company and the reporting accountants**

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows for the Valuation which is regarded as a profit forecast under Rule 14.62 of the Listing Rules.

It is our responsibility to report, as required by Rule 14.62(2) of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. The discounted future estimated cash flows do not involve the adoption of accounting policies.

The discounted future estimated cash flows depend on future events and on a number of bases and assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Consequently, we have not reviewed, considered or conducted any work on the appropriateness and validity of the bases and assumptions and express no opinion on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows, and thus the Valuation, are based.

### **Basis of opinion**

We carried out our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Profit Forecast in accordance with the assumptions made by the directors and as to whether the Profit Forecast is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We accept no responsibility to any other person in respect of, arising out of in connection with our work. Our work does not constitute any valuation of the Acquisition. Accordingly, we do not express an audit opinion.

### **Opinion**

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions made by the directors of the Company.

Yours faithfully,

**Elite Partners CPA Limited**  
*Certified Public Accountants*  
Hong Kong