

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, 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 and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker 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)**

### **MAJOR TRANSACTION DISPOSAL OF INTERESTS IN WHOLLY-OWNED SUBSIDIARIES AND NOTICE OF EGM**

Capitalised terms used in this cover shall have the same meanings as defined in this circular.

A notice convening the EGM to be convened at Room 4007, 40/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Monday, 31 October 2016 at 4:30 p.m. is set out on pages 40 to 41 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you plan to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

26 September 2016

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## DEFINITIONS

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

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

## DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and approve the Agreement and transactions contemplated thereunder including the Disposal
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and connected persons of the Company
“Latest Practicable Date”	22 September 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Land”	the parcel of land located at No. 139 Kuang Shan North Street (previously known as 160 Yu Min Road), Xinxing Sub-district Office, Yangming District, Mudanjiang Shi, Heilongjiang Province, the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Plant”	the industrial compound situated at No. 446 Yu Min Road (previously known as 160 Yu Min Road), Xinxing Sub-district Office, Yangming District, Mudanjiang Shi, Heilongjiang Province, the PRC
“PRC”	The People’s Republic of China
“Properties”	the Main Plant and the Land
“Purchaser”	Direct High Limited, a company incorporated in the BVI with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the entire issued share capital of the Target Company
“Shareholders”	shareholders of the Company

## DEFINITIONS

“Shares”	share(s) in the share capital of the Company
“Shareholder’s Loan”	the shareholder’s loan(s) due from the Target Group to the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Better Day Bio-Chem Technology Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Target Group”	the Target Company, Better Lion and the WFOE collectively
“WFOE”	Mudanjiang Gaoke Bio-Chem Co. Ltd. (牡丹江高科生化有限公司), a wholly-foreign owned enterprise established in the PRC
“%”	per cent

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

LETTER FROM THE BOARD



**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:*

Ms. Chan Yuk Foebe  
Mr. Law Tze Ping Eric  
Mr. Yu Defa

*Independent non-executive Directors:*

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

*Registered office:*

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

*Head and principal place of business:*

Room 4007, 40/F.  
China Resources Building  
26 Harbour Road  
Wanchai  
Hong Kong

26 September 2016

*To the Shareholders*

Dear Sirs or Madam,

**MAJOR TRANSACTION  
DISPOSAL OF INTERESTS IN WHOLLY-OWNED SUBSIDIARIES  
AND  
NOTICE OF EGM**

**1. INTRODUCTION**

Reference is made to the Announcement. On 15 July 2016, the Company as vendor entered into the Agreement with the Purchaser as purchaser, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued capital of the Target Company, which in turn directly and indirectly holds the entire equity interests in the WFOE, together with the Shareholder's Loan. The consideration for the Disposal is RMB192,000,000 (equivalent to approximately HK\$222,720,000).

## LETTER FROM THE BOARD

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

The purpose of this circular is to give you further information regarding: (i) details of the Agreement and the Disposal; (ii) certain financial information as required under the Listing Rules; (iii) further information of the Group; and (iv) notice of the EGM.

### 2. THE AGREEMENT

<b>Date</b>	15 July 2016
<b>Parties</b>	
<b>Vendor:</b>	The Company
<b>Purchaser:</b>	Direct High Limited

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

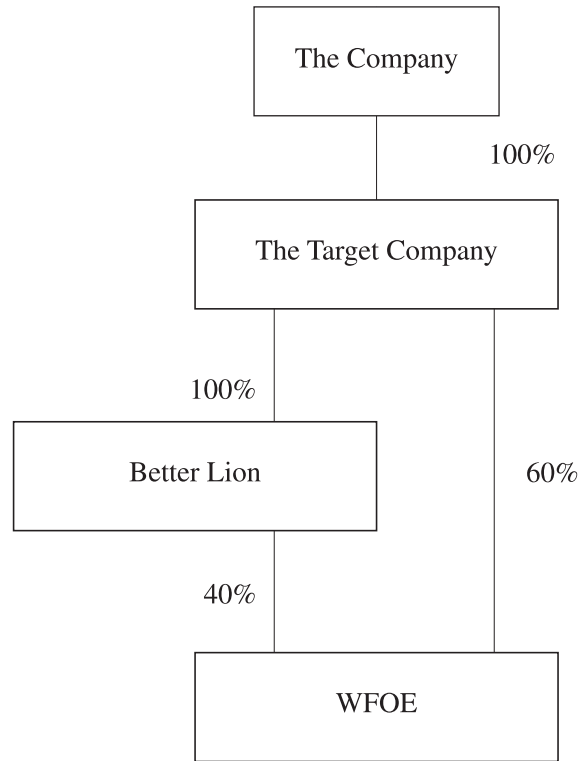
To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties.

#### **Assets being disposed of**

The Sale Shares together with the Shareholder's Loan. The Sales Shares represent the entire issued share capital of the Target Company As at the Latest Practicable Date, the Shareholder's Loan amounted to approximately HK\$331,292,000.

## LETTER FROM THE BOARD

The following diagram illustrates the shareholding structure of the Target Group as at the date of this circular:



### Consideration

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

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

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

The Consideration has been arrived at between the parties after arm's length negotiations having taken into account (a) the market value of the Properties of RMB175,550,000 (equivalent to approximately HK\$208,988,000) as at 30 June 2015; (b) the unaudited



## LETTER FROM THE BOARD

consolidated net asset value of the Target Group as at 30 June 2016 which was prepared under HKFRS; and (c) the operating condition of the Target Group which have been loss making over the last few years.

At the time of negotiating the terms of the Agreement, the valuation of the Properties of RMB175,550,000 (equivalent to approximately HK\$208,988,000) as at 30 June 2015 was taken into account. Subsequently, for the purposes of inclusion in this circular and annual audit for the year ended 30 June 2016, International Valuation Limited, an independent valuer was engaged to value the Properties. And as disclosed on page 9 below in this circular, the Properties were valued by International Valuation Limited at RMB168,980,000 (equivalent to approximately HK\$196,016,800) as of 30 June 2016. There was a slight decrease in the valuation of the Properties during the past financial year.

### **Conditions precedent**

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

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

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

## LETTER FROM THE BOARD

### **Completion**

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

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

### **3. INFORMATION ON THE COMPANY, THE TARGET COMPANY, BETTER LION AND THE WFOE**

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

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

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

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

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

The Main Plant, situated at No. 446 Yu Min Road (previously known as 160 Yu Min Road), Xinxing Sub-district Office, Yangming District, Mudanjiang Shi, Heilongjiang Province, the PRC, comprises a parcel of land and more than 60 various buildings and structures erected thereon. The buildings are 1 to 13-storey in height and were completed between 1980 and 1997. The land on which the buildings situated has a site area of 344,965.3 sq.m. The Main Plant has a total gross floor area of approximately 97,502.2 sq.m. The land of the Main Plant is held under the land use rights for a term up to 27 April 2056.

## LETTER FROM THE BOARD

The Land is a parcel of industrial land located at No. 139 Kuang Shan North Street (previously known as 160 Yu Min Road), Xinxing Sub-district Office, Yangming District, Mudanjiang Shi, Heilongjiang Province, the PRC. It comprises a parcel of land having a site area of 22,591.5 sq.m. The land is held under the land use rights for a term of up to 27 April 2056.

The Main Plant and the Land have been vacant since the WFOE ceased production in October 2011.

According to the latest valuation report of the Properties prepared by International Valuation Limited, an independent professional valuer, as set out in Appendix II to this circular, the latest market value of the Properties as at 30 June 2016 was estimated at RMB168,980,000 (equivalent to approximately HK\$196,016,800).

The following is a summary of the audited consolidated financial results of Target Group, prepared in accordance with the HKFRS:

### The Target Group

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

The Target Group incurred a substantial loss after taxation and extraordinary items for the year ended 30 June 2014 primarily because of the write-off of most of the plant and equipment and other assets following the cessation of production of the WFOE. Despite the Main Plant and the Land lying idle, the Target Group continues to incur labour and other costs for maintaining the Main Plant and the Land. As a result of the maintenance costs and the depreciation charges for the remaining fixed assets of the Target Group, net losses were recorded in the each of the financial years ended 30 June 2014 and 2015.

As at 30 June 2016, the unaudited consolidated net assets value of the Target Group in accordance with the HKFRS amounted to approximately HK\$63,816,000 on the basis that the Shareholder's Loan was treated as if it were equity of the Target Group. Such accounting treatment is compliant with the HKFRS.

#### 4. REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the production and sale of coal related chemical products, bio-chemical products and the generation and supply of power and steam. The Target Group has been loss making and had ceased production since October 2011. The Directors are of the view that

## **LETTER FROM THE BOARD**

the Disposal would benefit the Group by realising its investment and also strengthen the liquidity and overall financial position of the Group. Also, the Group may save the costs of maintaining the dormant buildings, plants and equipment owned by the WFOE which had ceased production.

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

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

### **5. FINANCIAL EFFECT OF THE DISPOSAL**

It is estimated that, upon completion of the Disposal, the Group will record a gain on disposal of approximately HK\$158,074,000, being the difference between the Consideration net of the expenses incurred in connection with the Disposal and the unaudited consolidated net asset value of the Target Group as at 30 June 2016, on taking into account the financial effect on the assignment of the Shareholder's Loan to the Purchaser upon completion. The actual gain or loss as a result of the Disposal to be recorded by the Company is subject to audit and will be assessed after Completion.

It is expected upon completion of the Disposal that the total assets of the Group will increase by approximately HK\$30,396,000 and the total liabilities of the Group will decrease by approximately HK\$104,478,000.

### **6. IMPLICATIONS UNDER THE LISTING RULES**

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

### **7. EGM**

A notice convening the EGM to be held at Room 4007, 40/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Monday, 31 October 2016 at 4:30 p.m. for the purpose of considering, and if thought fit, approving the Agreement and the Disposal is set out on pages 40 to 41 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you plan to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time

## **LETTER FROM THE BOARD**

appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Disposal. As such, no Shareholders would be required to abstain from voting in favour of the resolution approving the Disposal at the EGM. As at the Latest Practicable Date, the Purchaser and its ultimate beneficial owners did not have any interest in the Shares discloseable under Part XV of the SFO. The Company has advised the Purchaser that if it or any of its controlling shareholders has any interests in the Shares, they are required to abstain from voting in favour of the resolution approving the Disposal at the EGM. The ordinary resolution proposed to be approved at the EGM will be taken by poll and an announcement will be made by the Company following the conclusion of the EGM to inform the Shareholders of the poll results.

### **8. RECOMMENDATION**

The Directors are of the opinion that the terms of the Agreement are fair and reasonable and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Hence, the Board recommends the Shareholders to vote in favour of the resolution to approve the Agreement and the Disposal at the EGM.

### **9. ADDITIONAL INFORMATION**

Your attention is drawn to the information set out in the appendices to this circular.

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

## 1. FINANCIAL INFORMATION

Financial information of the Group for (i) each of the three years ended 30 June 2013, 2014 and 2015 are disclosed in the annual reports of the Company for the years ended 30 June 2013 (pages 34 to 92), 2014 (pages 33 to 92) and 2015 (pages 34 to 96); and (ii) the six months ended 31 December 2015 is disclosed in the interim report of the Company for the six months ended 31 December 2015 (pages 4 to 23), respectively. The auditors of the Company have not issued any qualified opinion on the Group's financial statements for the financial years ended 30 June 2013 and 2014. The qualification in the auditors' reports for the year ended 30 June 2015 was set out on pages 32 to 33 in the 2015 Annual Report.

The aforesaid Annual Reports and results announcement are available on the website of the Stock Exchange (<http://www.hkex.com.hk>). In particular, the web links of the Annual Reports are as follows:

2013 Annual Report

<http://www.hkexnews.hk/listedco/listconews/SEHK/2013/1030/LTN20131030400.pdf>

2014 Annual Report

<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/1029/LTN20141029280.pdf>

2015 Annual Report

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/1029/LTN20151029363.pdf>

2016 Interim Report

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0329/LTN20160329703.pdf>

## 2. STATEMENT OF INDEBTEDNESS AND CONTINGENT LIABILITIES

At the close of business on 31 July 2016, being latest practicable date prior to this circular for ascertaining certain information relating to the indebtedness statement, the indebtedness of the Group was as follows:

### (a) Interest-bearing bank borrowings

The Group had an outstanding principal of bank borrowings of approximately HK\$82,924,000, which were secured by the pledge of the Group's fixed assets, land held under finance leases and prepaid land lease payments, and the bank borrowings of approximately HK\$53,815,000 and HK\$29,109,000 is repayable within one year and over one year respectively. The bank loans were arranged at floating rates ranging from 2.10% to 7.21%.

**(b) Bonds payable**

The Group had an outstanding principal of bonds payable of approximately HK\$910,809,000, which were unsecured and interest bearing at coupon rates of 3% to 12%.

**(c) Other loans**

The Group had outstanding principal of other loans of approximately HK\$46,579,000.

A loan of approximately HK\$23,231,000 granted from an independent third party is interest bearing at 12% p.a., secured by the pledge of the Group's fixed assets and prepaid land lease payments and is repayable on demand. During the year ended 30 June 2013, the Group received a verdict from the Intermediate People's Court of Heilongjiang Province in the PRC in relation to the repayment of the loan. According to the verdict, the loan should be repaid before 20 March 2013. The lender has not taken any action to enforce the verdict since then and the Group is negotiating with the lender for discharge of partial interest and expects to repay the loan in early October 2016.

A loan of approximately HK\$23,348,000 is interest-free, secured by the pledge of the fixed assets and prepaid land lease payments of the borrower which is an indirect 63.11%-owned subsidiary of the Group. The loan is repayable on demand. During the year ended 30 June 2014, the Group received a verdict from the Intermediate People's Court of Heilongjiang Province in the PRC in relation to the repayment of the loan. According to the verdict, the loan should be repaid before 8 May 2014. Despite the verdict and the fact that the Group had made pro rata shareholder's loan to the subsidiary for repaying the loan, repayment of the loan is pending since the non-controlling shareholder of the subsidiary has been refusing to make corresponding shareholder's loan to the subsidiary. The lender has not taken any enforcement action since the verdict becomes effective. The Group plans to dispose part of the assets of the subsidiary to repay the loan.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, the Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of the borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding as at 31 July 2016.

Save as aforementioned in this indebtedness statement, the Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 31 July 2016, up to and including the Latest Practicable Date.

### 3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the effects of the Completion and the financial resources available to the Group, the Group has sufficient working capital to satisfy its requirements and for at least the next 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

### 4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group has been loss making over the last couple of years. For the six months ended 31 December 2015 (the “Period”), loss attributable to owners of the Company amounted to approximately HK\$23 million, representing a decrease of approximately 46% when compared with that of the last corresponding period. The loss attributable to owners was mainly derived from the idle operating cost incurred which mainly comprised of depreciation and amortisation during the suspension of coal-related operation. The Disposal underlines the initiative of the management to get rid of idle assets and better utilize the Groups’ resources.

The management believes that worst situation of the Group had passed and foreseeing a brilliant prospect in coming years.

#### **Heat and power division**

During the Period, the Company has nearly completed the construction of 25 kilometers pipelines which has a capacity to supply heat for approximately 12 million square meters of residential areas. It is expected, by year 2018, the heat supplying area will increase by approximately 8 million square meters. The increase in residential heat supplying areas will much enhance the profit margin in higher level. Hence, it is strongly believed that the heat and power division will be the gold driver of the Group provided that the coal price remains stably.

#### **Coal-related chemical production division Heihe**

##### *Heihe*

As disclosed in the circular of the Company dated 17 May 2016, Heihe Longjiang Chemical Co. Ltd. (“**HLCCL**”), the Group’s coal related chemical production in Heihe, the PRC was still incurring operating loss because of the suspension of calcium carbide production operation and HLCCL 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. Calcium carbide production is highly sensitive to two factors — electricity and raw material (i.e. coal). However, having considered (i) the current downward trend of coal price; (ii) the tentative settlement offer from the Defendants which will supply electricity to HLCCL at a lower cost; and (iii) completion of the installation of gas fired kiln system for production of calcium carbide in the third quarter of 2015 which will further lower the production cost by 20%, the Directors are of the view



that the profitability of HLCCL will improve. The original estimated resumption of production in late May 2016 as stated in the 17 May 2016 circular was according to the management's best estimation back then. During the past few months HLCCL put in considerable efforts in achieving earlier stage for the resumption of production to bring the plant and equipment up and running. To resume full commercial production, numerous trial runs are needed to attain and maintain the stability of quality required for marketable products, and also the production logistics, including ordering and delivering of raw materials, need to be dealt with. HLCCL is currently on trial run and fine-tuning the plant and machinery with an aim to resume full production as soon as possible.

#### *Mudanjiang*

Although government policy on grant of preferential tariff was promulgated in recent years, the current low market prices of calcium carbide with an average of RMB2,200 per ton made production of the product unprofitable even with government tariff. The management estimates production of coal-related products in the Mudanjiang plant would only break even if calcium carbide price increases to not less than RMB2,850 per ton. The management will closely monitor the market conditions and resumption of full production will be initiated only after the market price of calcium carbide recovers and remains stable above the breakeven level.

#### **Appointment as window company of Mudanjiang City Government**

On 25 August 2015, the Mudanjiang City Government appointed the Company as its Hong Kong based agent and foreign window company representing it in the negotiation of matters concerning the city government's listing of domestic enterprises and projects, fund raising exercise and transfer of equity interest. The Company was honored the appointment due to its contribution to the local economy and good relationship with Mudanjiang City Government. The appointment has no fixed term and is intended to be high level initiative for promotion of commercial and capital market activities. The duty was not set out in the appointment letter, nor has the Company performed since being appointed, any particular task, function or role as the local government's agent and window company.

**Acquisition of Logistics Centres Project**

On 26 August 2015, the Company entered into a share acquisition framework agreement (“**Framework Agreement**”) with Mudanjiang Transportation Group Investment Limited (“**Mudanjiang Transportation Group**”), a PRC state-owned enterprise which is controlled by the Transport Department of the People’s Government of Mudanjiang City, Heilongjiang Province, the PRC in relation to the construction and operation of the international and domestic logistics centres in Mudanjiang City. The Framework Agreement has a term of 45 days from the date of execution and takes effect immediately upon signing. Pursuant to the Framework Agreement, the Company is going to acquire 70% equity interest of Mudanjiang Transportation Group which is undertaking the following projects:

- (a) Phase 1 of the Mudanjiang International Transportation and Logistics Centre (“**Logistic Centre**”) which was still under construction;
- (b) Phase 2 of the Logistics Centre;
- (c) the drop and pull transportation project; and
- (d) the state-owned interest in the general commercial complex developed by the Mudanjiang Transportation Group.

The Company has been making progress and in-depth discussion with Mudanjiang Transportation Group and Government of Mudanjiang City for the cooperation of the logistic centres mentioned above. The negotiation of the acquisition is now entering into the final stage. The management understands that Phase 1 of the Logistic Centre has not commenced operation and Mudanjiang Transportation Group is in the course of applying various consents, licences and approvals from relevant government departments for commencement of operation of Phase 1 of the Logistics Centre. It is the intention of the parties that if those consents, licences and approvals for the operation of Phase 1 of the Logistics Centre are not obtained on or before 31 October 2016, the Framework Agreement will be terminated and no definitive agreements will be entered into by the parties.

*The following is the text of a letter, summary of values and valuation certificate prepared for the purpose of incorporation in this circular received from International Valuation Limited, an independent property valuer, in connection with its opinion of market value of the Properties as at 30 June 2016.*

Room 1203A  
Kai Tak Commercial Building  
317-319 Des Voeux Road Central  
Hong Kong



**International Valuation Limited**  
國際評估有限公司

26 September 2016

The Board of Directors  
**China Zenith Chemical Group Limited**  
Room 4007, 40th Floor,  
China Resources Building,  
No. 26 Harbour Road,  
Hong Kong

Dear Sirs,

#### **INSTRUCTIONS**

In accordance with the instructions to us to value certain property interests which are held by China Zenith Chemical Group Limited (the “Company” ) and its subsidiaries (hereinafter together referred to as the “Group” ) in the People’s Republic of China (the “PRC”) (details of the properties are more particularly listed in the Summary of Values of this report), in their existing states and assuming with the immediate benefit of vacant possession, in conjunction with a proposed disposal exercise, we confirm that we have carried out an external inspection and, where possible, the accessible portions of the interior of the properties, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 30 June 2016 (the “valuation date”).

This letter which forms parts of our valuation report explains the basis and methodology of valuation and clarifies our assumptions made, titleship of property and the limiting conditions.

#### **PREMISES OF VALUE**

The valuation is our opinion of market value which is defined by the International Valuation Standards of the International Valuation Standards Council and followed by the Hong Kong Institute of Surveyors as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion”.

**BASIS OF VALUATION**

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors and the International Valuation Standards published from time to time by the International Valuation Standards Council.

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value or costs of sale and purchase or offset for any associated taxes.

Our valuation also excludes potential tax liability which might arise if the assets were to be sold/acquired at the valuation date, including but not limited to profit tax, business tax, land appreciation tax, capital gain tax, stamp duty and any other relevant taxes prevailing at the valuation date.

Moreover, our valuation does not include machinery and equipment, inventories, office furniture, equipment, supplies, inventories and spare parts and other all other tangible assets of a current nature and intangible assets which might exist.

**CATEGORISATION OF PROPERTY INTERESTS**

In the course of our valuation, the appraised property interests have been categorised according firstly to type of interests and then country where it is located, which in turn being classified into the below group:

- Property interests owned and occupied by the Group in the PRC

**VALUATION METHODOLOGY**

In the course of our valuation, unless otherwise stated, we have valued the properties in their designated uses with the understanding that the properties will be used as such (hereafter referred to as “continued uses”).

Due to the specific nature and uses for which the buildings and structures of Property No. 1 were designated and constructed and the particular location in which they are situated, there is no readily identifiable market comparable sale of the property interests and that the buildings and structures cannot be valued on the basis of direct comparison. We have therefore adopted a combination of market approach and cost approach in assessing the land portion of Property No. 1 in its existing use and the buildings and structures erected thereon respectively. Market value of Property No. 1 is the sum of values arrived by these 2 approaches as a whole.

In arriving at the market value of the land portion, we have employed comparison method. Reference has been made to the comparable land sales transaction as well as the relevant benchmark land prices as available in the subject locality. On the other hand, in assessing the market value of subject buildings and structures erected thereon, we have made use of depreciated replacement cost method. The depreciated replacement cost method considers the new replacement costs of the buildings, structures and other site works, including fees and finance charges, from which deductions are then made to allow for the age, condition and obsolescences. The depreciated replacement cost method generally provides the most reliable indication of value for property in the absence of a known market based on comparable sales.

Regarding Property No. 2, we have valued it by market approach and using comparison method with reference to comparables land sales evidence as available in the relevant market subject to suitable adjustments between the property and the comparable properties. We have valued it, in its existing state and assuming with the immediate benefit of vacant possession. In addition, we have been instructed to take into account of its land value only and ignore the enhancement value attributed to the buildings and structures erected thereon for the reason as informed by the Group that they had not obtained any proper construction/development consent and title certificate.

#### **TITLE INVESTIGATION**

We have been provided by the Group with copy of extract of the title documents relating to the property interests. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrances that might be attached to the property interests or any amendments which may not appear on the copies handed to us.

Due to the current registration system of the PRC under which the registration information is not accessible to the public, no investigation has been made for the title of the property interests in the PRC and the material encumbrances that might be attached. In the course of our valuation, we have relied considerably on the legal opinion given by the Company's PRC legal adviser — 四方君匯律師事務所 (Join & High Law Office), concerning the validity of property title and material encumbrances of the properties in the PRC.

#### **SITE INVESTIGATION**

We have inspected the exterior and, where possible, the accessible portions of the interior of the properties being appraised. However, we have not been commissioned to carry out structural survey nor to arrange for an inspection of the services. We are, therefore, not able to report whether the properties are free of rot, infestation or any other structural defects. We formulate our view as to the overall conditions of the properties taking into account the general appearance, the apparent standard and age of fixtures and fittings and the existence of utility services. Hence it must be stressed that we are not in a position to report to you whether the buildings/structures are free from defects or as to the possibility of latent defects which might affect our valuation. In the course of

our inspection, we did not note any serious defects. No tests were carried out on any of the services. Unless otherwise stated, we have assumed that utility services as deemed necessary, such as electricity, telephone, water, etc., are available and free from defect.

We have not arranged for any investigation to be carried out to determine whether or not high alumina cement concrete or calcium chloride additive or pulverized fly ash, or any other deleterious material has been used in the construction of the properties. We are therefore unable to report that the properties are free from risk in this respect. For the purpose of this valuation, we have assumed that deleterious material has not been used in the construction of the properties.

Moreover, we have not been commissioned to carry out detailed site measurements to verify the correctness of the land or building areas in respect of the properties but have assumed that the areas provided to us are correct. Based on our experience of valuation of similar properties, we consider the assumptions so made to be reasonable. We have also assumed that there was not any material change of the properties in between date of our inspection and the valuation date.

We have not carried out any site investigation to determine the suitability of the ground conditions or the services for any property development erected or to be erected thereon. Nor did we undertake archaeological, ecological or environmental surveys for the property interests. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Should it be discovered that contamination, subsidence or other latent defects exists in the properties or on adjoining or neighbouring land or that the properties had been or are being put to contaminated use, we reserve right to revise our opinion of value.

We have not investigated any industrial safety, environmental and health related regulations in association with the existing and/or planned manufacturing process. It is assumed that all necessary licences, procedures and measures were implemented in accordance with the Government legislation and guidance.

## **SOURCE OF INFORMATION**

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by you or your legal or other professional advisers, in particular, but not limited to, statutory notices, planning approvals, zoning, easements, tenure, completion date of building, development proposal, identification of property, particulars of occupation, site areas, floor areas (including the gross floor area and planned gross floor area), matters relating to tenure, tenancies and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore approximations and for reference only. We have not searched original plans, developer brochures and the like to verify them.

We have taken every reasonable care to examine the information provided to us and also to make relevant enquiries. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to the valuation. We have also sought confirmation

from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

### VALUATION ASSUMPTIONS

For the properties which are held under long term land use rights, we have assumed that transferable land use rights in respect of the property interests at nominal land use fees has been granted and that any premium payable has already been fully settled. Unless stated as otherwise, we have assumed that the title owner of the properties have an enforceable title of the property interests and have free and uninterrupted rights to occupy, use, sell, lease, charge, mortgage or otherwise dispose of the property without the need of seeking further approval from and paying additional premium to the Government for the unexpired land use term as granted. Unless otherwise stated in the report, vacant possession is assumed for the properties concerned.

Continued uses assumes the properties will be used for the purposes for which the properties are designed and built, or to which they are currently adapted. The valuation on the properties in continued uses does not represent the amount that might be realised from piecemeal disposition of the properties in the open market.

Unless otherwise stated, we have assumed that the design and construction of the properties are in compliance with the local planning regulations and requirements and had been duly examined and approved by the relevant authorities.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed. Moreover, it is assumed that all required licences, consents or other legislative or administrative authority from any local, provincial or national government or private entity or organisation either have been or can be obtained or renewed for any use which the report covers.

It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in the valuation report. In addition, it is assumed that the utilisation of the land and improvements are within the boundaries of the properties described and that no encroachment or trespass exists, unless noted in the report.

We have not undertaken a survey to determine whether the mechanical and electrical systems within the properties (or the building(s) or development(s) in which they are located) will be adversely affected on or after the year 2000 and as such have assumed that the properties and those systems were or will be unaffected.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their value.

We have further assumed that the properties was not let, transferred, involved in any contentious or non-contentious dispute or being adverse possessed as at the valuation date. The properties can be sold freely to both local and overseas purchasers.

### LIMITING CONDITIONS

Where the property is located in a relatively under-developed market, such as the PRC, those assumptions are often based on imperfect market evidence. A range of values may be attributable to the properties depending upon the assumptions made. While the valuer has exercised his professional judgement in arriving at the value, investors/report readers are urged to consider carefully the nature of such assumptions that are disclosed in the valuation report and should exercise caution in interpreting the valuation report.

Wherever the content of this report is extracted and translated from the relevant documents supplied in Chinese context and there are discrepancies in wordings, those parts of the original documents will take prevalent.

### CURRENCY

Unless otherwise stated, all amounts are denominated in Renminbi (RMB). Our valuations are summarized below and the valuation certificate is attached.

Yours faithfully,  
For and on behalf of  
**International Valuation Limited**  
**Sr K L Yuen**  
*MRICS MHKIS*  
Registered Professional Surveyor  
(General Practice)  
General Manager — Real Estate

*Note:* Mr. K L Yuen is a Chartered Valuation Surveyor and a Registered Professional Surveyor (General Practice), who has more than 15 years' experience in the valuation of properties in the PRC, Hong Kong, New York and the South East Asia. Mr. K L Yuen is also a valuer on the List of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the HKIS.



## SUMMARY OF VALUES

## Property interests owned and occupied by the Group in the PRC

<u>Property</u>	<u>Market value in existing state as at 30 June 2016</u> <i>RMB</i>	<u>Interest attributable to the Group</u>	<u>Market value in existing state attributable to the Group as at 30 June 2016</u> <i>RMB</i>
1. An industrial compound located at No. 446 Yu Min Road (previously known as 160 Yu Min Road), Xinxing Sub-district Office, Yangming District, Mudanjiang Shi, Heilongjiang Province, the PRC  (Land Lot No. 34-4-4 )	163,680,000	100%	163,680,000
2. A parcel of industrial land located at No. 139 Kuang Shan North Street (previously known as 160 Yu Min Road), Xinxing Sub-district Office, Yangming District, Mudanjiang Shi, Heilongjiang Province, the PRC  (Land Lot No. 34-3-10 )	5,300,000	100%	5,300,000
<b>Total:</b>	<b><u>168,980,000</u></b>	<b>Total:</b>	<b><u>168,980,000</u></b>

## VALUATION CERTIFICATE

## Property interests owned and occupied by the Group in the PRC

<u>Property</u>	<u>Description and tenure</u>	<u>Particular of occupancy</u>	<b>Market value in existing state as at 30 June 2016</b> RMB
1. An industrial compound located at No. 446 Yu Min Road (previously known as 160 Yu Min Road), Xinxing Sub-district Office, Yangming District, Mudanjiang Shi, Heilongjiang Province, the PRC  (Land Lot No. 34-4-4 )	<p>The property comprises a parcel of land having a site area of approximately 344,965.30 sq.m. and with more than 60 blocks of various office, workshop, godown, canteen and domestic buildings and structures erected thereon.</p> <p>The buildings are ranging from single storey to 13-storey in height and were completed in various stages between 1980 and 1997.</p> <p>In accordance the subject 60 building ownership certificates provided to us, the property extends to an approximate total registered gross floor area of 97,052.20 sq.m. (1,044,669.88 sq.ft.).</p> <p>The property is located on the northeastern side of urban area of Mudanjiang Shi and enjoys reasonable accessibility. It is situated about 15 minutes' driving distance northeast of Mudanjiang Railway Station, 15 minutes' driving distance northeast of city centre of Mudanjiang Shi and 25 minutes' driving distance northeast of Mudanjiang Hailang Airport.</p>	<p>We have been informed that the property was occupied by the Group primarily as production, storage, office, canteen and staff quarter purposes. However, production had been suspended, as at the valuation date.</p> <p>We have been instructed to assess the property, in its existing state and with the immediate benefit of vacant possession basis.</p>	<p>163,680,000 <i>(See also Notes 13 &amp; 14 below)</i>  <i>(100% interest attributable to the Group: 163,680,000)</i></p>

<u>Property</u>	<u>Description and tenure</u>	<u>Particular of occupancy</u>	<b>Market value in existing state as at 30 June 2016</b> <i>RMB</i>
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The subject locality is one of the earliest established industrial area of Mudanjiang Shi. Enterprises occupied the subject industrial area as at the time of our inspection were mainly from chemical industry, automobile sale & service, pharmacy, medical equipment manufacturing, wooden board industry, electricity and steam heat supply, military weapon manufacturing and driving school sectors.

Developments in the vicinity comprise mainly low rise industrial establishments such as Chinese Weapon Northern Tool, Yixiang Wooden Board Industry, Heilongjiang Yikei Medical Equipment Co., Ltd., Mudanjiang Citic Hengan Automobile Sale & Service Co., Ltd. and Youbo Pharmacy Co., Ltd. interspersed with some low rise village houses and medium rise domestic and composite buildings.

The property is bounded by Yangming Road on its east and south, at its junction with Xingye Road. It is a easy access location which is served by taxi and public bus route Nos. 13, 20, 66-1 & 66-9. It is also situated close to the G11 Heda Expressway, just across the Mudan River.

Pursuant to the land use rights certificate in question dated 11 September 2007, the term of land use rights of the property is till 27 April 2056.

The permitted user of the land is industrial.

Notes:

### Ownership of the property

1. In accordance with the state-owned land use rights certificate and 60 building ownership certificates in question provided to us, the legitimate owner of the property was 牡丹江高科生化有限公司 (Mudanjiang Gaoke Bio-Chem Co., Ltd.), as at the valuation date.

### Interests held by the Company in the property

2. In accordance with 合同編號:牡國土出字 2006-013 號 (Land Use Rights Grant Contract No.: 2006-013) signed between 黑龍江省牡丹江市國土資源局 (Heilongjiang Province Mudanjiang Shi State-owned Land Resources Bureau) and 牡丹江高科生化製藥有限公司 (Mudanjiang Gaoke Bio-Chem Pharmacy Co., Ltd.) on 28 April 2006, the land use rights of the property having a site area of 344,965.30 sq.m. had been granted to the latter party and was subject to, inter-alia, the following terms and conditions:

Land Area	:	344,965.30 sq.m.
Term	:	50 years
User	:	Industrial
Land Grant Premium	:	RMB32,081,772.90

3. The land use rights of the property is held under a state-owned land use rights certificate issued by 牡丹江市人民政府 (Mudanjiang Municipal Government) to 牡丹江高科生化有限公司 (Mudanjiang Gaoke Bio-Chem Co., Ltd.).

According to 牡國土國用(2007)第32831號 (State-owned Land Use Rights Certificate No. 32831 of 2007) dated 11 September 2007, land use rights of the property having a site area of 344,965.30 sq.m. is held by 牡丹江高科生化有限公司 (Mudanjiang Gaoke Bio-Chem Co., Ltd.) via assignment grant and subject to, *inter alia*, the following terms:

(a) Use of the Land	:	industrial
(b) Land Area	:	344,965.30 sq.m.
(c) Term	:	till 27 April 2056

4. The building title of the property is held under 60 building ownership certificates issued by 牡丹江市房產管理局 (Mudanjiang Shi Real Estate Administration Bureau) to 牡丹江高科生化有限公司 (Mudanjiang Gaoke Bio-Chem Co., Ltd.).

According to 牡房權証陽明區字第4003015、4003016、4003021、4003024、4003026、4003027、4006976 至 4006979、4006981、4006983、4006984、4006989 至 4006991、406297 至 406320、406322 至 406340 及 406342號 (Building Ownership Certificate Nos. 4003015, 4003016, 4003021, 4003024, 4003026, 4003027, 4006976 to 4006979, 4006981, 4006983, 4006984, 4006989 to 4006991, 406297 to 406320, 406322 to 406340 and 406342) all issued on 21 November 2006, the legitimate owner of 60 buildings and structures of the property is 牡丹江高科生化有限公司 (Mudanjiang Gaoke Bio-Chem Co., Ltd.). It covers a total registered gross floor area of about 97,052.20 sq.m. for designated industrial, office, godown or other uses.

5. The legal title of the property is held by 牡丹江高科生化有限公司 (Mudanjiang Gaoke Bio-Chem Co., Ltd.). We have been advised that 牡丹江高科生化有限公司 (Mudanjiang Gaoke Bio-Chem Co., Ltd.) is an indirect wholly-owned subsidiary of the Group.
6. 牡丹江高科生化有限公司 (Mudanjiang Gaoke Bio-Chem Co., Ltd.) has been approved by 黑龍江省人民政府 (Heilongjiang Provincial Government) via a certificate 商外資牡經合外資發字 (2012) 0017號 (Approval No. 0017 of 2012) and registered with 牡丹江市工商行政管理局 (Mudanjiang Shi Administration for Industry and Commerce) as revealed by business licence 統一社會信用代碼 912310007819415310 (Uniform Code of

Social Credit: 912310007819415310) dated 24 December 2012. 牡丹江高科生化有限公司 (Mudanjiang Gaoke Bio-Chem Co., Ltd.) was incorporated as a limited liability company (foreign joint venture) with a registered capital of RMB100 million for an operation period commencing from 1 March 2006 to 29 February 2056. The scope of business includes production and processing of edible glucose, food-grade starch, food additives (Vitamin C), raw material for medicine (Vitamin C) (items restricted or prohibited under Catalogue for the Guidance of Foreign Investment Industries excepted), production and processing of glucose, food & starch, food additives, raw materials (those projects that require consent must obtain approval from the relevant department before carrying out any business activities).

#### Material encumbrances

7. We have been advised by the Company's PRC legal adviser that land of the property bearing 牡國土國用(2007)第32831號 (State-owned Land Use Rights Certificate No. 32831 of 2007) was not subject to any material encumbrances, mortgage or court order, as at the issuance date of the PRC legal opinion.

However, the 60 buildings in question erected thereon had been pledged to 中國農業銀行股份有限公司黑河愛輝支行 (Agriculture Bank of China Limited (Heihe Aihui Sub-branch)) under 牡房他證陽明區字201401928-1號至201401928-60號 (Mudanjiang Shi Yangming District Building Encumbrance Certificate Nos. 201401928-1 to 201401928-60) for a total loan amount of RMB 50,000,000. We have further been advised by the Company's PRC legal adviser that the discharge process for the above-mentioned pledging was in progress.

#### PRC Legal Opinion

8. We have been provided with a legal opinion regarding the legality of title of the property issued by the Company's PRC legal adviser, which contains, *inter alia*, the followings:
- (i) 牡丹江高科生化有限公司 (Mudanjiang Gaoke Bio-Chem Co., Ltd.) was the only legitimate owner of the property.
  - (ii) 牡丹江高科生化有限公司 (Mudanjiang Gaoke Bio-Chem Co., Ltd.) had obtained a good, legal and valid title to the land use rights of the property.
  - (iii) 牡丹江高科生化有限公司 (Mudanjiang Gaoke Bio-Chem Co., Ltd.) had obtained a good, legal and valid property title to 60 buildings of the property as mentioned in Note 4 above.
  - (iv) The 60 buildings of the property do not possess the statutory requirements for legal assignment/transfer before the completion of discharge process of subject pledging.

#### Land use zoning of the property

9. In accordance with the subject state-owned land use rights certificate dated 11 September 2007, the permitted user of the property is industrial.

#### Status of major document relating to legality of the Company and property

10. The status of the title and grant of major approvals in accordance with the information provided by the Company are as follows:

Documents relating to Company's legality:	Obtained
Business Licence	Yes
Certificate for Approval of Establishment of Foreign Investment Enterprises in the PRC	Yes

**Documents relating to property title:**

State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes

(in respect of the buildings/structures as mentioned in Note 4 above)

**Inspection of the property**

11. The property was last inspected by Sr K L Yuen, *MRICS MHKIS RPS(GP)* on 28 July 2016.
12. We have inspected the exterior and, where possible, the accessible portions of the interior of the property. However, we have not been commissioned to carry out structural survey nor to arrange for an inspection of the services, but in the course of our inspection, we did not note any serious defects. We are, therefore, not able to report whether the property is free of rot, infestation or any other structural defects. We formulate our view as to the overall conditions of the property taking into account the general appearance, the apparent standard and age of fixtures and fittings. In the course of our valuation, we have assumed that the property is structural sound, free from defects or as to the possibility of latent defects. No tests were carried out on any of the services. We have assumed that utility services, such as electricity, telephone, water, etc., are also free from defect.

**Major Assumptions of Valuation**

13. In valuing the property, we have adopted an unit site value of RMB287 per sq.m..

In the course of our valuation, we have made reference to sales transaction of industrial land of Mudanjiang Shi which have characteristics comparable to the property. The major unit site price of industrial land is in the range of RMB195 per sq.m. to RMB350 per sq.m..

The unit site value adopted by us is consistent with the relevant market comparables after due adjustments including location and environment, accessibility, layout, user, size, time, remaining lease term and other relevant factors.

**Remarks for valuation**

14. We have attributed no commercial value to buildings other than those mentioned in Note 4 above, for the reason as informed by the Group that they had not obtained any proper construction/development consent and title certificate.

**Potential tax liability for the proposed disposal of the property**

15. We have been advised and confirmed by the Group that the potential tax liabilities charged to the Group as a result of the disposal of the property include Land Appreciation Tax (土地增值稅) at progress tax rates from 30% to 60%, Business Tax (營業稅) and related surcharge (附加稅) at a total of 17% of the appraised value and Stamp Duty (印花稅) at 0.05 % of the appraised value. The exact amount of tax payable upon realised the property in the PRC will be subject to the formal tax advice issued by the relevant tax authority at the time of disposal of the property upon representation of the relevant transaction documents. However, in accordance with our established practice, we have neither verified nor taken into account of any tax liability, in the course of our valuation.

<u>Property</u>	<u>Description and tenure</u>	<u>Particular of occupancy</u>	<b>Market value in existing state as at 30 June 2016</b> <i>RMB</i>
2. A parcel of industrial land located at No. 139 Kuang Shan North Street (previously known as 160 Yu Min Road), Xinxing Sub-district Office, Yangming District, Mudanjiang Shi, Heilongjiang Province, the PRC  (Land Lot No. 34-3-10 )	<p>The property comprises a parcel of land having a site area of approximately 22,591.50 sq.m. and with several blocks of single storey to 2-storey dilapidated buildings and structures erected thereon.</p> <p>There is not any information available to us in respect of the respective gross floor areas and completion years of the buildings and structures.</p> <p>The property is located on the northeastern side of urban area of Mudanjiang Shi and enjoys reasonable accessibility. It is situated about 15 minutes' driving distance northeast of Mudanjiang Railway Station, 15 minutes' driving distance northeast of city centre of Mudanjiang Shi and 25 minutes' driving distance northeast of Mudanjiang Hailang Airport.</p> <p>The subject locality is a fringe area of one of the earliest established industrial area of Mudanjiang Shi. Enterprises occupied the subject industrial area as at the time of our inspection were mainly from chemical industry, automobile sale &amp; service, pharmacy, medical equipment manufacturing, wooden board industry, electricity and steam heat supply, military weapon manufacturing and driving school sectors.</p>	<p>We have been informed that save and except portions of some subject buildings were occupied by local villagers as domestic purpose and portion of the subject land was abandoned fish pond, the property was vacant as at the valuation date.</p> <p>We have been instructed to assess the property, in its existing state and with the immediate benefit of vacant possession basis.</p>	<p>5,300,000 <i>(See also Notes 12 &amp; 13 below)</i>  <i>(100% interest attributable to the Group: 5,300,000)</i></p>

<u>Property</u>	<u>Description and tenure</u>	<u>Particular of occupancy</u>	<b>Market value in existing state as at 30 June 2016</b> <i>RMB</i>
	<p>Developments in the vicinity comprise mainly low rise small scale industrial establishments interspersed with some low rise village houses and agricultural land.</p> <p>The property is located on the northern side of Kuang Shan North Street, near its junction with Yangming Road. It is a less convenient location but is served by taxi and public bus route Nos. 13, 20, 66-1 &amp; 66-9. It is also situated close to the G11 Heda Expressway, just across the Mudan River.</p> <p>Pursuant to the land use rights certificate in question dated 11 September 2007, the term of land use rights of the property is till 27 April 2056.</p> <p>The permitted user of the land is industrial.</p>		

*Notes:***Ownership of the property**

- In accordance with the state-owned land use rights certificate in question provided to us, the legitimate owner of the property was 牡丹江高科生化有限公司 (Mudanjiang Gaoke Bio-Chem Co., Ltd.), as at the valuation date.

**Interests held by the Company in the property**

- In accordance with 合同編號:牡國土出字2006-014號 (Land Use Rights Grant Contract No.: 2006-014) signed between 黑龍江省牡丹江市國土資源局(Heilongjiang Province Mudanjiang Shi State-owned Land Resources Bureau) and 牡丹江高科生化製藥有限公司 (Mudanjiang Gaoke Bio-Chem Pharmacy Co., Ltd.) on 28 April 2006, the land use rights of the property having a site area of 22,591.50 sq.m. had been granted to the latter party and was subject to, inter-alia, the following terms and conditions:

Land Area	:	22,591.50 sq.m.
Term	:	50 years
User	:	Industrial
Land Grant Premium	:	RMB1,552,261.97



3. The land use rights of the property is held under a state-owned land use rights certificate issued by 牡丹江市人民政府 (Mudanjiang Municipal Government) to 牡丹江高科生化有限公司 (Mudanjiang Gaoke Bio-Chem Co., Ltd.).

According to 牡國土國用(2007)第32830號 (State-owned Land Use Rights Certificate No. 32830 of 2007) dated 11 September 2007, land use rights of the property having a site area of 22,591.50 sq.m. is held by 牡丹江高科生化有限公司 (Mudanjiang Gaoke Bio-Chem Co., Ltd.) via assignment grant and subject to, *inter alia*, the following terms:

- |                     |   |                    |
|---------------------|---|--------------------|
| (a) Use of the Land | : | industrial         |
| (b) Land Area       | : | 22,591.50 sq.m.    |
| (c) Term            | : | till 27 April 2056 |

4. The legal title of the property is held by 牡丹江高科生化有限公司 (Mudanjiang Gaoke Bio-Chem Co., Ltd.). We have been advised that 牡丹江高科生化有限公司 (Mudanjiang Gaoke Bio-Chem Co., Ltd.) is an indirect wholly-owned subsidiary of the Group.
5. 牡丹江高科生化有限公司 (Mudanjiang Gaoke Bio-Chem Co., Ltd.) has been approved by 黑龍江省人民政府 (Heilongjiang Provincial Government) via a certificate 商外資牡經合外資發字(2012)0017號 (Approval No. 0017 of 2012) and registered with 牡丹江市工商行政管理局 (Mudanjiang Shi Administration for Industry and Commerce) as revealed by business licence 統一社會信用代碼 912310007819415310 (Uniform Code of Social Credit: 912310007819415310) dated 24 December 2012. 牡丹江高科生化有限公司 (Mudanjiang Gaoke Bio-Chem Co., Ltd.) was incorporated as a limited liability company (foreign joint venture) with a registered capital of RMB100 million for an operation period commencing from 1 March 2006 to 29 February 2056. The scope of business includes production and processing of edible glucose, food-grade starch, food additives (Vitamin C), raw material for medicine (Vitamin C) (items restricted or prohibited under Catalogue for the Guidance of Foreign Investment Industries excepted), production and processing of glucose, food & starch, food additives, raw materials (those projects that require consent must obtain approval from the relevant department before carrying out any business activities).

#### Material encumbrances

6. We have been advised by the Company's PRC legal adviser that the property was not subject to any material encumbrances, mortgage or court order, as at the issuance date of the PRC legal opinion.

#### PRC Legal Opinion

7. We have been provided with a legal opinion regarding the legality of title of the property issued by the Company's PRC legal adviser, which contains, *inter alia*, the followings:
- (i) 牡丹江高科生化有限公司 (Mudanjiang Gaoke Bio-Chem Co., Ltd.) was the only legitimate owner of the property.
  - (ii) 牡丹江高科生化有限公司 (Mudanjiang Gaoke Bio-Chem Co., Ltd.) had obtained a good, legal and valid title to the land use rights of the property.

#### Land use zoning of the property

8. In accordance with the subject state-owned land use rights certificate dated 11 September 2007, the permitted user of the property is industrial.

**Status of major document relating to legality of the Company and property**

9. The status of the title and grant of major approvals in accordance with the information provided by the Company are as follows:

<b>Documents relating to Company's legality:</b>	<b>Obtained</b>
Business Licence	Yes
Certificate for Approval of Establishment of Foreign Investment Enterprises in the PRC	Yes
<b>Documents relating to property title:</b>	
State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	No

**Inspection of the property**

10. The property was last inspected by Sr K L Yuen, *MRICS MHKIS RPS(GP)* on 28 July 2016.
11. We have inspected the exterior and, where possible, the accessible portions of the interior of the property. However, we have not been commissioned to carry out structural survey nor to arrange for an inspection of the services, but in the course of our inspection, we did not note any serious defects. We are, therefore, not able to report whether the property is free of rot, infestation or any other structural defects. We formulate our view as to the overall conditions of the property taking into account the general appearance, the apparent standard and age of fixtures and fittings. In the course of our valuation, we have assumed that the property is structural sound, free from defects or as to the possibility of latent defects. No tests were carried out on any of the services. We have assumed that utility services, such as electricity, telephone, water, etc., are also free from defect.

**Major Assumptions of Valuation**

12. In valuing the property, we have adopted an unit site value of RMB234 per sq.m..

In the course of our valuation, we have made reference to sales transaction of industrial land of Mudanjiang Shi which have characteristics comparable to the property. The major unit site price of industrial land is in the range of RMB 195 per sq.m. to RMB 350 per sq.m..

The unit site value adopted by us is consistent with the relevant market comparables after due adjustments including location and environment, accessibility, layout, user, size, time, remaining lease term and other relevant factors.

**Remarks for valuation**

13. We have attributed no commercial value to buildings and structures erected on the property, for the reason as informed by the Group that they had not obtained any proper construction/development consent and title certificate and also they are lack of gross floor area and building age information. We have valued the property as a vacant industrial land only.

**Potential tax liability for the proposed disposal of the property**

14. We have been advised and confirmed by the Group that the potential tax liabilities charged to the Group as a result of the disposal of the property include Land Appreciation Tax (土地增值税) at progress tax rates from 30% to 60%, Business Tax (營業稅) and related surcharge (附加稅) at a total of 17% of the appraised value and Stamp Duty (印花稅) at 0.05 % of the appraised value. The exact amount of tax payable upon realised the property in the PRC will be subject to the formal tax advice issued by the relevant tax authority at the time of disposal of the property upon representation of the relevant transaction documents. However, in accordance with our established practice, we have neither verified nor taken into account of any tax liability, in the course of our valuation.

## 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	2.09%
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	Beneficial Owner	417,829,629	14.53%

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 in this circular, 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. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACT OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any interest in any assets which have been, since 30 June 2015 (being the date to which the latest published audited financial statements of the Group were made up), 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 materially interested in any contract or arrangement, subsisting at the date of this circular, which is significant in relation to the business of the Group.

#### **5. 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).

#### **6. 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.

#### **7. COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective associates, was interested in any business (apart from the Group's business) which competes or is likely to compete either directly or indirectly with the Group's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder).

#### **8. LITIGATION**

As at the Latest Practicable Date, save as disclosed in this circular, 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. QUALIFICATION AND CONSENT OF EXPERT AND EXPERT'S INTERESTS**

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
International Valuation Limited	An independent professional property valuer

*Note:* For details of the qualification of the expert above, please refer to page 22 of this circular.

As at the Latest Practicable Date, the expert had:

- (a) no shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (b) no interest, direct or indirect, in any assets which have been, since 31 December 2015 (being the date to which the latest published audited consolidated financial statements of the Company were made up), 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.

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and references to its name included herein in the form and context in which they appear.

## 10. MATERIAL CONTRACTS

The following contracts (being contracts entered into outside the ordinary course of business carried on by the Company and its subsidiaries) have been entered into by members of the Company and its subsidiaries within the two years immediately preceding the date of this circular:

- (a) a placing agreement dated 11 December 2014 (as supplemented by a supplemental agreement dated 11 February 2015) between Pico Zeman Securities (HK) Limited as the placing agent and the Company as the issuer for the placing of one or multiple tranches of 6% bonds to be issued by the Company in an aggregate principal amount of up to HK\$100,000,000 for each of the 6%, 4-year terms bonds;
- (b) a placing agreement dated 20 January 2015 (as supplemented by a supplemental agreement dated 2 February 2015) between Pico Zeman Securities (HK) Limited as the placing agent and the Company as the issuer for the placing of the multiple tranches of 5% coupon unsecured, non-convertible and unlisted bonds to be issued by the Company in an aggregate principal amount of up to HK\$100,000,000 (with face value of HK\$1,250,000 each) due on the tenth anniversary of the respective date(s) of issue of the bonds;
- (c) a placing agreement dated 13 April 2015 between Great Roc Capital Securities Limited as the placing agent and the Company as the issuer for the placing of the multiple tranches of 6.8% coupon unsecured, non-convertible and unlisted bonds to be issued by the Company in an aggregate principal amount of up to HK\$200,000,000 (with face value of HK\$1,250,000 each) due on the fourth anniversary of the respective date(s) of issue of the bonds;

- (d) a placing agreement dated 19 May 2015 between Pico Zeman Securities (HK) Limited as the placing agent and the Company as the issuer for the placing of the multiple tranches of 5%–9% coupon unsecured, non- convertible and unlisted bonds to be issued by the Company in an aggregate principal amount of up to HK\$100,000,000 (with face value of HK\$1,250,000 each) due on the expiry date agreed between Pico Zeman Securities (HK) Limited and the Company for each tranche of issue of the bonds;
- (e) a placing agreement dated 3 June 2015 between AMTD Asset Management Limited as the placing agent and the Company as the issuer for the placing of the multiple tranches of 6.8% coupon unsecured, non- convertible and unlisted bonds to be issued by the Company in an aggregate principal amount of up to HK\$200,000,000 (with face value of HK\$1,250,000 each) due on the fourth anniversary of the respective date(s) of issue of the bonds;
- (f) a framework agreement between the Company and Mudanjiang Transportation Group dated 26 August 2015 in relation to the construction and operation of the international and domestic logistics centres in Mudanjiang City;
- (g) a placing agreement dated 16 September 2015 between Pico Zeman Securities (HK) Limited as the placing agent and the Company as the issuer for the placing of the the multiple tranches of 5%–12% coupon unsecured, non- convertible and unlisted bonds to be issued by the Company in an aggregate principal amount of up to HK\$100,000,000 (with face value of HK\$1,250,000 each) due on the expiry date agreed between Pico Zeman Securities (HK) Limited and the Company for each tranche of issue of the bonds;
- (h) a placing agreement dated 18 January 2016 between Pico Zeman Securities (HK) Limited as the placing agent and the Company as the issuer for the placing of the multiple tranches of 6.8% coupon unsecured, non- convertible and unlisted bonds to be issued by the Company in an aggregate principal amount of up to HK\$200,000,000 (with face value of HK\$1,250,000 each) due on the fourth anniversary of the respective date(s) of issue of the bonds;
- (i) a share acquisition framework agreement dated 29 February 2016 between the Company as the purchaser and Mudanjiang Transportation Group as the vendor for the acquisition of 70% of the registered capital of Mudanjiang Transportation Group Investment Limited immediately before completion for a consideration of approximately RMB167.4 million (equivalent to approximately HK\$197.5 million) which shall be satisfied by the allotment and issue of the consideration shares;
- (j) a placing agreement dated 5 April 2016 between Mr. Chan Yuen Tung as the vendor, the Company and VC Brokerage Limited as the placing agent of Mr. Chan Yuen Tung for the placing of a maximum of 138,000,000 placing shares at the placing price of HK\$0.315 per placing share and a subscription agreement dated 5 April 2016 between

the Company as the issuer and Mr. Chan Yuen Tung as the subscriber for subscribing a maximum of 138,000,000 new Shares with an aggregate maximum nominal value of HK\$13,800,000 at the subscription price of HK\$0.315 per subscription share;

- (k) a share purchase agreement dated 18 March 2016 between Dragon Boom Investments Limited, a wholly owned subsidiary of the Company as the vendor and Hope High Holdings Limited as the purchaser for the acquisition of the 23 shares with a par value of US\$1 each in the share capital of Racing Dragon Group Limited, representing 23% of the issued share capital of Racing Dragon Group Limited for a consideration of HK\$142,970,000;
- (l) a subscription agreement dated 30 June 2016 between Triasia Holdings Limited as subscriber and the Company as issuer for the subscription of convertible bonds of the Company for an aggregate principal amount of HK\$400,000,000 in eight separate batches of HK\$50,000,000 each, bearing no interest and the maturity date is three years from the respective date of issue;
- (m) the Agreement; and
- (n) an underwriting agreement dated 15 August 2016 between the Company and VC Brokerage Limited in relation to the underwriting of the open offer of the Company for a subscription price of HK\$0.10 per open offer share on the basis of one open offer share for every four existing Shares held on the record date for the open offer and issue of bonus shares on the basis of one bonus share for every offer share taken up under the open offer.

## 11. GENERAL

- (a) The registered office of the Company is situated at Room 4007, 40/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.
- (b) The share registrar of the Company is Tricor Tengis Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The secretary of the Company is Mr. Ma Kin Ling, a member of the Hong Kong Institute of Certified Public Accountants.
- (d) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.



**12. 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, 40/F., 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 26 September 2016:

- (i) this circular;
- (ii) the memorandum of association and articles of association of the Company;
- (iii) the annual reports of the Company for each of the financial years ended 30 June 2014 and 30 June 2015;
- (iv) the material contracts referred to in the paragraph headed “Material Contracts” above; and
- (v) a copy of each circular issued pursuant to the requirements set out in Chapter 14 which has been issued since the date of the latest published audited accounts.

## NOTICE OF EGM



### 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, 40/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, on Monday, 31 October 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 15 July 2016 (the “**Agreement**”) between the Company and Direct High Limited (the “**Purchaser**”) pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued share capital of Better Day Bio-Chem Technology Limited (the “**Target Company**”, together with its subsidiaries the “**Target Group**”) together with the shareholder’s loan extended to Target Group by the Company for a consideration of RMB192,000,000 (equivalent to approximately HK\$222,720,000). The Agreement and transactions contemplated thereunder, details of which are more particularly described in the circular of the Company dated 26 September 2016, be and are hereby approved, confirmed and ratified; and
- (b) 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 Agreement and transactions contemplated thereunder.”

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

Hong Kong, 26 September 2016

## NOTICE OF EGM

*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, Hong Kong at 4:30 p.m. on 26 September 2016 shall qualify for attending and voting at the extraordinary general meeting.
- (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, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof.