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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China Zenith Chemical Group Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF FURTHER EQUITY INTERESTS IN RACING DRAGON LIMITED

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**

AMASSE CAPITAL
寶 積 資 本

A letter from the board of directors of the Company is set out on pages 5 to 16 of this circular. A letter from the Independent Board Committee (as defined herein) to the Independent Shareholders is set out on pages 17 to 18 of this circular. A letter from Amasse Capital (as defined herein), containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders of the Company, is set out on pages 19 to 37 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at Room 4007, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, on 7 June 2016 at 4:30 p.m. is set out on pages 42 and 43 of this circular. Whether or not you intend to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and lodge the same with the Company's branch Share registrar in Hong Kong, Tricor Tengis Limited, at 22/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof.

Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

17 May 2016

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms have the corresponding definitions listed below:

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|------------------------|---|
| “Acquisition” | the transaction contemplated under the Share Purchase Agreement, including without limitation, the acquisition of 23% of the issued share capital of Racing Dragon; |
| “Announcement” | the announcement of the Company dated 18 March 2016 in relation to the Acquisition; |
| “Articles” | the articles of association of the Company; |
| “associate(s)” | has the meaning ascribed thereto 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 ordinary face-to-face banking business in Hong Kong; |
| “BVI” | the British Virgin Islands; |
| “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 Acquisition in accordance with the Share Purchase Agreement (including the completion of the allotment and issue of the Consideration Shares to the Vendor); |
| “Completion Date” | the day that is the 14 Business Day after the day on which the last of the conditions of the Share Purchase Agreement have been satisfied or waived or such other day as the Purchaser may agree; |
| “Connected person(s)” | has the meaning as ascribed to it in the Listing Rules; |
| “Consideration” | the consideration for the transaction contemplated under the Share Purchase Agreement; |
| “Consideration Shares” | 354,000,000 Shares to be allotted and issued at an issue price of HK\$0.305 each to the Vendor as settlement of the consideration under the Share Purchase Agreement; |
| “Director(s)” | director(s) of the Company; |
| “Group” | the Company and its subsidiaries; |

DEFINITIONS

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| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong; |
| “HKFRS” | Hong Kong Financial Reporting Standards; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China; |
| “Independent Board Committee” | The independent board committee comprising all the independent non-executive Directors established in connection with the Acquisition; |
| “Independent Financial Advisor” or “Amasse Capital” | Amasse Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders; |
| “Independent Shareholders” | any shareholder of the Company that is not required to abstain from voting at the extraordinary general meeting to approve the Acquisition; |
| “Independent Third Party(ies)” | a party(ies) who is/are independent of and is/are not connected with any of the directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates; |
| “Latest Practicable Date” | 11 May 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein; |
| “Last Trading Day” | 17 March 2016, being the last trading day prior to the signing of Share Purchase Agreement; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “percentage ratios” | shall have the meaning ascribed to it in Rule 14.07 of the HKSE Listing Rule; |
| “PRC” | the People’s Republic of China, excluding for the purpose of this circular only, Hong Kong, the Macau Special Administrative Region and Taiwan; |
| “Promissory Note” | the promissory note to be issued by the Company in favour of the Vendor upon Completion to satisfy part of the Consideration; |

DEFINITIONS

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|----------------------------|---|
| “Purchaser” | Dragon Boom Investments Limited (龍盛投資有限公司), a company incorporated in the BVI with limited liability and is a wholly-owned subsidiary of the Company; |
| “Racing Dragon” | Racing Dragon Group Limited (爭龍集團有限公司), a company incorporated under the laws of the BVI with limited liability; |
| “Racing Dragon Group” | Racing Dragon and its wholly-owned subsidiary, the WFOE; |
| “RMB” | Renminbi yuan, the lawful currency of the PRC; |
| “Sale Shares” | 23 shares with a par value of US\$1 each in the share capital of the Racing Dragon, representing 23% of the issued share capital of the Racing Dragon; |
| “EGM” | the extraordinary general meeting of the Company to be held at Room 4007, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on 7 June 2016 at 4:30 p.m. to approve the Acquisition, notice of which is set out on pages 42 and 43 of this circular to consider and approve the Share Purchase Agreement and Specific Mandate; |
| “SFO” | the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong; |
| “Shares” | ordinary shares of HK\$0.10 each in the capital of the Company; |
| “Share Purchase Agreement” | the share purchase agreement dated 18 March 2016 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the shares, representing 23% of the issued share capital of Racing Dragon; |
| “Shareholders” | shareholders of the Company; |
| “Specific Mandate” | the specific mandate proposed to be granted to the Directors by the Shareholders to allot and issue the Consideration Shares at the EGM; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “Vendor” | Hope High Holdings Limited, a company incorporated in the BVI with limited liability; |

DEFINITIONS

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|--------|--|
| “WFOE” | 黑河龍江化工有限公司 (Heihe Longjiang Chemical Co. Ltd.), a wholly foreign-owned enterprise established by Racing Dragon in the PRC; and |
| “%” | per cent. |



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)

Executive Directors:

Chan Yuk Foebe
Law Tze Ping Eric
Yu Defa

Independent non-executive Directors:

Ma Wing Yun Bryan
Tam Ching Ho
Hau Chi Kit

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business:

Room 4007
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

17 May 2016

To the shareholders of the Company

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF FURTHER
EQUITY INTERESTS IN RACING DRAGON LIMITED**

A. INTRODUCTION

Reference is made to the Announcement in relation to the Acquisition. On 18 March 2016, the Purchaser, a wholly owned subsidiary of the Company, entered into the Share Purchase Agreement with the Vendor, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares. Racing Dragon is the legal and beneficial owner of the entire equity interests in the WFOE. The total consideration for the Acquisition is HK\$142,970,000, which will be satisfied upon Completion, by way of (i) allotment and issue of

LETTER FROM THE BOARD

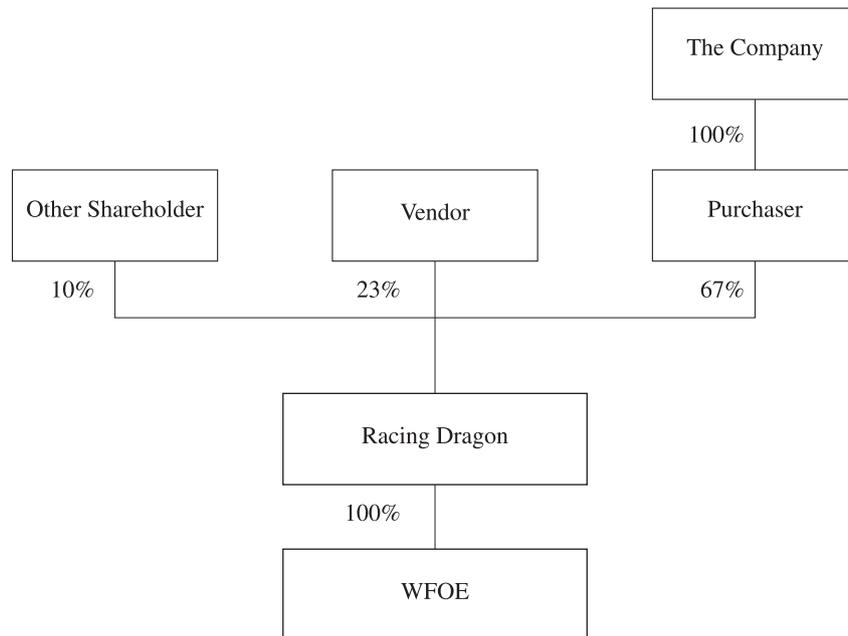
354,000,000 Consideration Shares to the Vendor (or its nominees) at an issue price of HK\$0.305 per Consideration Share and (ii) issue of the Promissory Note in the principal amount of HK\$35,000,000 by the Company in favour of the Vendor (or its nominees) upon Completion.

The Consideration Shares will be issued by the Company under the Specific Mandate. The Company will seek the grant of the Specific Mandate from the independent Shareholders at the EGM. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

B. THE SHARE PURCHASE AGREEMENT

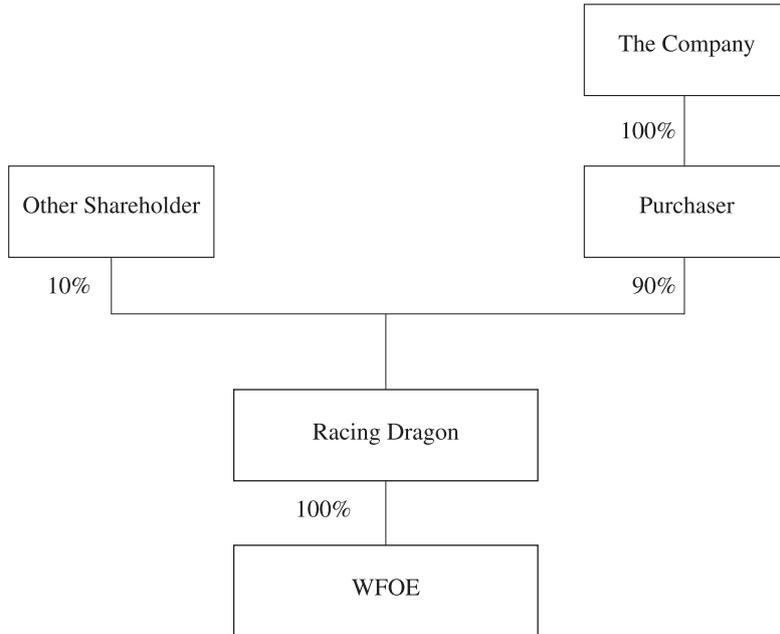
Background

The chart below illustrates the shareholding structure of the WFOE immediately prior to the Acquisition:



LETTER FROM THE BOARD

The chart below illustrates the shareholding structure of the WFOE upon the Acquisition and assuming that the shareholder's resolution in relation to the Acquisition has passed:



Principal Terms of the Share Purchase Agreement

Date

18 March 2016 (after trading hours)

Parties

Vendor: Hope High Holdings Limited, a substantial shareholder of Racing Dragon, which is an indirect 67%-owned subsidiary of the Company. Accordingly, the Vendor is a connected person of the Company at subsidiary level under the Listing Rules. To the best of the Director's knowledge, information and belief, having made all reasonable enquires, the ultimate beneficial owner of the Vendor is third party independent of the Company and its connected persons.

Purchaser: Dragon Boom Investments Limited, a wholly-owned subsidiary of the Company.

LETTER FROM THE BOARD

Assets to be acquired

The Sale Shares and the only material asset of Racing Dragon is its holding in the equity interest of the WFOE.

Consideration

The total consideration for the Acquisition is HK\$142,970,000, which will be satisfied upon Completion, by way of (i) allotment and issue of 354,000,000 Consideration Shares to the Vendor (or its nominees) at an issue price of HK\$0.305 per Consideration Share and (ii) issue of the Promissory Note by the Company in favour of the Vendor (or its nominees). The total consideration has been arrived at between the parties after arm's length negotiations after taken into account of the unaudited consolidated net assets value of the Racing Dragon Group of HK\$1,135 million as at 31 December 2015 which is prepared under HKFRS.

Save as to the consideration for the Acquisition payable by the Purchaser and the payment of the relevant portion of the registered capital by the Purchaser as stated above, the Company and/or the Purchaser have not made any commitment (capital or otherwise) to any of Racing Dragon and the WFOE.

The Directors (including the Directors who form part of the Independent Board Committee) consider that the Consideration is fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

Consideration Shares

The Consideration Shares represent approximately 14.86% of the existing issued share capital of the Company as at the date of this announcement and approximately 12.94% of the enlarged issued share capital of the Company immediately after Completion. The issue price of HK\$0.305 per Consideration Share represents:

- a premium of approximately 5.17% to the closing price of HK\$0.29 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a premium of approximately 7.02% to the closing price of HK\$0.285 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 25.00% to the average closing price of HK\$0.244 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- a premium of approximately 37.39% to the average closing price of HK\$0.222 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day; and

LETTER FROM THE BOARD

- a discount of approximately 63.69% to the net asset value of HK\$0.84 per Share as based on the unaudited interim financial result of the Company as at 31 December 2015.

The Consideration Shares will be issued by the Company under the Specific Mandate. The Company will seek the grant of the Specific Mandate from the independent Shareholders at the EGM. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares then in issue including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.

Promissory Note

The principal terms of the Promissory Note are as follows:

| Issuer | The Company |
|-------------------------|--|
| Principal amount | HK\$35 million |
| Issue date | Completion Date |
| Interest rate | Nil |
| Maturity | 12 months after the issue date of the Promissory Note |
| Repayment | The Promissory Note may be prepaid in part or in full at any time before maturity at the discretion of the Company by giving the holder of the Promissory Note not less than five (5) Business Days' prior written notice and specifying in the notice the proposed date of prepayment and the prepayment amount. All outstanding principal not prepaid shall be repaid in full to the holder of the Promissory Note on the Maturity Date. |
| Application for listing | No application will be made by the Company to the Listing Committee for the listing of the Promissory Note. |

The Directors (including the Directors who form part of the Independent Board Committee) are of the view that the terms of the Promissory Note are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Conditions Precedent

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

- (1) the obtaining of all consents which are necessary or desirable for the implementation of the transactions contemplated under this Share Purchase Agreement, including without limitation, approval of the shareholders of the Company, if required, in relation to the Share Purchase Agreement and the transactions contemplated hereunder and any other approvals or notifications required pursuant to the requirements of the Listing Rules;
- (2) the Listing Committee of the Stock Exchange granting the approval for listing of and permission to deal in the Consideration Shares and such approval not subsequently being revoked prior to Completion;
- (3) 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 Share Purchase Agreement or which may have a material adverse effect on Racing Dragon or the WFOE;
- (4) all consents, in form and substance reasonably satisfactory to the Purchaser, to the performance by the Vendor of its obligations under the Share Purchase Agreement as are required under any law or arrangement (contractual or otherwise) having been obtained and remaining in full force and effect; and
- (5) none of the warranties in the Share Purchase Agreement being found to be, or no event occurring or matter arising which may render 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 on or before 20 May 2016 or such other date as the parties may agree in writing, the Share Purchase Agreement shall lapse and no party shall make any claim against the other in respect thereof, save for any antecedent breach.

Undertakings

- (1) The Vendor has undertaken to procure that all loans owing to the WFOE (if any) will be repaid in full to the WFOE before Completion so that there will be no outstanding loan due to the WFOE upon Completion; and
- (2) The Purchaser has undertaken to procure the Company to issue the Consideration Shares and the Promissory Note to the Vendor (or its nominees) upon Completion.

Completion

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

LETTER FROM THE BOARD

Upon Completion, each of Racing Dragon and the WFOE will remain an indirectly non wholly-owned subsidiary of the Company and the financial results of Racing Dragon and the WFOE will be consolidated into the consolidated financial statements of the Group in accordance with the Group's accounting policies.

C. INFORMATION OF THE COMPANY, THE PURCHASER, THE VENDOR, RACING DRAGON AND THE WFOE

(i) *Information relating to the Company*

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. Biochemical products include glucose and starch.

(ii) *Information relating to the Purchaser*

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

(iii) *Information relating to the Vendor*

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

(iv) *Information relating to Racing Dragon Group*

As at the Latest Practicable Date, Racing Dragon is incorporated in the BVI with limited liability and is as to 67% by the Purchaser, 23% by the Vendor and 10% by other shareholders. Racing Dragon is not currently engaged in any business activities or operations.

The WFOE is a wholly foreign owned enterprise established by Racing Dragon in the PRC with limited liability. It is wholly owned by Racing Dragon. The WFOE is engaged in manufacture and sale of coal related chemical products.

LETTER FROM THE BOARD

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

| | For the year ended 30 June 2014 (HK\$) | For the year ended 30 June 2015 (HK\$) |
|---|---|---|
| Net loss before taxation and extraordinary items | HK\$17 million | HK\$155 million |
| Net loss after taxation and extraordinary items | HK\$12 million | HK\$128 million |

For the year ended 30 June 2015 and 30 June 2014, the difference between the net loss before and after the taxation and extraordinary items are the reversal of the deferred tax liability made for the year.

As at 31 December 2015, the unaudited consolidated net assets value of Racing Dragon Group based on the HKFRS is in the sum of approximately HK\$1,135 million.

D. EFFECT ON SHAREHOLDING STRUCTURE

To the best of the Directors knowledge having made all reasonable enquiry, the table below sets out the shareholding structure of the Company: (a) as at the Latest Practicable Date; and (b) immediately upon completion of the Acquisition (assuming that there will not be any change in the issued share capital of the Company from the Latest Practicable Date to the Completion Date).

| Shareholders | As at the Latest Practicable Date | | Immediately upon completion (assuming that there will not be any change in the issued share capital of the Company from the Latest Practicable Date to the date of Completion) | |
|----------------------------|-----------------------------------|---------------|---|---------------|
| | <i>Number of Shares</i> | <i>%</i> | <i>Number of Shares</i> | <i>%</i> |
| Mr. Chan Yuen Tung | 370,482,629 | 14.70 | 370,482,629 | 12.89 |
| Ms. Chan Yuk Foebe | 60,030,000 | 2.38 | 60,030,000 | 2.09 |
| Mr. Law Tze Ping Eric | 400,000 | 0.01 | 400,000 | 0.01 |
| Hope High Holdings Limited | 0 | 0.00 | 354,000,000 | 12.31 |
| Sub-Total | 430,912,629 | 17.09 | 784,912,629 | 27.30 |
| Public Shareholders | 2,089,986,890 | 82.91 | 2,089,986,890 | 72.70 |
| Total | 2,520,899,519 | 100.00 | 2,874,899,519 | 100.00 |

LETTER FROM THE BOARD

E. REASONS FOR AND THE BENEFITS OF THE ACQUISITION

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.

As Racing Dragon's majority shareholder, the Company has a vested interest in the prosperity of Racing Dragon Group. The Company believes that although there are short-term challenges for Racing Dragon Group, in the medium term there will be opportunities to create value in the business. In the short term, WFOE is still incurring operating loss because of the suspension of calcium carbide production operation and WFOE filed a writ against both the Heihe City Local Government and the State Grid Heilongjiang Electric Power Company Limited (the "Defendants") in relation to the electric supply for calcium carbide production. The calcium carbide production are highly sensitive to two factors, (i) electricity and (ii) raw material, i.e. coal. However, for the next few years, given the i) current downward trend of coal price; ii) the tentative settlement offer from the Defendants which will supply electricity to WFOE at a lower cost, which was agreed with the Company and the Defendants and it's not likely the settlement offer would be withdrawn; and iii) the installation of gas fired kiln system for production of calcium carbide was completed in the third quarter of 2015 which will further lower the production cost by 20%. In view of the above, the Directors are of the view that the profit ability of the WFOE will be improved and as at Latest Practicable Date, the earlier stage for the resumption of production of WFOE has been completed and the WFOE is currently preparing delivery of raw materials. It is expected that the production of WFOE will be resumed in late May 2016, so as to create value in the business. With confirmed preferential electricity price by the Electricity Department, there are no material remaining works to be accomplished for resumption, except for the fine-tuning of the plant and machinery and the notification to be given to the electricity department in respect of the production resumption in late May 2016. Given the Directors are of the view that there is no significant risk that the production could not be resumed and the Vendor would like to realize its investment in Racing Dragon Group, it is the suitable timing to acquire further interests in Racing Dragon Group at a price which is discounted to its net asset value.

The net loss before taxation and extraordinary items of Racing Dragon Group were deteriorated from HK\$17 million to HK\$155 million, which were mainly due to i) the production of calcium carbide of WFOE was suspended since the second quarter of 2014 and there were no revenue recognised and only expenses i.e. depreciation of HK\$44.5 million, were incurred for the year ended 30 June 2015 and ii) a one-off bad debt provision of HK\$70.4 million were made in 2015. The bad debt provision was agreed with the auditor of the Company because of the slow repayment of customers. The Directors are of the view that the deterioration in result were mainly attributable to the cessation of production and the one-off written off of the bad debt, which will not impair the future profit ability of the WFOE if the production is resumed.

The net asset value of Racing Dragon Group, based on its unaudited consolidated accounts for the six months ended 31 December 2015, was HK\$11.35 million per Sale Share, which is a discount of approximately 45.23% to the Consideration per Sale Shares.

LETTER FROM THE BOARD

In light of the above, the Directors (including the Directors who form part of the Independent Board Committee) consider that the terms of the Share Purchase Agreement are normal commercial terms, fair and reasonable and in the interests of the shareholders as a whole.

F. LISTING RULES IMPLICATIONS

As at the date of the Announcement, Racing Dragon is an indirect 67%-owned subsidiary of the Company, and the remaining 23% equity interests and 10% equity interests in Racing Dragon are held by the Vendor and an independent third party respectively. Therefore the Vendor is a substantial shareholder of Racing Dragon and a connected person of the Company at the subsidiary level. As such, the Share Purchase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As Vendor is a connected person to the Company, the issue of Consideration Shares of the Company to it will be subject to the announcement, reporting and shareholders' approval requirements unless otherwise exempted under Chapter 14A of the Listing Rules.

Further, as one or more of the applicable percentage ratio(s) in respect of the Acquisition exceed 5% but none of the ratios exceeds 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to announcement requirement under Chapter 14 of the Listing Rules.

The EGM will be convened for the independent Shareholders to consider and, if thought fit, approve (a) the Share Purchase Agreement, and the transactions contemplated thereunder; and (b) the Specific Mandate for the allotment and issue of the Consideration Shares. Given that none of the Shareholders has a material interest in the Acquisition and the Share Purchase Agreement, none of them would be required to abstain from voting in the EGM.

The Independent Board Committee comprising all 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 on whether the terms of the Share Purchase Agreement are fair and reasonable and in the interests of the Shareholders as a whole. The Company will appoint an independent financial adviser to advise the Independent Board Committee and the independent Shareholders on the terms of the Share Purchase Agreement and the transactions contemplated thereunder and the Specific Mandate.

Shareholders and potential investors should note that the Acquisition contemplated under the Share Purchase 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.

LETTER FROM THE BOARD

G. DIRECTORS

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.

None of the Directors has a material interest in the Acquisition.

H. FINANCIAL EFFECT OF THE ACQUISITION

As at the date of this circular, Racing Dragon is a subsidiary of the Company with its financial results being consolidated into the consolidated accounts of the Group. After completion of the Acquisition, Racing Dragon will continue to be a subsidiary of the Company, and the assets and liabilities and the financial results of Racing Dragon will continue to be consolidated to the consolidated accounts of the Group. The Company is of the view that the Acquisition will not have any impact on the assets and liabilities of the Group but it is expected that the Acquisition will not have material effect on the earnings of the Group immediately after the Acquisition. However, the Acquisition can further consolidate its control over WFOE and the contribution from Racing Dragon Group could be realised, after the resumption of production, in coming years and brings benefit to the Group and the shareholders.

The Board is of the view that the Promissory Note will be settled by way of internal resources and/or debt financing, including but not limited to i) the expected resumption of the production of the WFOE and the profit/cash flow generated therefrom; ii) the proceed of HK\$43 million to be raised from the placement of a maximum of 138,000,000 Shares in April 2016 the details of which is disclosed in the announcement of the Company dated 5 April 2016; and iii) the net proceed to be raised from placing the bonds of an aggregated principal amount of up to HK\$200,000,000 details of which is disclosed in the announcement of the Company dated 18 January 2016.

I. EXTRAORDINARY GENERAL MEETING

The notice convening the EGM is set out on pages 42 and 43 of this circular. At the EGM, amongst others, an ordinary resolution will be proposed to approve the Acquisition.

A form of proxy for use at the EGM is enclosed with this document. Whether or not you intend to attend the EGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's branch share register in Hong Kong, Tricor Tengis Limited, at 22/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM should you so wish.

Pursuant to rule 13.39(4) of the Listing Rules, any votes of the Shareholders at a general meeting must be taken by poll. Accordingly, the resolution in relation to the Acquisition to be proposed at the EGM will be voted by way of a poll by the Shareholders.

LETTER FROM THE BOARD

J. RECOMMENDATION

Amasse Capital has been appointed as the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Share Purchase Agreement and the transaction contemplated thereunder.

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 17 to 18 of this circular which contains its recommendation to the Independent Shareholders on the terms of the Share Purchase Agreement and the transactions contemplated thereunder; and (ii) the letter of advice from Amasse Capital as set out on pages 19 to 37 of this circular which contains, amongst other matters, its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Share Purchase Agreement and the transactions contemplated thereunder and the principal factors and reasons considered by it in concluding its advice.

Having considered the factors mentioned above, the Directors (including the Independent Non-executive Directors) are of the view that the terms of the Share Purchase Agreement and the transactions contemplated thereunder have been negotiated on an arm's length basis and on commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interest of the Shareholders and the Company as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition.

K. FURTHER INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 17 and 18 of this circular, the letter from Amasse Capital to the Independent Board Committee and Independent Shareholders set out on pages 19 to 37 of this circular.

Yours faithfully,
For and on behalf of the Board
China Zenith Chemical Group Limited
Law Tze Ping Eric
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Acquisition:



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)

To the Independent Shareholders

17 May 2016

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF FURTHER EQUITY INTERESTS IN RACING DRAGON LIMITED

INTRODUCTION

We refer to the circular dated 17 May 2016 issued by the Company (the “**Circular**”), of which this letter forms part. Terms defined therein shall have the same meanings which used in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise you as to whether in our opinion, the terms of the Share Purchase Agreement and the transaction contemplated thereunder as described in pages 17 to 18 in the Letter from the Board are fair and reasonable in so far as the Independent Shareholders are concerned.

Amasse Capital has been appointed as the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of Share Purchase Agreement and the transaction contemplated thereunder. Details of the advice of Amasse Capital, together with the principal factors taken into consideration in arriving at such advice, are set out in its letter on pages 19 to 37 of this Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

We wish to draw your attention to the Letter from the Board as set out on pages 5 to 16 of the Circular which contains details of the Share Purchase Agreement and the transaction contemplated thereunder, the letter from Amasse Capital as set out on pages 19 to 37 of the Circular which contains its advice and recommendation in respect of the transaction mentioned above to the Independent Board Committee and the Independent Shareholders as set out on pages 17 to 18 of this Circular, and the additional information set out in the appendices.

Having taken into account the advice and recommendation of Amasse Capital and the principal factors and reasons considered by Amasse Capital, we consider that the terms of the Share Purchase Agreement and the transaction contemplated thereunder have been negotiated on an arm's length basis and on normal commercial terms which are fair and reasonable, in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole are concerned.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution in relation to the Acquisition to be proposed at the EGM.

Yours faithfully,

Mr. Ma Wing Yun Bryan Mr. Tam Ching Ho Mr. Hau Chi Kit

Independent Board Committee

LETTER FROM AMASSE CAPITAL

Set out below is the text of a letter received from Amasse Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Share Purchase Agreement, which has been prepared for the purpose of incorporation in this circular.

AMASSE CAPITAL **寶 積 資 本**

17 May 2016

*To: The Independent Board Committee and
the Independent Shareholders of China Zenith Chemical Group Limited*

Dear Sir/Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF FURTHER EQUITY INTERESTS IN RACING DRAGON GROUP LIMITED

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 17 May 2016 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular, unless the context requires otherwise.

On 18 March 2016, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Share Purchase Agreement with the Vendor, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares. Racing Dragon is the legal and beneficial owner of the entire equity interests in the WFOE. The total consideration for the Acquisition is HK\$142,970,000, which will be satisfied upon Completion, by way of (i) allotment and issue of 354,000,000 Consideration Shares to the Vendor (or its nominees) at an issue price of HK\$0.305 per Consideration Share and (ii) issue of the Promissory Note in the principal amount of HK\$35,000,000 by the Company in favour of the Vendor (or its nominees) upon Completion.

As at the Latest Practicable Date, Racing Dragon is an indirect 67%-owned subsidiary of the Company, and the remaining 23% equity interests and 10% equity interests in Racing Dragon are held by the Vendor and an independent third party respectively. Therefore the Vendor is a substantial shareholder of Racing Dragon and a connected person of the Company at the subsidiary level. As such, the Share Purchase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the Vendor is a connected person to the Company, the issue of Consideration Shares of the Company to it is subject to the announcement, reporting and

LETTER FROM AMASSE CAPITAL

shareholders' approval requirements unless otherwise exempted under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratio(s) in respect of the Acquisition exceed 5% but none of the ratios exceeds 25%, the Acquisition also constitutes a discloseable transaction for the Company and is subject to announcement requirement under Chapter 14 of the Listing Rules.

The Independent Board Committee comprising all 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 on (i) whether the terms of the Share Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole and (ii) how the Independent Shareholders should vote in respect of the relevant resolutions to approve the Share Purchase Agreement and the transactions contemplated thereunder at the EGM. We, Amasse Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

As at the Latest Practicable Date, Amasse Capital did not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Amasse Capital. In the last two years, there was no engagement between the Group and Amasse Capital. Apart from normal professional fees paid or payable to Amasse Capital in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby Amasse Capital had received any fees or benefits from the Company. Accordingly, Amasse Capital is qualified to give independent advice in respect of the Share Purchase Agreement and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management of the Company (the "**Senior Management**"). We have assumed that all information and representations that have been provided by the Senior Management, for which the Directors are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the representation and confirmation of the Senior Management that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Acquisition. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

LETTER FROM AMASSE CAPITAL

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the independent financial adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Senior Management, nor have we conducted any independent in-depth investigation into the business and affairs of any members of the Group, the counter party(ies) to the Acquisition or their respective subsidiaries or associates. We also have not considered the taxation implication on the Group or the Shareholders as a result of the Acquisition. We have not carried out any feasibility study on the past, and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Group. Our opinion has been formed on the assumption that any analysis, estimation, anticipation, condition and assumption provided by the Group are feasible and sustainable. Our opinion shall not be constructed as to give any indication to the validity, sustainability and feasibility of any past, existing and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Group.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. We expressly disclaim any liability and/or any loss arising from or in reliance upon the whole or any part of the contents of this letter.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

LETTER FROM AMASSE CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Acquisition, we have taken into consideration the following principal factors and reasons:

1. Information of the Group, the Purchaser, the Vendor, Racing Dragon and WFOE

Background and financial information relating to the Group

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 following financial information is extracted from the Group's annual report for the year ended 30 June 2015 (the "2014/15 Annual Report") and its interim report for the six months ended 31 December 2015 (the "2015/16 Interim Report"):

| | For the year ended | | For the six months ended | |
|---|------------------------|---------------------|--------------------------|----------------------|
| | 30 June | | 31 December | |
| | 2014 | 2015 | 2014 | 2015 |
| | <i>(audited)</i> | <i>(audited)</i> | <i>(unaudited)</i> | <i>(unaudited)</i> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue | 163,477 | 62,911 | 49,096 | 66,920 |
| Cost of sales | <u>(191,024)</u> | <u>(60,671)</u> | <u>(41,940)</u> | <u>(51,341)</u> |
| Gross profit/(loss) | <u><u>(27,547)</u></u> | <u><u>2,240</u></u> | <u><u>7,156</u></u> | <u><u>15,579</u></u> |
| Loss before tax | (670,334) | (326,679) | (59,765) | (44,750) |
| Loss attributable to owners of the Company | (559,532) | (248,517) | (41,924) | (22,645) |

Financial year ended 30 June 2015

For the year ended 30 June 2015, revenue of the Group amounted to approximately HK\$62,911,000, representing a decrease of 61.52% compared with that of the financial year ended 30 June 2014, which was mainly attributable to the suspension of coal related operation since the second quarter of 2014. Loss attributable to owners of the Company amounted to approximately HK\$248,517,000, representing a decrease of approximately 55.58% compared with that of the last financial year.

LETTER FROM AMASSE CAPITAL

According to the 2014/15 Annual Report, the loss attributable to shareholders for the financial year ended 30 June 2015 was mainly derived from the idle operating cost incurred which mainly comprised of depreciation and amortisation during the suspension of coal-related operation.

Six months ended 31 December 2015

For the six months ended 31 December 2015, revenue of the Group amounted to approximately HK\$66,920,000, representing an increase of 36.30% compared with that of the six months ended 31 December 2014. Loss attributable to owners of the Company amounted to approximately HK\$22,645,000, representing a decrease of approximately 45.99% compared with that of the six months ended 31 December 2014. The decrease in loss attributable to owners of the Company was mainly due to increase in revenue and decrease in other operating expenses as a result of increase in heat supplying area while benefiting from achievement of economics of scale by lowering production and operating cost.

During the period, the coal related operation remained suspended.

Information relating to the Purchaser

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

Information relating to the Vendor

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

Information of Racing Dragon

As at the Latest Practicable Date, Racing Dragon is incorporated in the BVI with limited liability and is as to 67% by the Group, 23% by the Vendor and 10% by other shareholders. Racing Dragon is not currently engaged in any business activities or operations.

The WFOE is a wholly foreign owned enterprise established by Racing Dragon in the PRC with limited liability. It is wholly owned by Racing Dragon. The WFOE is engaged in manufacture and sale of coal related chemical products.

LETTER FROM AMASSE CAPITAL

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

| | For the year ended 30 June 2014 (HK\$) | For the year ended 30 June 2015 (HK\$) |
|---|---|---|
| Net loss before taxation and extraordinary items | <u>HK\$17 million</u> | <u>HK\$155 million</u> |
| Net loss after taxation and extraordinary items | <u>HK\$12 million</u> | <u>HK\$128 million</u> |

As at 31 December 2015, the unaudited consolidated net assets value of Racing Dragon Group based on the HKFRS is in the sum of approximately HK\$1,135 million.

2. Reasons for the Acquisition

As set out in the Board letter, 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.

As Racing Dragon's majority shareholder, the Company has a vested interest in the prosperity of Racing Dragon Group. The Company believes that although there are short-term challenges for Racing Dragon Group, in the medium term there will be opportunities to create value in the business.

The net asset value of Racing Dragon Group, based on its unaudited consolidated accounts for the six months ended 31 December 2015, was HK\$11.35 million per Sale Share, which is a discount of approximately 45.23% to the Consideration per Sale Share.

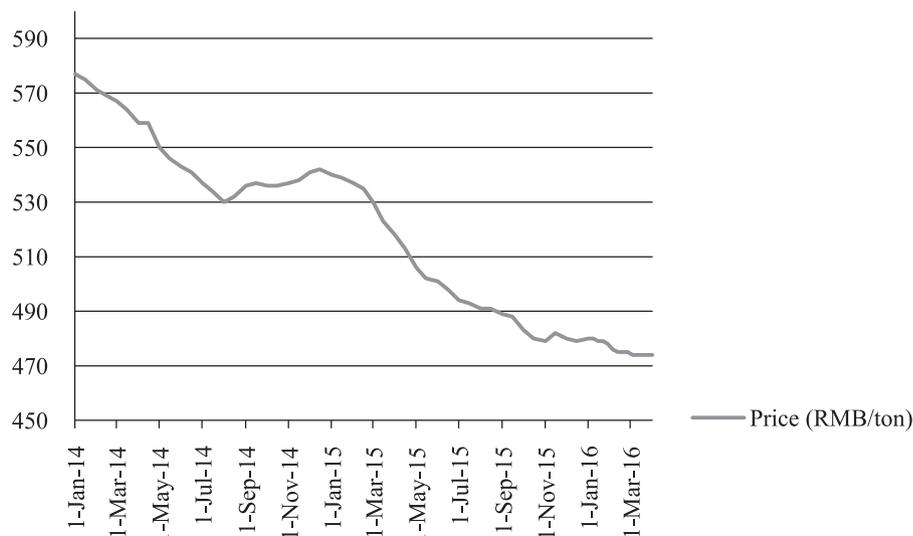
In light of the above, the Directors (including the Directors who form part of the Independent Board Committee) consider that the terms of the Share Purchase Agreement are normal commercial terms, fair and reasonable and in the interests of the shareholders as a whole.

As advised by the Senior Management, the profit ability of calcium carbide production business are highly sensitive to two factors, (i) the cost of electricity for the production process which occupy over 60% of the total cost of calcium carbide production and (ii) the price of raw material, i.e. coal, for producing calcium carbide. According to the 2014/15 Annual Report, WFOE has filed a writ against both the Heihe City Local Government and the State Grid Heilongjiang Electric Power Company Limited (the "Defendants") in relation to the electricity supply by the Defendants for calcium carbide production. WFOE has received a settlement offer from the Defendants. As advised by the Senior Management, the tentative settlement offer from the Defendants which will supply electricity to WFOE at a lower cost,

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which was basically agreed with the Company and the Defendants and it's not likely the settlement offer would be withdrawn include (i) the supply of electricity cost at a lower price as previously promised by the Defendants as compared to the current market electricity price; and (ii) the compensation to compensate the loss of WFOE due to the suspension of calcium carbide production. As advised by the Senior Management, the preparation for resumption of calcium carbide production (the “**Resumption**”) has been commenced in the second quarter of 2016, i.e. April 2016, and the total production cost is expected to be significantly decrease as a result of the lower electricity cost and installation of gas fired kiln system for production of calcium carbide was completed during third quarter of 2015. As further advised by the Senior Management, as at the Latest Practicable Date, the earlier stage, including but not limited to the purchasing of raw materials and the activating of machinery, for the Resumption has been completed but the Resumption has yet to be fully completed and the WFOE is currently preparing delivery of raw materials. With reference to the Board Letter, with confirmed preferential electricity price by the electricity department, there are no material remaining works to be accomplished for Resumption, except for the fine-tuning of the plant and machinery and the notification to be given to the electricity department in respect of the production resumption in late May 2016. The Senior Management has confirmed the certainty of the Resumption and they are not aware any substantial risk for failing to conduct the Resumption. It is expected that the production of calcium carbide will be resumed immediately following full completion of the Resumption in second quarter of 2016, i.e. late May.

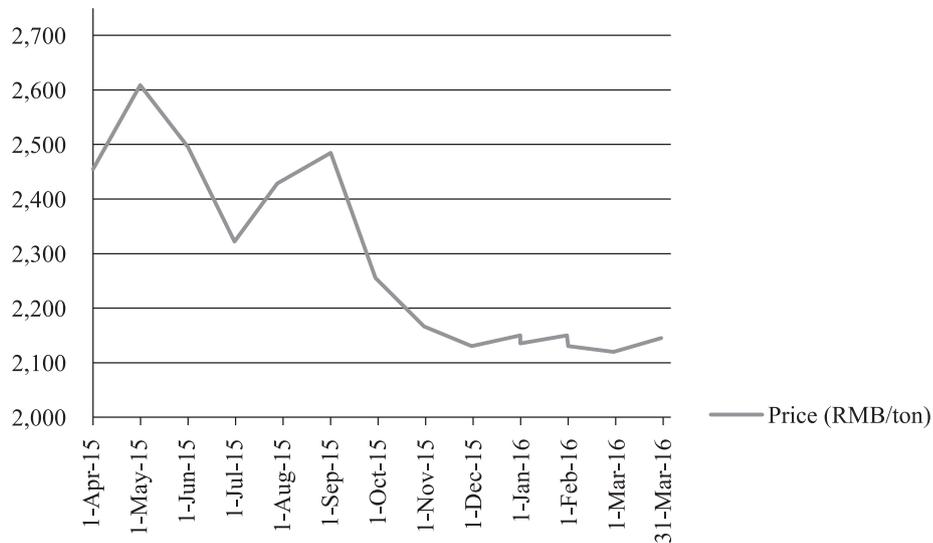
Moreover, according to the statistics provided by Commercial Information Forecast (<http://cif.mofcom.gov.cn/>), a website hosted by the Ministry of Commerce of the People's Republic of China, the price of coal, the major raw material for the production of calcium carbide, is in a downward trend since 2014 (as shown in the following chart).



Source: Commercial Information Forecast, the Ministry of Commerce of the People's Republic of China (<http://cif.mofcom.gov.cn/>)

LETTER FROM AMASSE CAPITAL

As advised by the Senior Management and to our best efforts and endeavours, there is no official and objective market price for calcium carbide available in the PRC market; therefore, WFOE will consider the average quotation from other calcium carbide producers available in the PRC market (the “**Quotation**”) to determinate the selling price of its products. According to the statistic provided by 生意社 (<http://www.100ppi.com/>), a commodity data provider and the primary source for WFOE to refer to as a proxy for the market price of calcium carbide, the Quotation as at 31 March 2016 has recorded approximately 12.90% decrease when compared to the Quotation as at 1 April 2015. The decreasing trend is in line with the Company understanding. The trend of the Quotations is showing in the chart below.



Source: 生意社 (<http://www.100ppi.com/>)

However, after considering the following cost saving factors, (i) the coal price, which account for approximately 40% of the total production cost of calcium carbide, has recorded a decrease of 8.50% on a year-on-year basis; (ii) the cost of electricity for the production process, which account for approximately 60% of the total production cost of calcium carbide, would have a 34.59% decrease as compared with current electricity rate of 0.558 RMB/kWh in the Heilongjiang Province pursuant to the settlement offer; and (iii) the installation of gas fired kiln system for production of calcium carbide which forms part of WFOE’s production facility was completed in the third quarter of 2015 which will further lower the production cost, the Senior Management are of the view that the cost saving would outweigh the decrease of the selling price of calcium carbide.

Therefore, the Directors are of the view that the profitability of calcium carbide production business can be further improved due to the aforesaid factors.

Furthermore, according to the 2014/15 Annual Report, the drop of the Group’s revenue was primarily attributed by the decrease in the sales volume of the coal-related chemical products which related to the suspension for production of WFOE. However, as mentioned above, the preparation for Resumption has been commenced in the second quarter of 2016 and

LETTER FROM AMASSE CAPITAL

the Senior Management expects that the WFOE will become the main source of profit and revenue driver of the Group in the following years. Moreover, according to the Senior Management, a sale and purchase contract entered between WFOE and a subsidiary of China National Chemical Corporation (the “**CNCC Subsidiary**”), one of the major customers of WFOE, pursuant to which the CNCC Subsidiary intends to purchase 50,000 tons of calcium carbide representing the expected entire production amount of WFOE from the start of production to 31 December 2016 from WFOE subject to the Resumption. As further advised by the Senior Management, the aforesaid 50,000 tons of calcium carbide shall be priced with reference to the then Quotation at the time of delivery and the negotiation between the CNCC Subsidiary and WFOE. Moreover, as advised by the Senior Management, the annual production capacity of WFOE is expected to be 100,000 tons, WFOE is able to meet the order from the CNCC Subsidiary in view of the production of calcium carbide will be resumed in late May 2016. The delivery of calcium carbide to the CNCC Subsidiary is expected to be on a continuous basis and approximately 1500 tons per week beginning from late May.

In addition, as further advised by the Senior Management, there are only two licenses issued for the calcium carbide production business in Heilongjiang Province. WFOE is holding one of the licences and the other licence is held by Mudanjiang Daytech Chemical Limited, an indirect wholly-own subsidiary of the Company, therefore, the Group, through the Acquisition, can further consolidated its monopoly position in the calcium carbide production business in Heilongjiang Province. As such, the Senior Management is of the view that being a sole supplier of calcium carbide in Heilongjiang Province can ensure a steady growth of such business.

Moreover, as advised by the Senior Management, the Acquisition will allow the Group to consolidate its control over the operation of the WFOE. As at the Latest Practicable Date, the Group has nominated three out of five directors to the board of directors of Racing Dragon. Although WFOE is readily a subsidiary controlled by the Company, due to further consolidating the board of directors of Racing Dragon, the Group is able to more actively monitor and involve in the business operations of WFOE which could improve the decision making efficiency and minimize and manage the risk of deteriorating performances. Upon Completion, the Group will increase its equity interest in Racing Dragon from 67% to 90.00% and the Group will have right to nominate one additional director to Racing Dragon and WFOE for replacement of the director nominated by the Vendor, thus further consolidating its control over the WFOE.

In view of the foregoing and subject to full completion of the resumption is expected to take place in late May 2016, we concur with the view of the Directors that the Acquisition is fair and reasonable and is in the interests of the Company and the Independent Shareholders as a whole.

3. Principal terms of the Share Purchase Agreement

3.1 Consideration

The total consideration for the Acquisition is HK\$142,970,000, which will be satisfied upon Completion, by way of (i) allotment and issue of 354,000,000 Consideration Shares to the Vendor (or its nominees) at an issue price of HK\$0.305 per Consideration Share and (ii) issue of the Promissory Note by the Company in favour of the Vendor (or its nominees). The total consideration has been arrived at between the parties after arm's length negotiations after taken into account of the unaudited consolidated net assets value of the Racing Dragon Group of HK\$1,135 million as at 31 December 2015 which is prepared under HKFRS.

Save as to the consideration for the Acquisition payable by the Purchaser and the payment of the relevant portion of the registered capital by the Purchaser as stated above, the Company and/or the Purchaser have not made any commitment (capital or otherwise) to any of Racing Dragon and the WFOE. As advised by the Senior Management, the registered capital of the WFOE has been fully paid up.

The Sale Shares represent 23% of the issued share capital of Racing Dragon and, 23% of the unaudited consolidated net assets value of the Racing Dragon Group as at 31 December 2015 is approximately HK\$261.05 million (the "**Sale Shares NAV**"). Based on the Sale Shares NAV, the Consideration represents a price-to-book ratio ("**PBR**") of approximately 0.55 times and a discount of approximately 45.23% to the Sales Shares NAV.

We have considered whether to conduct a price-to-earnings ratio analysis of the Acquisition. However, given that the Racing Dragon Group was loss making for the year ended 30 June 2015, we consider the analysis of price-to-earnings ratio is not applicable. As such, for the purpose of assessing the fairness and reasonableness of the Consideration, we have performed a PBR analysis based on search of comparable companies listed in Hong Kong. We selected companies based on the following criteria: (i) principally engaged in the business in relation to trading, manufacturing and/or sales of specialty chemicals which contribute at least 50% to the total revenue of the selected companies; (ii) the revenue streams are mainly retrieved from the PRC that similar to the Target Group and (iii) currently listed on the Stock Exchange for comparison. To the best of our knowledge and endeavour, we found 13 Hong Kong listed companies (the "**Market Comparables**") which meet the said criteria and they are exhaustive as far as we are aware of. Shareholders should note that the businesses, operations and prospects of the Target Group are not exactly the same as the Market Comparables.

Moreover, in 2011, the Company acquired 12% equity interest in Racing Dragon from the Vendor and now the Company is holding 67% equity interest of Racing Dragon and it is a major subsidiary of the Company as at the date of the Agreement. As Racing Dragon has already been part of a listed group and the Acquisition is similar to the

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| LETTER FROM AMASSE CAPITAL |
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transaction between the Vendor and the Company in 2011, the Senior Management is of the view that it is unfair for the Vendor to consider a lack of marketability discount during negotiation of the Consideration.

We have observed that there are some transactions which listed companies acquired/ disposed certain equity interest of an unlisted company in the last six months. In such transactions, the considerations were determined by the respective listed companies and relevant parties with reference to the price-to-book ratio/price-to-earnings ratio without consider a lack of marketability discount. Therefore, we are of the view that it is normal commercial decision for listed companies that not to consider a lack of marketability discount during negotiation of consideration. The details of the aforesaid transactions are set out in the table below:

| Date of circular | Company | Stock Code | Type of transaction |
|-------------------------|--|-------------------|---------------------------------|
| 24/12/2015 | Viva China Holdings Limited | 8032 | Major transaction |
| 24/12/2015 | China Grand Pharmaceutical and Healthcare Holdings Limited | 512 | Major transaction |
| 13/11/2015 | China New Energy Power Group Limited | 1041 | Major and connected transaction |
| 4/11/2015 | Sun International Resources Limited | 8029 | Major and connected transaction |
| 27/10/2015 | China Electronics Corporation Holdings Company Limited | 85 | Major and connected transaction |

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The details of PBR analysis are set out in the table below:

| Stock Code | Company Name | Closing Price (HKD) as of 17 March 2016 | Number of shares issued (Note 1) | Market Capitalization (HKD) as of 17 March 2016 (Note 2) | Audited/Unaudited net asset value (HKD) attributable to the owners of the Company disclosed in the respective latest published financial reports | PBR as of 17 March 2016 (times) (Note 3) | PBR as at the Latest Practicable Date (times) (Note 4) |
|------------|--|---|-------------------------------------|---|--|--|--|
| 189 | Dongyue Group Limited | 1.38 | 2,111,689,455 | 2,914,131,448 | 7,170,427,500 | 0.41 | 0.40 (Note 5) |
| 245 | China Minsheng Financial Holding Corporation Limited | 1.03 | 28,927,291,250 | 29,795,109,988 | 296,427,000 | 100.51 | 76.12 |
| 338 | Sinopec Shanghai Petrochemical Company Limited | 3.73 | 10,800,000,000 | 40,284,000,000 | 22,853,816,250 | 1.76 | 1.73 |
| 408 | Yip's Chemical Holdings Limited | 2.41 | 563,811,160 | 1,358,784,896 | 2,950,832,000 | 0.46 | 0.51 |
| 549 | Jilin Qifeng Chemical Fiber Co., Ltd. | 0.70 | 866,250,000 | 606,375,000 | 834,741,250 | 0.73 | 0.75 |
| 609 | Tiande Chemical Holdings Limited | 1.36 | 846,878,000 | 1,151,754,080 | 1,394,163,750 | 0.83 | 0.81 |
| 746 | Lee & Man Chemical Company Limited | 2.25 | 825,000,000 | 1,856,250,000 | 2,395,424,000 | 0.77 | 0.84 |
| 1047 | Ngai Hing Hong Company Limited | 0.77 | 369,200,000 | 284,284,000 | 454,558,000 | 0.63 | 0.63 |
| 1986 | Tsaker Chemical Group Limited | 3.67 | 501,125,000 | 1,839,128,750 | 465,605,000 | 3.95 | 4.20 |
| 2121 | China First Chemical Holdings Limited | 1.12 | 802,191,000 | 898,453,920 | 2,569,218,750 | 0.35 | 0.37 |
| 2198 | China Sanjiang Fine Chemicals Company Limited | 0.97 | 993,104,000 | 963,310,880 | 2,975,982,500 | 0.32 | 0.47 |

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| Stock Code | Company Name | Closing Price (HKD) as of 17 March 2016 | Number of shares issued <i>(Note 1)</i> | Market Capitalization (HKD) as of 17 March 2016 <i>(Note 2)</i> | Audited/Unaudited net asset value (HKD) attributable to the owners of the Company disclosed in the respective latest published financial reports | PBR as of 17 March 2016 (times) <i>(Note 3)</i> | PBR as at the Latest Practicable Date (times) <i>(Note 4)</i> |
|------------|--|---|---|---|---|---|--|
| 2341 | EcoGreen International Group Limited | 1.68 | 540,548,800 | 908,121,984 | 1,857,842,500 | 0.49 | 0.47 |
| 8139 | Zhejiang Chang'an Renheng Technology Co., Ltd. | 5.28 | 32,000,000 | 168,960,000 | 116,839,336 | 1.45 | 1.42 |
| | | | | | Maximum | 100.51 | 76.12 |
| | | | | | Minimum | 0.32 | 0.37 |
| | | | | | Average | 8.67 | 6.82 |
| | | | | | Maximum (excluded outlier) | 3.95 | 4.20 |
| | | | | | Minimum (excluded outlier) | 0.32 | 0.37 |
| | | | | | Average (excluded outlier) | 1.01 | 1.05 |
| | | | | | The Consideration | 0.55 | |

Notes:

1. The number of shares issued of the Market Comparables are extracted from the latest monthly return of respectively companies available on the website of the Stock Exchange immediately before 17 March 2016.
2. Market capitalisation as of 17 March 2016 of the Market Comparables are based on the closing share prices as of 17 March 2016 extracted from the website of the Stock Exchange.
3. PBR of the Market Comparables are calculated by dividing the market capitalisation by the net asset value attributable to the owners of the company disclosed in the respective latest published financial reports. For the purpose of the calculation, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 to HK\$1.25.
4. PBRs of the Market Comparables as at the Latest Practicable Date are calculated based on (i) the closing share price as at the Latest Practicable Date extracted from the website of the Stock Exchange; and (ii) keeping other parameters constant.
5. Trading in shares of Dongyue Group Limited had been halted since 1 April 2016.

Among the Market Comparables, China Minsheng Financial Holding Corporation Limited had a PBR of 100.51 times, which we have excluded as an outlier as it had an abnormal high PBR. As indicated in the above table, the Market Comparables (excluded China Minsheng Financial Holding Corporation Limited) have PBRs ranged from approximately 0.32 times to approximately 3.95 times with an average of 1.01 times. The PBR of the Acquisition being 0.55 times, is well below the average of the PBRs of the Market Comparables.

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The PBRs of the Market Comparables as at the Latest Practicable Date are for illustration purpose only. As at the Latest Practicable Date, the PBRs (excluded China Minsheng Financial Holding Corporation Limited) ranged from approximately 0.37 times to approximately 4.20 times with an average of 1.05 times. The PBR of the Acquisition being 0.55 times, is well below the average of the PBRs of the Market Comparables.

In light of the above, we consider the total consideration for the Acquisition is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

3.2 Issue price of the Consideration Shares

The Consideration Shares represent approximately 14.04% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 12.31% of the enlarged issued share capital of the Company immediately after Completion. The issue price of HK\$0.305 per Consideration Share (the “**Issue Price**”) represents:

- a premium of approximately 7.02% to the closing price of HK\$0.285 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 25.00% to the average closing price of HK\$0.244 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- a premium of approximately 37.39% to the average closing price of HK\$0.222 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day; and
- a premium of approximately 5.17% to the closing price of HK\$0.29 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

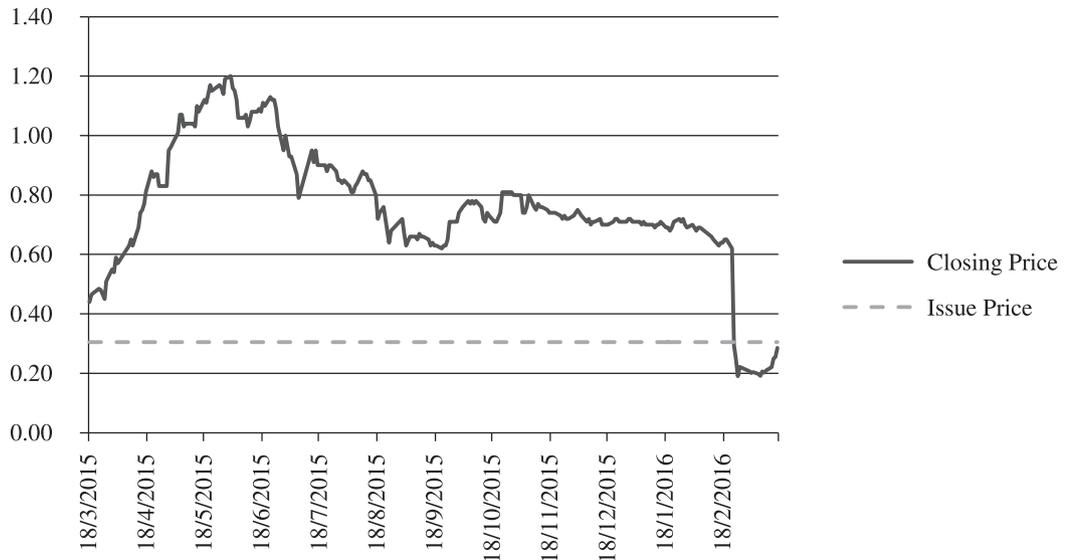
The Consideration Shares will be issued by the Company under the Specific Mandate. The Company will seek the grant of the Specific Mandate from the independent Shareholders at the EGM. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares then in issue including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.

LETTER FROM AMASSE CAPITAL

Analysis on historical Share price movement

Set out below is a chart showing the movement of the daily closing price of the Shares as quoted on the Stock Exchange from 18 March 2015 up to and including the Last Trading Day (the “**Review Period**”):



Source: the Stock Exchange website (www.hkex.com.hk)

During the period from 18 March 2015 to 1 June 2015, the closing price of the Shares was in an upward trend and closed between HK\$0.440 and HK\$1.200. During the period from 2 June 2015 to 22 February 2016, the closing price of the Shares was in a downward trend and closed between HK\$0.620 and HK\$1.160. We also noted that the closing price of the Shares dropped significantly from HK\$0.620 on 22 March 2016 to HK\$0.295 on 23 March 2016 which representing a drop of 52.42%. As advised by the Senior Management, the Directors did not aware of any reason for such drop. During the period from 23 February 2016 to the Last Trading Day, the closing price of the Shares was remain stable and closed between HK\$0.190 and HK\$0.295.

Taking into consideration factors including (i) the Issue Price represented a premium of approximately 7.02%, 25.00% and 37.39% over the closing price per Share on the Last Trading Day, the average closing prices of the Shares for last five trading days up to and including the Last Trading Day and last ten trading days up to and including the Last Trading Day, respectively; (ii) the Issue Price is within the range of the closing price of the Shares during the Review Period; and (iii) there was a steady trend in the closing price of the Shares since 23 February 2016, we are of the view that the Issue Price is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM AMASSE CAPITAL

3.3 *Promissory Note*

The principal terms of the Promissory Note are as follows:

| | |
|-------------------------|---|
| Issuer | The Company |
| Principal amount | HK\$35 million |
| Issue date | Completion Date |
| Interest rate | Nil |
| Maturity | 12 months after the issue date of the Promissory Note |
| Repayment | The Promissory Note may be prepaid in part or in full at any time before maturity at the discretion of the Company by giving the holder of the Promissory Note not less than five (5) Business Days' prior written notice and specifying in the notice the proposed date of prepayment and the prepayment amount. All outstanding principal not prepaid shall be repaid in full to the holder of the Promissory Note on the Maturity Date |
| Application for listing | No application will be made by the Company to the Listing Committee for the listing of the Promissory Note |

As mentioned in the Board Letter, the Directors are of the view that the terms of the Promissory Note are fair and reasonable and in the interests of the Company and the Shareholders as a whole and we concur the Director with this view.

3.4 *Undertakings*

- (1) The Vendor has undertaken to procure that all loans owing to the WFOE (if any) will be repaid in full to the WFOE before Completion so that there will be no outstanding loan due to the WFOE upon Completion; and
- (2) The Purchaser has undertaken to procure the Company to issue the Consideration Shares and the Promissory Note to the Vendor (or its nominees) upon Completion.

4. Financial effects of the Acquisition

As mentioned in the Board Letter, as at the Latest Practicable Date, Racing Dragon is a subsidiary of the Company with its consolidated financial results being consolidated into the financial statements of the Group. After completion of the Acquisition, Racing Dragon will continue to be a subsidiary of the Company, and the assets and liabilities and the financial results of Racing Dragon Group will continue to be consolidated to the financial statements of the Group. The Company is of the view that the Acquisition will not have any impact on the assets and liabilities of the Group and it is expected that the Acquisition could not have material effect on the earnings of the Group immediately after the Acquisition. However, as mentioned in the Board Letter, the Acquisition can be further consolidate the Group's control over WFOE and the contribution from Racing Dragon Group could be realized, after the Resumption, in view of the optimism view on the potential profitability of the calcium carbide production business as discussed in the section headed "Reasons for the Acquisition" above.

In addition, reference is made to the announcement of the Company dated 15 April 2016, the placing and subscription has been completed on 15 April 2016 and the net proceeds are approximately HK\$42.9 million which the Company intends to use as general working capital (including but not limited to repayment of bank loans of the Group and/or for future development of the Company). Furthermore, according to the 2015/16 Interim Report, we note that the Group had bank and cash balances of approximately HK\$22.6 million as at 31 December 2015. In this regard, we consider that the repayment of the Promissory Note will not have a material adverse impact on the Group's liquidity and working capital position.

LETTER FROM AMASSE CAPITAL

5. Effects on shareholding structure of the Company

The shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon completion of the Share Purchase Agreement (assuming that there will not be any change in the issued share capital of the Company from the Latest Practicable Date to the date of Completion) is as follow:

| Shareholders | As at the Latest Practicable Date | | Immediately upon completion (assuming that there will not be any change in the issued share capital of the Company from the Latest Practicable Date to the date of Completion) | |
|----------------------------|--------------------------------------|---------------|--|---------------|
| | <i>Number of Shares</i> | <i>%</i> | <i>Number of Shares</i> | <i>%</i> |
| Mr. Chan Yuen Tung | 370,482,629 | 14.70 | 370,482,629 | 12.89 |
| Ms. Chan Yuk Foebe | 60,030,000 | 2.38 | 60,030,000 | 2.09 |
| Mr. Law Tze Ping Eric | 400,000 | 0.01 | 400,000 | 0.01 |
| Hope High Holdings Limited | 0 | 0.00 | 354,000,000 | 12.31 |
| Sub-Total | 430,912,629 | 17.09 | 784,912,629 | 27.30 |
| Public Shareholders | 2,089,986,890 | 82.91 | 2,089,986,890 | 72.70 |
| Total | 2,520,899,519 | 100.00 | 2,874,899,519 | 100.00 |

The 354,000,000 Consideration Shares represent (i) approximately 14.04% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 12.31% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares (assuming that there is no other change to the issued share capital of the Company from the Latest Practicable Date to the date of the Completion).

We note that from the table above that the Acquisition will dilute the existing public shareholding from approximately 82.91% to approximately 72.70%, representing a decrease of 10.21%, as a result of the issue of the Consideration Shares upon the Completion. Having considered (i) the reasons and benefits as discussed in the section headed “Reasons for the Acquisition” above; and (ii) the terms of the Share Purchase Agreement are fair and reasonable and the Share Purchase Agreement is in the interests of the Company and the Shareholders as a whole, we consider that the dilution to the public shareholding is acceptable.

LETTER FROM AMASSE CAPITAL

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that entering into the Share Purchase Agreement is in the ordinary and usual course of business of the Group and on normal commercial terms, the terms of the Share Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the Share Purchase Agreement and the transaction contemplated thereunder at the EGM.

Yours faithfully

For and on behalf of

Amasse Capital Limited

May Tsang

Stephen Lau

Director

Associate Director

Ms. May Tsang is a licensed person registered with the Securities and Future Commission of Hong Kong and regards as a responsible officer of Amasse Capital to carry out type 6 (advising on corporate finance) regulated activity under the SFO and has over 12 years of experience in corporate finance industry.

Mr. Stephen Lau is a licensed person registered with the Securities and Future Commission of Hong Kong and regards as a representative of Amasse Capital to carry out type 6 (advising on corporate finance) regulated activity under the SFO and has over 5 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange, were as follows:

Interests in Shares of the Company:

| Name of director | Capacity and nature of interest | Number of Shares | Approximate percentage of Shares in issue |
|-----------------------|---------------------------------|------------------|---|
| Ms. Chan Yuk Foebe | Beneficial Owner | 60,030,000 | 2.38% |
| Mr. Law Tze Ping Eric | Beneficial Owner | 400,000 | 0.01% |

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors and chief executives of the Company and their respective associates had or was deemed to have any interests or short positions in any Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

The Directors confirm that there is no contract or arrangement subsisting at the date hereof in which a Director is materially interested and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which, since 30 June 2015, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had any interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors, the interests of substantial shareholders (as defined in the Listing Rules) in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long Position in Shares:

| Name of substantial shareholder | Capacity | Number of Shares held | Approximate percentage of Shares in issue |
|---------------------------------|-------------|-----------------------|---|
| Mr. Chan Yuen Tung | 370,482,629 | Beneficial Owner | 14.70% |

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, Mr. Chan Yuen Tung (other than Directors or chief executives of the Company) was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Save as disclosed herein, there is no person known to the Directors, who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. SERVICE AGREEMENTS

As at the Latest Practicable Date, none of the Directors has entered or proposed to enter into a service contract with any member of the Group which is not terminable by the employer within one year without payment of compensation (other than statutory compensation).

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 June 2015, the date to which the latest published audited financial statements of the Group were made up.

6. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the experts who have given an opinion or advice contained in this circular:

| Name | Qualification |
|------------------------|---|
| Amasse Capital Limited | licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO |

As at the Latest Practicable Date, none of the expert had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

Each of the Expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or statements and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, none of Expert had any interest, direct or indirect, in any assets which since 30 June 2015, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and his/her respective associates has an interest in a business apart from the Company's business which competes or may compete, either directly or indirectly, with the Company's business.

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of China Zenith Chemical Group Limited at Room 4007, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong during normal business hours on any weekday (except public holidays) from the date of this circular up to and including 7 June 2016:

- (i) the Share Purchase Agreement;
- (ii) the letter from Amasse Capital; and
- (iii) this circular.

10. MISCELLANEOUS

In case of any discrepancy, the English text of this circular and the form of proxy shall prevail over the Chinese text.



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting of China Zenith Chemical Group Limited (the “**Company**”) will be held at Room 4007, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, on 7 June 2016 at 4:30 p.m. for the purpose of considering and, if though fit, pass with or without amendments, the following resolutions:

ORDINARY RESOLUTIONS

1. **“THAT:**

- (a) the entering into of the share purchase agreement dated 18 March 2016 (the “Share Purchase Agreement”) between Hope High Holdings Limited (the “Vendor”) and Dragon Boom Investments Limited (the “Purchaser”) pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 23 shares with a par value of US\$1 each in the share capital of Racing Dragon Limited in the amounts of HK\$142,970,000. The transaction contemplated thereunder, details of which are more particularly described in the circular of the Company dated 17 May 2016, be and is hereby approved, confirmed and ratified;
- (b) the Specific Mandate for the allotment and issue of the Consideration Shares is hereby approved, confirmed and ratified; and

NOTICE OF EGM

- (c) the directors of the Company (the “**Directors**”) be and are hereby authorised to execute all such documents and do all such acts and things and to sign all documents and to take any steps as they consider desirable, necessary or expedient in connection with and to give effect to the Share Purchase Agreement and the transaction contemplated thereunder.”

By Order of the Board
China Zenith Chemical Group Limited
Law Tze Ping Eric
Executive Director

Hong Kong, 17 May 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.

Notes:

- (i) Members of the Company whose names appear on the register of members maintained by the Company’s branch Share registrar in Hong Kong, Tricor Tengis Limited at 22/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong at 4:30 p.m. on 7 June 2016 shall qualify for attending and voting at the extraordinary general meeting. The register of members of the Company will be closed from 3 June 2016 to 7 June 2016 (both days inclusive), during which period no share transfer will be registered. In order to qualify to attend and vote on the proposed resolution set out in this notice, all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch Share registrar in Hong Kong, Tricor Tengis Limited at 22/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 2 June 2016.
- (ii) A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies (if he is a holder of more than one share) to attend and vote on his behalf. A proxy needs not be a member of the Company.
- (iii) The instrument appointing a proxy and the power of attorney or other, if any, under which it is signed, or a notarially certified copy of such power of attorney or other authorisation document(s), must be lodged with the Company’s branch Share registrar in Hong Kong, Tricor Tengis Limited, at 22/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof.