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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)

SUPPLEMENTAL AGREEMENT IN RELATION TO THE ACQUISITION OF THE TARGET GROUP INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

Financial Adviser



Euto Capital Partners Limited

Reference is made to the announcement (“**Announcement**”) of China Zenith Chemical Group Limited (the “**Company**”) dated 5 January 2018 regarding the Share Transfer Agreement in relation to the proposed acquisition of the entire issued share capital of Xinyang Maojian International Holding Limited (the “**Target Company**”) by Prosper Path Limited (the “**Purchaser**”), a wholly-owned subsidiary of the Company.

Unless otherwise defined in this announcement, capitalised terms defined in the Announcement shall have the same meanings when used in this announcement.

THE SUPPLEMENTAL AGREEMENT

Subsequently to the due diligence on the Target Group, the Company would like to enhance the Company's interest in the Acquisition and has agreed with the Vendor to modify certain terms of the Share Transfer Agreement.

On 11 June 2018 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company and the Vendor entered into a supplemental agreement (“**Supplemental Agreement**”), pursuant to which the parties agreed to amend certain terms of the Share Transfer Agreement.

The principal terms of the Supplemental Agreement are set out below:

Settlement of Consideration Upon satisfaction (or waiver by the Purchaser) of all the conditions precedent as set out in the sub-section headed “Conditions precedent” as set out in the Announcement, including the passing of a resolution by the Independent Shareholders at the SGM approving the Share Transfer Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder, the Vendor shall transfer the Sale Shares to the Purchaser. The Consideration Shares will not be allotted and issued to the Vendor unless and until the Guaranteed Financial Performance (defined below) is met by the Target Group, and the Purchaser shall, within 10 Business Days after the delivery by the Target Group to the Vendor of the audited/reviewed consolidated financial statements of the Target Group for the two years ending 30 June 2020, procure the Company to allot and issue the Consideration Shares to the Vendor.

Guaranteed Financial Performance

The Vendor irrevocably and unconditionally guarantees the following financial performance to be achieved by the Target Group during the following period:

	For the six months ending 31 December 2018	For the year ending 30 June 2019	For the eighteen months ending 31 December 2019	For the two years ending 30 June 2020
Guarantee Period				
Accumulated profit/ (loss) after tax	Not more than loss of RMB5,000,000	Not less than profit of RMB8,500,000		Not less than profit of RMB21,500,000 No loss

(Each of the above figures constitute the “**Guaranteed Financial Performance**”).

The Purchaser shall procure the Target Company to promptly (i) issue the Target Company's audited accounts (the "**Audited Accounts**") (which shall be audited or reviewed in accordance with the Company's applicable accounting standard at the relevant time by the Company's external auditors and shall be final and binding) of the Target Company as soon as practicable after each guarantee period set out in the table above (individually and collectively, "**Guarantee Period**") and (ii) deliver the Audited Accounts to the Vendor.

Put Option

The Vendor grants the Purchaser an irrevocable and unconditional put option for HK\$1 (the "**Put Option**") in relation to the Sale Shares. If the Guaranteed Financial Performance is not met at any relevant time during the Guarantee Period, the Put Option shall be exercised by the Purchaser within seven Business Days (the "**Exercise Period**") after the provision of the relevant Audited Accounts to the Vendor at an exercise price of HK\$1. The Purchaser is entitled to the undistributed distributable profit, where applicable, of the Target Company before the completion of the exercise of the Put Option by the Purchaser.

The Vendor shall procure the Director nominated by it to resign from the Company within seven Business Days after the exercise of the Put Option by the Purchaser.

The Company will comply with the requirements under Rule 14.74 of the Listing Rules as and when applicable.

Long stop date

The long stop date of the Share Transfer Agreement for which the conditions precedent set out in the Share Transfer Agreement shall be satisfied or waived by the Purchaser (other than conditions (iii) and (iv) under the sub-section headed "Conditions precedent" as set out in the Announcement which may not be waived) is changed from 29 March 2018 to 28 September 2018 (or such other date as the parties to the Supplemental Agreement may agree).

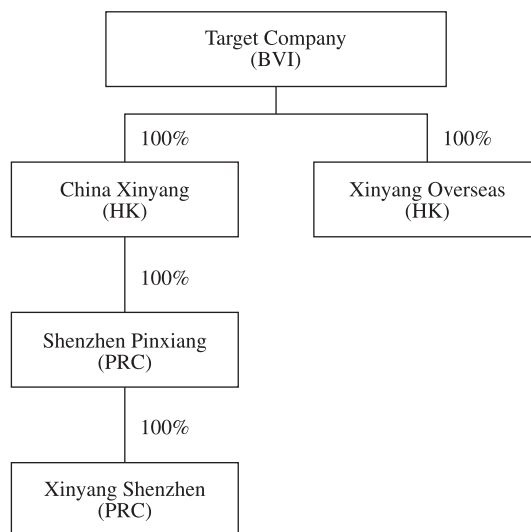
Lock-up undertaking and Profit Guarantee

The term in relation to Profit Guarantee under the Share Transfer Agreement is superseded by the Guaranteed Financial Performance, and the term in relation to lock-up undertaking under the Share Transfer Agreement is cancelled.

COMPLETION OF THE TRANSFER OF ALL OF THE EQUITY INTEREST OF XINYANG SHENZHEN

Based on the information provided by the Vendor, Zhonglin has completed the transfer of 100% equity interest of Xinyang Shenzhen to Shenzhen Pinxiang Trading Limited* (深圳品香貿易有限公司) (“**Shenzhen Pinxiang**”), an investment holding company. Shenzhen Pinxiang acts as the intermediate subsidiary to expedite the process of the transfer of such equity interest.

The group structure of the Target Group is as follows:



SGM and despatch of circular

The SGM will be convened and held for the purpose of considering and, if thought fit, approving (i) the Share Transfer Agreement, the Supplemental 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.

Nuada Limited has been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Share Transfer Agreement, the Supplemental 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.

As additional time is required to finalise certain information to be included in the circular, it is expected that the dispatch of the circular will be postponed to a date not later than 29 June 2018.

As Completion is subject to the fulfillment of a number of conditions precedent, the Acquisition may or may not proceed. The Shareholders and potential investors should exercise caution when dealing in the shares of the Company.

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

Hong Kong, 11 June 2018

As at the date of this announcement, the executive directors of the Company are Ms. Chan Yuk Foebé, 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.