

THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this prospectus 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 ("Company"), you should at once hand the Prospectus Documents to the purchaser, the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Terms used in this cover page have the same meanings as defined in this prospectus.

Subject to the grant of listing of, and permission to deal in, the Offer Shares and the Bonus Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Offer Shares and the Bonus Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time. You should consult your stock broker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

A copy of each of the Prospectus Documents, together with the written consent referred to in the paragraph headed "Expert and Consent" in Appendix III to this prospectus, have been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of any of these documents.

Hong Kong Exchanges and Clearing Limited, the Stock Exchange and HKSCC take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.



China Zenith Chemical Group Limited

中國天化工集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 362)

**OPEN OFFER ON THE BASIS OF ONE OFFER SHARE FOR
EVERY FOUR EXISTING SHARES HELD ON THE RECORD DATE AND
ISSUE OF BONUS SHARES ON THE BASIS OF ONE BONUS SHARE
FOR EVERY OFFER SHARE TAKEN UP UNDER THE OPEN OFFER**

Underwriter



It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder on the occurrence of certain events. These events are set out in the section headed "Termination of the Underwriting Agreement" on pages 6 to 7 of this prospectus.

If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Open Offer will not proceed.

The latest time for acceptance of and payment for the Offer Shares is at 4:00 p.m., on Friday, 25 November 2016. The procedures for application and payment for the Offer Shares are set out on pages 15 of this prospectus and the Application Form.

Shareholders should note that the Shares have been dealt in on an ex-entitlement basis commencing from Wednesday, 2 November 2016 and that dealings in the Shares may take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled.

Any Shareholder or other person dealing in the Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be at or before 4:00 p.m., on Tuesday, 29 November 2016), will accordingly bear the risk that the Open Offer may not become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.

11 November 2016

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DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meaning:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Announcement”	the announcement of the Company dated 15 August 2016 in relation to, among other things, the proposed Open Offer and issue of Bonus Shares
“Application Form(s)”	the application form to be used by the Qualifying Shareholders to apply for the Offer Shares
“Articles”	the articles of association of the Company
“associate”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bonus Issue”	the proposed issue of the Bonus Shares on the basis of one Bonus Share for every Offer Share taken up by the Qualifying Shareholders credited as fully paid at par (HK\$0.10) by way of capitalisation of the amount equal to the total par value of the Bonus Shares standing to the credit of the share premium account of the Company
“Bonus Shares”	in respect of the Open Offer, an aggregate of 718,724,879 Bonus Shares to be issued (for no additional payment) to the registered holders of the Offer Shares on the basis of one Bonus Share for every one Offer Share taken up under the Open Offer subject to the terms and upon the conditions as set out in the Underwriting Agreement and the Prospectus Documents
“Business Day(s)”	a day on which licensed banks in Hong Kong are generally open for business throughout their normal business hours (other than a Saturday, Sunday or public holiday)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Chan Undertaking”	an irrevocable undertaking dated 15 August 2016 and given by Mr. Chan in favour of the Company and the Underwriter
“Circular”	the circular of the Company dated 28 September 2016 in relation to, among other things, the proposed Open Offer and issue of Bonus Shares

DEFINITIONS

“Company”	China Zenith Chemical Group Limited (stock code: 362), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong (as amended from time to time)
“Director(s)”	the director(s) of the Company
“Group”	collectively, the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	15 August 2016, being the last trading day before the suspension of the trading of the Shares for the purpose of the release of the Announcement
“Latest Practicable Date”	9 November 2016, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on Friday, 25 November 2016 or such other time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of Offer Shares (with Bonus Shares) as described in this Prospectus
“Latest Time for Termination”	4:00 p.m. on Tuesday, 29 November 2016 or such other time as may be agreed between the Company and the Underwriter, being the third Business Day after (but excluding) the Latest Time for Acceptance
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chan”	Mr. Chan Yuen Tung
“Non-Qualifying Shareholders”	Overseas Shareholders in respect of whom the Directors, based on legal opinions provided by the legal advisers, consider it necessary or expedient not to offer the Open Offer to such Shareholders on account either of the legal restrictions under the laws of the relevant places or the requirements of the relevant regulatory bodies or stock exchanges in those places

DEFINITIONS

“Offer Share(s)”	new Shares to be allotted and issued under the Open Offer, being 718,724,879 Shares
“Open Offer”	the issue of one Offer Share for every four existing Shares held on the Record Date at the Subscription Price
“Overseas Shareholder(s)”	Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register are in a place(s) outside Hong Kong
“Prohibited Shareholders”	those Overseas Shareholders to whom the Company considers it necessary or expedient not to offer the Offer Shares on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place based on the enquiry made pursuant to the provisions under the Underwriting Agreement
“Prospectus Documents”	this prospectus and Application Form(s)
“Prospectus Posting Date”	The business day immediately following the Record Date or such later date as may be agreed between the Company and the Underwriter for the despatch of the Prospectus Documents
“Qualifying Shareholders”	Shareholders, other than the Non-Qualifying Shareholders, whose names appear on the register of members of the Company at the close of business on the Record Date
“Record Date”	Thursday, 10 November 2016, the date by reference to which entitlements to the Open Offer were determined
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company

DEFINITIONS

“Share Options”	collectively, (a) the share options granted to certain eligible participants under the Share Option Scheme conferring the holders thereof the right to subscribe for up to 34,000,000 Shares at a subscription price of HK\$0.425 per Share (subject to adjustments) as at the Latest Practicable Date; and (b) the share options granted to certain eligible participants under the Share Option Scheme conferring the holders thereof the right to subscribe for up to 46,000,000 Shares at a subscription price of HK\$1.05 per Share (subject to adjustments) as at the Latest Practicable Date
“Share Option Scheme”	the Share Option Scheme of the Company adopted on 20 December 2012
“Shareholder(s)”	holder(s) of issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.10 per Offer Share
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs
“Underwriter”	VC Brokerage Limited
“Underwriting Agreement”	the underwriting agreement dated 15 August 2016 entered into among the Company and the Underwriter in relation to the underwriting and certain other arrangements in respect of the Open Offer
“Underwritten Shares”	614,267,472 Offer Shares, being all the Offer Shares less the aggregate number of the Offer Shares agreed to be taken up by Mr. Chan under the Chan Undertaking, which are fully underwritten by the Underwriter in accordance with the terms and subject to the conditions set out in the Underwriting Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

EXPECTED TIMETABLE

The expected timetable of the proposed Open Offer and the issue of the Bonus Shares is as follows:

Event	Time and Date
	2016
Latest time for Acceptance of and payment for the Offer Shares	4:00 p.m. on 25 November
Open Offer and Underwriting Agreement expected to become unconditional on or before	4:00 p.m. on 29 November
Announcement of results of acceptance of the Offer Shares	30 November
Despatch of certificates for the Offer Shares and the Bonus Shares.	1 December
Despatch of refund cheques if the Open Offer is terminated	1 December
Dealings in the Offer Shares and the Bonus Shares commence.	9:00 a.m. on 2 December

All times and dates specified in this prospectus refer to Hong Kong local times. Dates stated in this prospectus for events mentioned in the timetable are indicative only and may be extended or varied. Any changes to the anticipated timetable for the Open Offer will be announced as appropriate in accordance with the Listing Rules.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE OFFER SHARES

All times in this prospectus refer to Hong Kong time. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on Friday, 25 November 2016, being the date of the Latest Time of Acceptance:

- (i) at any time before 12:00 noon and no longer in force after 12:00 noon, the Latest Time for Acceptance will be postponed to 5:00 p.m. on the same Business Day; or
- (ii) at any time between 12:00 noon and 4:00 p.m., the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

Under such circumstances, the dates mentioned in the expected timetable above (including, without limitation, the Latest Time for Termination) may be affected.

TERMINATION OF THE UNDERWRITING AGREEMENT

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter may at its sole and absolute discretion terminate the Underwriting Agreement by notice in writing given to the Company at any time prior to Latest Time for Termination if there occurs any of the following events:

- (1) in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
 - (c) any adverse change in market conditions (whether foreseeable or not) (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter will or is reasonably likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient, impracticable or inadvisable to proceed with the Open Offer; or
 - (d) the commencement by any third party of any litigation or claim against any member of the Group which is or might be material to the Group taken as a whole; or
 - (e) the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which in the reasonable opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Open Offer; or

TERMINATION OF THE UNDERWRITING AGREEMENT

- (f) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the reasonable opinion of the Underwriter will or is reasonably likely to adversely affect the prospects of the Company; or
 - (g) there is any change in the circumstances of the Company or any member of the Group (whether foreseeable or not) which in the reasonable opinion of the Underwriter will or is reasonably likely to adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
 - (h) any suspension in or material restriction on the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Announcement, or the Prospectus Documents or other announcements in connection with the Open Offer,
- (2) If, prior to the Latest Time for Termination, there is:
- (a) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
 - (b) any specified event described in the Underwriting Agreement comes to the knowledge of the Underwriter,

The Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

If the Underwriter gives a notice of termination to the Company in accordance with the terms of the Underwriting Agreement, all obligations of the Underwriter under the Underwriting Agreement shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement. If the Underwriter exercises its right to terminate the Underwriting Agreement, the Open Offer will not proceed.



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

11 November 2016

*To the Qualifying Shareholders, and for information only,
to the Non-Qualifying Shareholder(s)*

Dear Sir or Madam,

**OPEN OFFER ON THE BASIS OF ONE OFFER SHARE FOR
EVERY FOUR EXISTING SHARES HELD ON THE RECORD DATE AND
ISSUE OF BONUS SHARES ON THE BASIS OF ONE BONUS SHARE
FOR EVERY ONE OFFER SHARE TAKEN UP UNDER THE OPEN OFFER**

INTRODUCTION

References are made to the Announcement and the Circular in relation to, among other things, the Open Offer and the issue of the Bonus Shares.

LETTER FROM THE BOARD

On 15 August 2016, the Company announced that it proposed to raise approximately HK\$71.9 million, before expenses, by way of the Open Offer, by issuing 718,724,879 Offer Shares at a price of HK\$0.10 per Offer Share on the basis of one Offer Share for every four existing Shares held by the Qualifying Shareholders on the Record Date and issue of Bonus Shares on the basis of one Bonus Share for every Offer Share taken up under the Open Offer. The Open Offer will only be available to the Qualifying Shareholders and no excess application arrangement would be available.

At the second extraordinary general meeting of the Company held on 31 October 2016, the resolutions to approve, amongst others, (i) the Open Offer and the issue of Bonus Shares; (ii) the Underwriting Agreement and the transactions contemplated thereunder; (iii) the capitalisation of an amount standing to the credit of the share premium account of the Company and the application of such amount in paying up in full at par for the allotment and issue of 718,724,879 Bonus Shares; and (iv) proposed amendments to the Articles were duly passed by the Shareholders. Subject to the satisfaction of the conditions of the Open Offer, the Bonus Shares will be issued (for no additional payment) to the first registered holders of the Offer Shares on the basis of one Bonus Share for every Offer Share taken up under the Open Offer. As at the Record Date, the Company had 2,874,899,519 Shares. As such, 718,724,879 Offer Shares will be issued and allotted by the Company, which will be fully underwritten pursuant to the Underwriting Agreement. On such basis, 718,724,879 Bonus Shares will be issued.

The purpose of this prospectus is to provide you with further details in relation to the Open Offer and the issue of the Bonus Shares, on dealing in and application for the Offer Shares, financial and other information in respect of the Group.

(I) THE OPEN OFFER AND ISSUE OF BONUS SHARES

Basis of the Open Offer:	One Offer Share for every four existing Shares held by the Qualifying Shareholders on the Record Date
Basis of the issue of Bonus Shares:	One Bonus Share for every Offer Share taken up under the Open Offer
Number of Shares in issue:	2,874,899,519 Shares as at the Record Date
Number of Offer Shares:	718,724,879 Offer Shares
Number of Offer Shares agreed to be taken up by Mr. Chan:	104,457,407 Offer Shares
Number of Offer Shares underwritten by the Underwriter:	614,267,472 Offer Shares, being the number of the Offer Shares less the aggregate number of the Offer Shares agreed to be taken up by Mr. Chan under the Chan Undertaking. Accordingly, the Open Offer is fully underwritten

LETTER FROM THE BOARD

**Subscription Price for
the Offer Shares:** HK\$0.10 per Offer Share

**Aggregate nominal value of
the Offer Shares:** HK\$71,872,487.90

Underwriter: VC Brokerage

**Funds to be received before
expenses:** HK\$71,872,487.90

Number of Bonus Shares: 718,724,879 Bonus Shares

**Aggregate nominal value of
the Bonus Shares:** HK\$71,872,487.90

It should be noted that with one Bonus Share being issued to every Offer Share taken up, effectively two Shares are offered for every four existing Shares under the Open Offer.

The Open Offer is only available to the Qualifying Shareholders and such Qualifying Shareholders are not entitled to apply for any Offer Shares which are in excess of their assured entitlements.

Subject to the satisfaction of the conditions of the Open Offer, the Bonus Shares will be issued to the first registered holders of the Offer Shares on the basis of one Bonus Share for every Offer Share taken up under the Open Offer. On the basis of 718,724,879 Offer Shares to be issued under the Open Offer, 718,724,879 Bonus Shares will be issued.

As at the date of this prospectus, the Company has 80,000,000 outstanding Share Options in issue. Such Share Options entitle the holders thereof to subscribe for an aggregate of 34,000,000 new Shares at an exercise price of HK\$0.425 per Share (all subject to adjustments) and an aggregate of 46,000,000 new Shares at an exercise price of HK\$1.05 per Share (all subject to adjustments). Holders of the 80,000,000 Share Options have irrevocably undertaken to the Company and the Underwriter that they will not exercise any of their Share Options from the date of such undertaking up to and including the Record Date.

Save as disclosed above, the Company has no other options, warrants or other securities convertible or exchangeable into or giving rights to the holders thereof to subscribe or exchange for the Shares as at the date of this prospectus.

The number of Offer Shares is arrived at based on one Offer Share for every four existing Shares held on the Record Date and issue of bonus shares on the basis of one Bonus Share for every Offer Share taken up under the Open Offer, taking into account the 2,874,899,519 Shares in issue as at the Record Date. The Offer Shares and the Bonus Shares would represent in aggregate

LETTER FROM THE BOARD

approximately 50.0% of the Company's existing issued share capital and approximately 33.3% of the Company's issued share capital as enlarged by the issue of the Offer Shares and the Bonus Shares, assuming no exercise of the Share Options by the holders thereof on or prior to completion of the Open Offer.

The Company would remind the Shareholders that the Bonus Shares will be issued only to the Qualifying Shareholders who take up the Offer Shares, but not all Shareholders.

Qualifying Shareholders

The Company will send the Prospectus Documents to Qualifying Shareholders only. To qualify for the Open Offer, a Shareholder must:

- (i) be registered as a member of the Company at the close of business on the Record Date; and
- (ii) not be a Non-Qualifying Shareholder.

The entitlements to the Offer Shares are not transferable or capable of renunciation and there will not be any trading in the entitlements on the Stock Exchange.

Rights of Non-Qualifying Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

Based on the register of members of the Company as at the Record Date, there were no Overseas Shareholders whose addresses on the register of members were outside Hong Kong. Therefore, there is no Non-Qualifying Shareholder for the purpose of the Open Offer.

The entitlements to the Offer Shares are not transferable or capable of renunciation and there will not be any trading in the entitlements on the Stock Exchange.

LETTER FROM THE BOARD

Subscription Price

The Subscription Price for the Offer Shares is HK\$0.10 per Offer Share, payable in full upon application. The Subscription Price represents:

- (i) a discount of approximately 5.66% to the closing price per Share of HK\$0.106 as quoted on the Stock Exchange on 15 August 2016, being the Last Trading Day;
- (ii) a discount of approximately 7.41% to the average of the closing prices per Share of HK\$0.108 for the last 5 trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iii) a discount of approximately 10.71% to the average of the closing prices per Share of HK\$0.112 for the last 10 trading days as quoted on the Stock Exchange up to and including the Last Trading Day; and
- (iv) a premium of approximately 14.94% to the theoretical ex-rights price of HK\$0.087 per Share calculated based on the closing price per Share on the Last Trading Day;
- (v) a premium of approximately 40.85% to the closing price of HK\$0.071 per Share quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a discount of approximately 83.02% to the audited consolidated net asset value per Share of approximately HK\$0.589 (based on the audited net asset value of the Group of HK\$1,693,344,000 as at 30 June 2016 and 2,874,899,519 Shares in issue as at the Latest Practicable Date).

The effective Subscription Price, after taking into account both the Offer Shares and the Bonus Shares, is approximately HK\$0.05, which represents a discount of approximately 29.58% to the closing price of HK\$0.071 per Share quoted on the Stock Exchange on the Latest Practicable Date. The net price per Offer Share (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) after deducting the related expenses of the Open Offer will be approximately HK\$0.10.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to, among other things, the prevailing market price of the Shares, the financial positions of the Group, the absence of excess application arrangement to Shareholders. Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the Subscription Price in proportion to his/her/its existing shareholding in the Company.

As at the Latest Practicable Date, the par value of the Share is HK\$0.1 per Share. Accordingly, the Company is of the view that there is no room for further downward adjustment of the Subscription Price of HK\$0.1. Upon further discussion with the Underwriter, the parties to the Underwriting Agreement reached an understanding that the inclusion of issue of Bonus Shares in the Open Offer represents an alternative to further reduction in the Subscription Price while being beneficial to the Qualifying Shareholders and the Company as a whole. The discount to the adjusted

LETTER FROM THE BOARD

closing price represented by the Subscription Price (together with the Bonus Issue which will effectively reduce the average price per Offer Share taken up to HK\$0.05) is made with a view to encouraging the Qualifying Shareholders to participate in the Open Offer and maintain their shareholdings in the Company accordingly and participate in the future growth of the Company.

The ratio of one Bonus Share for every Offer Share taken was determined after taking into account (i) the effective Subscription Price of HK\$0.05 per Offer Share (together with the one Bonus Share) which represents a discount of approximately 52.8% to the closing price the Share per of HK\$0.106 quoted on the Stock Exchange on Latest Trading Day; (ii) the shareholding dilution effect of approximately 33.3% to those Shareholders who do not qualify or do not elect to subscribe for in full their assured entitlements under the Open Offer (with the Bonus Issue); (iii) the price dilution effect of 18.0% based on the closing price of HK\$0.106 per Share as of the Last Trading Day and the theoretical ex-entitlement price of HK\$0.087 per Share calculated on the basis of the said closing price as of the Last Trading Day; and (iv) the appropriate ratio to lower the chance of creating odd lots.

On this basis, having considered the prevailing market price of the Shares, the financial positions of the Group, the absence of excess application arrangement to Shareholders with an objective to lower the further investment cost of Shareholders to encourage them to take up their entitlements and to participate in the potential growth of the Company, the Directors (including the independent non-executive Directors) consider that the Subscription Price, the subscription ratio, the ratio of Bonus Issue and the terms of the Open Offer (with the Bonus Issue) to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Basis of allotment

The basis of the allotment shall be one Offer Share for every four existing Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price and issue of bonus shares on the basis of one Bonus Share for every offer share taken up under the Open Offer. Application for all or any part of a Qualifying Shareholder's allotment should be made by completing the Application Form and lodging the same with a remittance for the Offer Shares being applied for. The Directors consider the terms of the Open Offer, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Offer Shares and the Bonus Shares

The Offer Shares and the Bonus Shares (when allotted, fully paid or credited as fully paid, and issued) will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Offer Shares and the Bonus Shares. Holders of the Offer Shares and the Bonus Shares will be entitled to receive all future dividends and distributions, which are declared, made or paid on or after the date of allotment and issue of the Offer Shares and Bonus Shares.

LETTER FROM THE BOARD

No application for excess Offer Shares

There is no arrangement for application for the Offer Shares by the Qualifying Shareholders in excess of their proportionate assured allotments under the Open Offer. If such application of the Offer Shares is arranged, the Company would be required to make additional administrative efforts and incur additional cost of at least HK\$200,000 to administer the excess application procedures. As (i) each Qualifying Shareholder will be given an equal opportunity to participate in the Open Offer; (ii) each Qualifying Shareholder will be entitled to subscribe for Offer Shares proportional to his respective shareholding; and (iii) the Underwriter will only take up the untaken Open Offer Shares which are not subscribed by the Qualifying Shareholders, the Company considers that such additional administrative efforts and cost would outweigh the benefits of the Shareholders' rights for the excess application. Accordingly, after arm's length negotiation with the Underwriter, the Company has decided that no excess application for the Offer Shares will be offered to the Qualifying Shareholders. Any Offer Shares that are not taken up by the Qualifying Shareholders will be underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement.

When devising the structure of the Open Offer, the Company had considered a number of factors, including advice from the Underwriter in relation to the market practice, the cost effectiveness of various structures of an open offer relative to the size of the offer, the interests and benefits of all the Shareholders as a whole rather than a particular class of the Shareholders. The Company has been advised it is common in the market not to arrange for excess application in order to save extra administrative time and costs (legal, share registrar, printing etc.). Further, if an open offer is popular with a high subscription rate, the additional shares to be obtained by qualifying shareholders would be minimal; and conversely, if an open offer is unpopular with a low subscription rate, there is a low chance that the qualifying shareholders would apply for additional open offer shares. Accordingly, an excess application arrangement in practice does not bring any substantial real benefits to the shareholders, but does incur extra costs and time as far as the Company is concerned. In addition, the Company also acknowledges that Qualifying Shareholders may further participate in the Open Offer by acquiring more Shares in the secondary market before the ex-entitlement date for the Open Offer with or without an excess application.

Fractions of Offer Shares

No fractional entitlements or allotments are expected to arise as a result of the Open Offer.

Application for listing

The Company has applied to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Offer Shares and the Bonus Shares.

None of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is proposed to be sought.

LETTER FROM THE BOARD

Dealings in the Offer Shares and the Bonus Shares in board lots of 10,000 Shares are registered in the branch register of members of the Company in Hong Kong.

Share certificates for Offer Shares

The share certificates in respect of the Offer Shares and the Bonus Shares are expected to be despatched to those entitled subscribers on or about Thursday, 1 December 2016 by ordinary post and at their own risks.

Procedure for acceptance and payment for the offer shares

For each Qualifying Shareholder, an Application Form is enclosed with this prospectus which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of Offer Shares shown thereon. If the Qualifying Shareholder(s) wish(es) to exercise his/her/their rights to subscribe for all the Offer Shares provisionally allotted to him/her/them, he/she/they must lodge the Application Form(s) in accordance with the instructions printed thereon, together with the remittance for the full amount payable on acceptance, with the Share Registrar at Tricor Tengis Limited, 22nd Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:00 p.m. on Friday, 25 November 2016 or such later time and/or date as may be agreed between the Company and the Underwriter.

All remittance(s) must be made in Hong Kong dollars and cheques must be drawn on an account with, or banker's cashier orders must be issued by, a licensed bank in Hong Kong and made payable to "China Zenith Chemical Group Limited — Open Offer Account" and must be crossed "Account Payee Only".

It should be noted that unless the duly completed and signed Application Form, together with the appropriate remittance, have been lodged with the Share Registrar by not later than 4:00 p.m. on Friday, 25 November 2016, that assured allotments and all rights thereunder will be deemed to have been declined and will be cancelled.

The Application Form contains full information regarding the procedures to be followed if you wish to apply for a number of Offer Shares different from your assured allotments. The Application Form is for use only by the person(s) named therein and is not transferable.

All cheques or banker's cashier orders will be presented for payment upon receipt and all interests earned on such monies (if any) will be retained for the benefit of the Company. Any application in respect of which the cheque or banker's cashier order is dishonoured on first presentation is liable to be rejected, and in that event the assured allotments and all rights thereunder will be deemed to have been declined and will be cancelled. No receipt will be issued in respect of any Application Form and of any application monies received.

LETTER FROM THE BOARD

Stamp duty

Dealings in the Offer Shares on the Stock Exchange will be subject to the payment of stamp duty in Hong Kong, Stock Exchange trading fees, SFC transaction levy, investor compensation levy and other applicable fees and charges in Hong Kong.

Taxation

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding or dealing in the Offer Shares. It is emphasised that none of the Company, the Directors or any other parties involved in the Open Offer accept responsibility for any tax effects or liability of holders of the Offer Shares resulting from the accepting, holding or disposal of, or dealing in the Offer Shares.

UNDERWRITING ARRANGEMENTS

Undertaking given by Mr. Chan

Mr. Chan has given an irrevocable undertaking in favour of the Company and the Underwriter to subscribe for 104,457,407 Offer Shares to which Mr. Chan is entitled under the Open Offer.

Save as disclosed above, as at the date of this prospectus, the Board has not received any information from any substantial Shareholders or Directors of their intention to take up the Offer Shares.

Undertakings given by holders of the Share Options

The holders of the 80,000,000 Share Options had irrevocably undertaken to the Company and the Underwriter that they would not exercise any of their Share Options from the date of such undertaking up to and including the Record Date.

Underwriting Agreement

Taking into account the irrevocable undertakings given by Mr. Chan, pursuant to the Underwriting Agreement and subject to the terms and conditions thereof, the Underwriter has agreed to fully underwrite the remaining 614,267,472 Offer Shares (being the Underwritten Shares) at the Subscription Price of HK\$0.10 per Offer Share. The Underwriting Agreement provides that the Underwriter will be obliged to subscribe or procure subscription for any Offer Shares not taken up by the Qualifying Shareholders. The Company shall by not later than the settlement date pay to the Underwriter: (i) a commission, in Hong Kong dollars, of two per cent. of the aggregate Subscription Price in respect of the Underwritten Shares (being 614,267,472 Offer Shares) for which the Underwriter has agreed to subscribe or procure subscription pursuant to the Underwriting Agreement; and (ii) all reasonable legal fees and other reasonable out-of-pocket expenses of the Underwriter in respect of the Open Offer.

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, VC Brokerage Limited is a company incorporated in Hong Kong with limited liability, and is a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) and type 4 regulated activity (advising on security) under the SFO and the Underwriter, its ultimate beneficial owner and its associates is third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

The underwriting commission was determined after arm's length negotiations between the Company and the Underwriter with reference to the prevailing market rate. The Directors consider that the terms of the Underwriting Agreement (including the underwriting commission) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions of the Open Offer

The Open Offer is conditional, among other things, on each of the following conditions being fulfilled:

- (a) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance not later than the Prospectus Posting Date;
- (b) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus marked "For information only" and a letter in agreed form explaining the circumstances in which the Prohibited Shareholders are not permitted to participate in the Open Offer to the Prohibited Shareholders on or before the Prospectus Posting Date;
- (c) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in all the Offer Shares and the Bonus Shares either unconditionally or subject to conditions which the Company accepts and satisfaction of such conditions (if any) by no later than the Prospectus Posting Date;
- (d) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement;
- (e) compliance with and performance of all the undertakings and obligations of the Underwriter in all material respects under the terms of the Underwriting Agreement;

LETTER FROM THE BOARD

- (f) compliance with and performance of all undertakings and obligations of holders of the Share Options not to exercise any of the Share Options held by each of them before the Record Date;
- (g) compliance with and performance of all undertakings and obligations of Mr. Chan under the Chan Undertaking;
- (h) all requirements and conditions imposed by the Stock Exchange or under the Listing Rules or otherwise in connection with the transactions contemplated by the Underwriting Agreement having been fulfilled or complied with by not later than the Latest Time for Termination;
- (i) none of the representations, warranties or undertakings referred in the Underwriting Agreement being breached, untrue, inaccurate or misleading in any material respects;
- (j) the Company shall deliver to the Underwriter certified copies of the resolutions approving the Open Offer and the Bonus Issue on or before the Prospectus Posting Date;
- (k) all relevant consents and approvals being obtained from the regulatory authorities, including the Stock Exchange and the SFC, as the case may require in connection with the Open Offer and/or issue of the Offer Shares by the relevant time that each consent and approval is required;
- (l) the passing by no later than the Prospectus Posting Date by the Shareholders at an extraordinary general meeting by the Company of ordinary resolutions to approve the Bonus Issue; and
- (m) the entering into of binding agreements by the Underwriter with certain sub-underwriters, which shall be Independent Third Parties, for sub-underwriting the Offer Shares, such that none of (i) the Underwriter together with its parties acting in concert (having the meaning under the Takeovers Code) nor (ii) any of the sub-underwriters and their respective parties acting in concert (having the meaning under the Takeovers Code) shall be interested in 15% or more of the issued share capital of the Company as enlarged by the Open Offer.

Save that (d) and (j) which could be waived by the Underwriter and (e) and (m) which could be waived by the Company, all other conditions set out above are not capable of being waived. If the conditions of the Open Offer under the Underwriting Agreement are not fulfilled or as the case may be waived by the relevant dates and times specified in the Underwriting Agreement (or, in each case, such later date or time as the Underwriter may agree in writing with the Company pursuant to the Underwriting Agreement), the Underwriting Agreement will terminate and no party thereto will have any claim against any other party for costs, damages compensation or otherwise save for any antecedent breaches. If the Underwriting Agreement is terminated in accordance with its terms, the Open Offer will not proceed.

LETTER FROM THE BOARD

As at the Latest Practicable Date, conditions j and l have been fulfilled.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Open Offer are subject to various factors, including the results of acceptance of the Open Offer. Further announcements will be made by the Company in accordance with the Listing Rules following the completion of the Open Offer upon which the Offer Shares are allotted and issued.

Underwriting Commission

The Company will pay the Underwriter an underwriting commission in Hong Kong dollars, of 2% of the aggregate Subscription Price in respect of the Underwritten Shares for the Underwriter has agreed to subscribe or procure subscription and all reasonable legal fees and other reasonable out-of-pocket expenses of the Underwriter in respect of the Open Offer. The underwriting commission mentioned above shall not be payable if the Underwriting Agreement does not become unconditional or if it is terminated by the Underwriter, but the Company shall continue to pay all reasonable legal fees and other reasonable out-of-pocket expenses of the Underwriter in respect of the Open Offer. The Directors are of the view that the commission is fair and reasonable.

Termination of the Underwriting Agreement

The Underwriting Agreement contains provisions granting the Underwriter, by notice in writing, the right to terminate the Underwriter's obligations thereunder on the occurrence of certain events. For details, please refer to the section headed "TERMINATION OF THE UNDERWRITING AGREEMENT" in this Prospectus.

REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

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

The gross proceeds of the Open Offer will be approximately HK\$71.9 million. It is expected that the aggregate expenses in connection with the Open Offer will be approximately HK\$1.8 million. The net cash proceeds from the Open Offer of approximately HK\$70.1 million will be used (i) as to approximately HK\$24.0 million for repaying the other loan of approximately HK\$23,978,000 as referred to in the second paragraph of the sub-section 2(c) headed "Other loans") in Appendix I to this prospectus; (ii) as to approximately HK\$28.2 million for repaying bank loans; and (iii) as to the remaining net cash proceeds of approximately HK\$17.9 million for future business development.

LETTER FROM THE BOARD

In view of the increase in profit margin by increasing the residential heat supplying areas, the Group has developed a long term plan to further enhance its investment in the heat and power business. It is the Group's strategy to extend the residential heat supply area by acquisition of existing heat supplying pipelines from other heat suppliers or construction of heat supplying pipelines for the new residential area in Mudanjiang. During the year ended 30 June 2016, the Company had nearly completed the construction of 25 kilometers of pipelines which have a capacity to supply heat for approximately 1.4 million square meters of residential areas. It is expected, by year 2017, the heat supplying area will increase by approximately 2.1 million square meters. It should be noted that there was an inadvertent typographical error in the paragraph headed "Heat and power division" on page 28 of the Circular. The 25 kilometers of pipelines constructed by the Group has a capacity to supply heat for 1.4 million square meters of residential areas as stated above instead of 12 million square meters as stated in the Circular.

In the coming twelve months, the Group is required to pay construction payables of approximately RMB180 million (equivalent to approximately HK\$204 million) to build up the heat supply plant and pipelines. The Group plans to finance the payment primarily by the proceeds of disposal of the Group's interest in Better Day Bio-Chem Technology Limited ("Better Day Disposal"). The Better Day Disposal was approved by the Shareholders at the extraordinary general meeting of the Company held on 31 October 2016. The balance payment for the Better Day Disposal of RMB182 million (equivalent to approximately HK\$206 million) shall be payable upon completion of the disposal. On the assumption that the disposal is completed before December 2016, the Company will have no further funding needs in the next twelve months.

The Directors are of the view that the Open Offer will enable the Company to raise funds and provide the Company with the financial flexibility necessary for the Group's future development and investment purposes as and when suitable opportunities arise and improve the Group's overall financial position. In addition, the Open Offer would allow the Company to strengthen its capital base and provide an opportunity to all Shareholders to participate in the growth of the Company in proportion to their shareholdings.

To further illustrate, the Group has been putting efforts in strengthening its financial position, including but not limited to raising sufficient funding for the business development of the Group. As such, when formulating the structure of the Open Offer, the Directors had taken into account various factors including but to limited to raising sufficient funds to further develop its principal business, while at the same time, to reduce the level of borrowings and indebtedness of the Group.

In addition, having considered other fund raising alternatives for the Group, such as placing of new Shares or other convertible securities, and taking into account the benefits and cost of each of the alternatives, the Board considers that the Open Offer is in the interest of the Company and the Shareholders as a whole as it offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company at the same price and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so.

LETTER FROM THE BOARD

In view of the above, the Directors consider the Open Offer is in the interests of the Company and Shareholders as a whole.

The Directors believe that the Open Offer will enable the Group to (i) strengthen the capital base of the Group and enhance the financial position of the Group; and (ii) reduce current debts of the Group. The Group will be in a better financial position for future development as a result of the Open Offer. The Directors accordingly consider that the Open Offer is in the interests of the Company and the Shareholders as a whole.

WARNING OF THE RISKS OF DEALING IN SHARES

The Open Offer is conditional upon, *inter alia*, the fulfillment of the conditions as set out under the paragraph headed “Conditions of the Open Offer” in this prospectus. In particular, the Open Offer is subject to the Underwriter not terminating the Underwriting Agreement in accordance with the terms set out therein. Accordingly, the Open Offer may or may not proceed. Any Shareholders or other persons contemplating selling or purchasing Shares up to the date when the conditions of the Open Offer are fulfilled will bear the risk that the Open Offer could not become unconditional and may not proceed. Shareholders and the public are reminded to exercise caution when dealing in the securities of the Company.

FUND RAISING ACTIVITIES BY THE COMPANY DURING THE PAST TWELVE MONTHS IMMEDIATELY PRECEDING THE LATEST PRACTICABLE DATE

The Company has conducted the following fund raising activities in the past 12 months immediately preceding the date of this prospectus:

Date of announcement	Event	Approximate net proceeds	Intended use of net proceeds as stated in the announcement and/or circular	Actual use of Proceeds/Remark
5 April 2016	Placing of Shares under general mandate of the Company.	Approximately HK\$43,000,000.	For general working capital (including but not limited to repayment of bank loans of the Group and/or for future development of the Company).	Used as general working capital

Save as disclosed in this paragraph, the Company has not conducted any fundraising activities in the past 12 months immediately preceding the date of this prospectus.

LETTER FROM THE BOARD

Effect on the Shareholding Structure of the Company

The table below depicts the possible shareholding structure of the Company as at the date of this prospectus and the possible changes upon completion of the Open Offer, on the basis of the public information available to the Company as of the date of this prospectus, after the Directors having making reasonable enquiries and assuming there is no other changes in the shareholding structure of the Company since the date of this prospectus:

	As at the date of this prospectus		Immediately after completion of the Open Offer and the issue of Bonus Shares			
	<i>Number of Shares</i>	<i>Approx % of Shareholding</i>	Assuming no Qualifying Shareholders take up their respective entitlements under the Open Offer and the Bonus Issue (Note 2)		Assuming full subscription by the Qualifying Shareholders as to their respective entitlements under the Open Offer and the Bonus Issue	
	<i>Number of Shares</i>	<i>Approx % of Shareholding</i>	<i>Number of Shares</i>	<i>Approx % of Shareholding</i>	<i>Number of Shares</i>	<i>Approx % of Shareholding</i>
Chan Yuen Tung (Note 1)	417,829,629	14.53	626,744,443	14.53	626,744,443	14.53
The Underwriter (Note 2)	—	—	1,228,534,944	28.49	—	—
Other Shareholders	<u>2,457,069,890</u>	<u>85.47</u>	<u>2,457,069,890</u>	<u>56.98</u>	<u>3,685,604,834</u>	<u>85.47</u>
Total	<u><u>2,874,899,519</u></u>	<u><u>100.00</u></u>	<u><u>4,312,349,277</u></u>	<u><u>100.00</u></u>	<u><u>4,312,349,277</u></u>	<u><u>100.00</u></u>

Notes:

- Mr. Chan Yuen Tung is a substantial shareholder of the Company. Mr. Chan has given an irrevocable undertaking in favour of the Company and the Underwriter to take up all the Offer Shares he is entitled to under the Open Offer.
- The above information is for illustration purpose only. Such scenario will never occur as the Open Offer is conditional upon, *inter alia*, the entering into the binding agreements by the Underwriter with certain placees and/or sub-underwriters for placing and/or sub-underwriting the Offer Shares, such that neither (i) the Underwriter together with its parties acting in concert nor (ii) any of the placees and/or sub-underwriters and their respective parties acting in concert shall in aggregate be interested in 15% or more of the issued share capital of the Company as enlarged by the Open Offer.

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE LISTING RULES

As the Open Offer will not increase the issued share capital or the market capitalisation of the Company by more than 50% within the twelve-month period immediately preceeding the date on which the Open Offer was announced and the Open Offer is fully underwritten by the Underwriter who is not a Director, chief executive or substantial shareholder of the Company (or a close associate of any of them), pursuant to Rules 7.24(5) and 7.26A of the Listing Rules, the Open Offer is not subject to Shareholders' approval under the Listing Rules.

ADDITIONAL INFORMATION

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

On behalf of the board of
China Zenith Chemical Group Limited
Chan Yuk Foebe
Chairman and Chief Executive Officer

1. FINANCIAL INFORMATION

Financial information of the Group for (i) each of the three years ended 30 June 2014, 2015 and 2016 are disclosed in the annual reports of the Company for the years ended, 2014 (pages 33 to 92), 2015 (pages 34 to 96) and 2016 (pages 29 to 96), respectively. The auditors of the Company have not issued any qualified opinion on the Group's financial statements for the financial year ended 30 June 2014. The qualifications in the auditors' reports for the years ended 30 June 2015 and 2016 were set out on pages 32 to 33 in the 2015 Annual Report and on pages 27 to 28 in the 2016 Annual Report, respectively.

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:

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 Annual Report

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/1028/LTN20161028017.pdf>

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 September 2016, being the Latest Practicable Date for the purpose of preparing this statement of indebtedness prior to the printing of this prospectus, the Group had the following outstanding bank and other borrowings:

(a) Interest-bearing bank borrowings

The Group had an outstanding principal of bank borrowings of approximately HK\$83,120,000 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\$53,762,000 and HK\$29,358,000 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\$1,022,809,000, 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\$48,076,000.

A loan of approximately HK\$23,978,000 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 other loan. According to the verdict, the other 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 after the completion of open offer.

A loan of approximately HK\$24,098,000 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 other 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 30 September 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 30 September 2016, up to and including the Latest Practicable Date.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present available resources and the estimated net proceeds from the Open Offer, the Group has sufficient working capital for its normal business for at least the next twelve months from the date of this prospectus in the absence of unforeseeable circumstances.

4. 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 2016, being the date to which the latest published audited consolidated accounts of the Group were made up, up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group has been loss making over the last couple of years. For the year ended 30 June 2016 (the “Period”), loss attributable to owners of the Company amounted to approximately HK\$422 million. The loss attributable to owners was mainly a result of the impairment of goodwill and impairment of fixed assets of HK\$38 million and HK\$222 million respectively. The Better Day 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 foresees a brilliant prospect in coming years.

Heat and power division

During the year ended 30 June 2016, the Company had nearly completed the construction of 25 kilometers pipelines which has a capacity to supply heat for approximately 1.4 million square meters of residential areas. It is expected, by year 2017, the heat supplying area will increase by approximately 2.1 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 stable.

Coal-related chemical production division

Heihe

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. 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.

A. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA INFORMATION OF THE GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this circular from the independent reporting accountants of the Company, Elite Partners CPA Limited, Certified Public Accountants, Hong Kong.



The Board of Directors
China Zenith Chemical Group Limited
Room 4007, 40/F., China Resources Building,
No. 26 Harbour Road, Wanchai
Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Zenith Chemical Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (“Directors”) for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated net tangible assets as at 30 June 2016, and related notes (the “Unaudited Pro Forma Financial Information”) as set out on page 31 of the prospectus issued by the Company. The applicable criteria on the basis of which the directors have complied the Unaudited Pro Forma Financial Information are described on page 34 of the circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed open offer of the Company at a subscription price of HK\$0.1 per Offer Share on the basis of one Offer Share for every four existing shares and issue of bonus shares on the basis of one bonus share for every one offer share taken up under the open offer (the “Open Offer”) as if the transaction had taken place as at 30 June 2016. As part of this process, information about the Group’s consolidated statement of financial position of the Group as at 30 June 2016, as extracted from the published annual report of the Company for the year ended 30 June 2016 dated 30 September 2016.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in a prospectus is solely to illustrate the impact of the Open Offer on consolidated net tangible assets of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2016 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Your faithfully,

Elite Partners CPA Limited
Certified Public Accountants
Hong Kong, 11 November 2016

Siu Jimmy
Practising Certificate Number: P05898

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The unaudited pro forma financial information of the Group (the “Unaudited Pro Forma Financial Information”) has been prepared in accordance with paragraph 4.29(1) of the Listing Rules set out below to illustrate the effect of the Open Offer on the unaudited consolidated net tangible assets of the Group as if it had taken place on 30 June 2016.

The Unaudited Pro Forma Financial Information of the Group is prepared for illustrative purposes only, based on the judgments and assumptions of the Directors, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group following the Open Offer as at the date to which it is made up or at any future date.

The Unaudited Pro Forma Financial Information of the Group is prepared based on the consolidated net tangible assets attributable to equity shareholders of the Company as at 30 June 2016 and adjusted to reflect the effect of the Open Offer:

	Audited consolidated net tangible assets attributable to owners of the Company as at 30 June 2016 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Open Offer <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at 30 June 2016 <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share before the completion of the Open offer <i>HK\$</i> <i>(Note 3)</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share immediately after the completion of the Open offer <i>HK\$</i> <i>(Note 4)</i>
718,724,879 offer shares and 718,724,879 bonus shares issued	1,692,731	70,085	1,762,816	0.589	0.409

Notes:

- (1) The audited consolidated net tangible assets of the Group as at 30 June 2016 has been extracted from the published annual report of the Company for the year ended 30 June 2016 after deducting other intangible assets of approximately HK\$613,000.
- (2) The estimated net proceeds from the Open Offer is approximately HK\$70,085,000 are based on the 718,724,879 Offer Shares to be issued at the Subscription Price of HK\$0.1 per Offer Share and after deducting estimated expenses of approximately HK\$1,787,000.
- (3) The number of shares used for the calculation of this amount is 2,874,899,519 representing shares in issue as at Latest Practicable Date as if the completion of the Open Offer has taken place as at 30 June 2016.
- (4) The number of shares used for the calculation of this amount is 4,312,349,277 representing 2,874,899,519 issued shares plus 718,724,879 offer shares and 718,724,879 bonus shares issued upon completion of Open Offer.
- (5) No adjustment other than those adjusted above has been made to reflect any trading results or other transactions of the Group subsequent to 30 June 2016.

1. RESPONSIBILITY STATEMENT

This prospectus, 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 prospectus is accurate and complete in all material respect and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

2. SHARE CAPITAL

The authorised share capital of the Company (i) as at the Latest Practicable Date and (ii) immediately after completion of the Open Offer (with the Bonus Issue) is set out as follows:

(i) As at the latest Practicable Date

<i>Authorised:</i>		<i>HK\$</i>
<u>5,000,000,000</u>	Shares of HK\$0.1 each	<u>500,000,000.00</u>
<i>Issued and fully paid or credited as fully paid:</i>		
<u>2,874,899,519</u>	Shares of HK\$0.1 each	<u>287,489,951.90</u>

(ii) Immediately following the completion of the Open Offer (with the Bonus Issue)

<i>Authorised:</i>		<i>HK\$</i>
<u>5,000,000,000</u>	Shares of HK\$0.1 each	<u>500,000,000.00</u>
<i>Issued and fully paid:</i>		
2,874,899,519	Shares as at the Latest Practicable Date	287,489,951.90
718,724,879	Offer Shares	71,872,487.90
<u>718,724,879</u>	Bonus Shares	<u>71,872,487.90</u>
<u>4,312,349,277</u>	Shares upon Completion of the Open Offer with the Bonus Issue	<u>431,234,927.70</u>

No new Shares had been issued by the Company since 30 June 2016, being the date of the latest published audited financial statements of the Company.

All the existing Shares in issue are fully-paid and rank *pari passu* in all respects including all rights as to dividends, voting and return of capital. The Offer Shares and the Bonus Shares (when allotted, issued and fully-paid) will rank *pari passu* with the then existing Shares in issue in all respects. Holders of fully-paid Offer Shares and the Bonus Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment of Offer Shares and the Bonus Shares. As at the Latest Practicable Date, there were no arrangement under which future dividends are waived or agreed to be waived.

Details of the Share Options granted by the Company pursuant to the Share Option Scheme are as follows:

Name/Category of Participants	As at 30 June 2016	Exercised	Lapsed	As at Latest Practicable Date	Date of grant	Exercise period	Exercise price
Ms. Chan Yuk Foebe	11,000,000	—	—	11,000,000	10 March 2015	10 March 2015 – 9 March 2017	0.425
Mr. Law Tze Ping Eric	23,000,000	—	—	23,000,000	10 March 2015	10 March 2015 – 9 March 2017	0.425
Employees	46,000,000	—	—	46,000,000	11 May 2015	11 May 2015 – 10 May 2018	1.05
Total	80,000,000	—	—	80,000,000			

As mentioned above, as at the Latest Practicable Date, there were Share Options outstanding entitling the holders thereof to subscribe for an aggregate of 80,000,000 Shares.

Under the relevant terms and conditions, the Open Offer (with the Bonus Issue) may lead to adjustments to the exercise price and/or the number of Shares falling to be issued upon the exercise of the Share Options. Adjustments to the Share Options shall be made pursuant to the share option scheme adopted by the Company on 20 December 2012 and the supplementary guidance issued by the Stock Exchange on 5 September 2005 regarding the adjustment of share options in compliance with Rule 17.03(13) of the Listing Rules.

The Company will inform the holders of the Share Options of the actual adjustments upon completion of the Open Offer (with the Bonus Issue), which is expected to be on 30 November 2016 based on the current timetable of the Open Offer (with the Bonus Issue) by way of announcement as and when appropriate.

As at the Latest Practicable Date, save for the outstanding Share Options, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

No capital of any member of the Group was under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date. All Offer Shares, when allotted and issued, shall rank *pari passu* with each other and in all respects with each other in all respects including rights to dividends, voting and return of capital. There is no arrangement under which future dividends will be waived or agreed to be waived.

The issued Shares are listed and traded on Stock Exchange. None of the securities of the Company is listed, or dealt in, on any other exchange, nor is any listing of or permission to deal in the securities of the Company being, or proposed to be, sought on any other stock exchange.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executives of the Company

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.

(b) Interests of Substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors, the following person (other than the Directors or chief executives of the Company as disclosed herein) had interests or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meeting of any member of the Group:

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%

Apart from the above interest of substantial shareholder, VC Brokerage Limited holds a long position of 1,228,534,944 Shares representing (i) the maximum of 614,267,472 Offer Shares which are underwritten VC Brokerage Limited under the Underwriting Agreement and (ii) the 614,267,472 Bonus Shares entitling under the Bonus Issue on the assumption of no new Shares being issued and no Shares being repurchased by the Company before the Record Date. VC Brokerage Limited is 100% controlled by VC Financial Group Limited which is turn is 100% controlled by Value Convergence Holdings Limited. Pursuant to Part XV of the SFO, VC Financial Group Limited and Value Convergence Holdings Limited are deemed to be interested in the long position of 1,228,534,944 Shares held by VC Brokerage Limited. The 1,228,534,944 Shares represent approximately 28.49% of the total issued share capital of the Company upon completion of the Open Offer (with Bonus Issue) assuming no new other Shares are issued by the Company up to completion of the Open Offer.

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

4. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date:

- (i) none of the Directors had any interest, direct or indirect, in any assets which have been, since 30 June 2016 (being the date to which the latest published audited consolidated 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; and
- (ii) none of the Directors was materially interested in any contract or arrangement entered into with any member of the Group subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

5. PARTIES INVOLVED IN THE OPEN OFFER AND CORPORATE INFORMATION**Board of Directors***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 office and principal place
of business in Hong Kong**

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

Company secretary

Mr. Ma Kin Ling

Authorised representatives

Ms. Chan Yuk Foebe
Mr. Law Tze Ping Eric

Auditors

Elite Partners CPA Limited
10/F., 8 Observatory Road
Tsim Sha Tsui
Kowloon, Hong Kong

Legal advisers	<i>On Hong Kong law</i> Cheung & Liu, Solicitors Units 1602–6, 16/F FWD Financial Centre 308 Des Vouex Road Central Sheung Wan Hong Kong
Principal share registrar and transfer office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Tengis Limited 22/F, Hopewell Centre 183 Queen’s Road East Hong Kong
Principal bankers	Hang Seng Bank Limited 83 Des Voeux Road Central Central Hong Kong Agricultural Bank of China No. 462 Zhong Yang Road, Heihe City Heilongjiang Province PRC
Underwriter	VC Brokerage Limited

6. LITIGATIONS

On 19 November 2012, China Electricity Construction Consultant Group Dongbei Electricity Design College (translated from the Chinese name of 中國電力工程顧問集團東北電力設計院) (the “**Plaintiff**”) filed a writ (the “**Writ**”) at the high court of Heilongjiang Province in the PRC against Mudanjiang Better Day Power Limited (“**Mudanjiang BD Power**”), an indirect wholly-owned subsidiary of the Company.

Mudanjiang BD Power had contracted the Plaintiff to construct certain coal-powered electricity generating facilities at the business address of Mudanjiang BD Power (the “**Contract**”). Owing to the alleged delay in the progress of the construction, the Plaintiff claimed (i) the payment of the contract sum in the amount of approximately RMB42,700,000 and the interest thereof; (ii) the grant of the first priority right to receive payment from Mudanjiang BD Power in respect of the subject construction project under the Contract; (iii) damages in the sum of approximately RMB13,300,000 for alleged termination of the Contract; and (iv) the legal fees arising from this

legal case. The Company has been seeking legal advice in respect of the Writ on the dispute in the payment for the Contract since December 2012. According to management of Mudanjiang BD Power, the construction work had been slowed down because the financial resources available for the project development were tied up by unfavourable business operations since 2009. To handle the claim from the Plaintiff, the local management has appointed an independent professional valuer to ascertain both the percentage of completion of the subject construction project and the quality of the construction work done in respect of the subject Contract at the moment. Thereafter, management is expected to have sufficient information to deal with the claims from the Plaintiff and will not rule out the possibility of filing a counterclaim. Management believes that sufficient provision for this legal claim was made at this stage.

So far as the Company is aware, as at the Latest Practicable Date, save as disclosed above, no member of the Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

7. 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 prospectus:

- (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 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 the subscriber and the Company as the issuer for subscribing the convertible bonds 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) a sale and purchase agreement dated 15 July 2016 between the Company as the vendor and Direct High Limited as the purchaser for the disposal of the entire issued share capital of Better Day Bio-Chem Technology Limited which in turn directly and indirectly holds the entire equity interests in Mudanjiang Gaoke Bio-Chem Co. Limited for a consideration of RMB192,000,000 (equivalent to approximately HK\$222,720,000); and
- (n) the Underwriting Agreement.

8. PARTICULAR OF DIRECTORS

Executive Directors

Ms. Chan Yuk Foebe (陳昱), aged 47, is the chairman and chief executive officer of the Group and joined the Group in January 2004. Ms. Chan is responsible for the overall management and business development of the Group. Ms. Chan holds a bachelor's degree in Accountancy from the Queensland University of Technology in Australia. Ms. Chan has more than 10 years' experience in the areas of corporate finance and management. Ms. Chan is a non-executive director of Heng Tai Consumables Group Limited ("Heng Tai") (Stock Code: 197), whose shares are listed on the main board of the Stock Exchange. Save as disclosed herein, Ms. Chan did not hold any other directorships in listed public companies in the last three years. Ms. Chan Yuk Foebe was appointed as the Chairman and a member of nomination committee with effect from 2 February 2012.

Mr. Law Tze Ping Eric (羅子平), aged 36, is an executive director of the Company. Prior to the joining of the Group, Mr. Law worked as a business consultant and provided consultancy services for listed and non-listed companies in Hong Kong. Mr. Law did not hold any other directorships in listed public companies in the last three years. Mr. Law was appointed as the executive director with effect from 3 March 2015.

Mr. Yu Defa (于德發), aged 49, is an executive director of the Company. He is currently acted as the chief operation director of Heihe LongJiang Chemical Co. Ltd., a subsidiary of the Company. Mr. Yu had been the sales and operating general manager of medium-sized enterprises with more than ten years of extensive experiences in sales operation and management.

He joined the Group in October 2011 and promoted to be the deputy general manager of Heihe LongJiang Chemical Co. Ltd. in October 2013. Mr. Yu majored in civil work engineering in Harbin University of Science and Technology in 1988 to 1990. Mr. Yu did not hold any other directorships in listed public companies in the last three years. Mr. Yu Defa was appointed as the executive director with effect from 5 May 2014.

Independent Non-executive Directors

Mr. Ma Wing Yun Bryan (馬榮欣), aged 50, is an independent non-executive director and is also the chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee of the Company. Mr. Ma is the finance director of Union Sun International Group Limited, a non-listed company with affiliates dealing in property development in the PRC. He was an independent director of Celestial Nutrifoods Limited (the shares of which are listed on the main board of Singapore Exchange Securities Trade Limited (the “Singapore Exchange”)) until 18 July 2011. Moreover, Mr. Ma was an independent director of China Oilfield Technology Services Group Limited (the shares of which are listed on the main board of the Singapore Exchange) until 30 May 2010. He has approximately 20 years of experience in the areas of audit, financial management and operational management. Mr. Ma is a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Ma was appointed as an independent non-executive director in February 2001.

Mr. Tam Ching Ho (譚政豪), aged 45, appointed on 30 June 2007, is an independent non-executive director and is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Tam is a certified public accountant (practising) registered with the Hong Kong Institute of Certified Public Accountants (“HKICPA”). He has worked in a reputable international accounting firm for about eight years and specialised in providing assurance services for pre-listing, listed and multinational companies. He has also held senior positions in several companies, including mainly the financial controller of a company listed on the main board of the Stock Exchange and another company listed on the Main Board of the Singapore Exchange Limited for a total of about seven years. Mr. Tam has accumulated extensive experience in corporate finance and administration, listing compliance, investor relations, accounting and auditing. Mr. Tam holds a bachelor’s degree of arts with honors in accountancy. He is an associate member of the HKICPA and a fellow member of The Association of Chartered Certified Accountants. Mr. Tam is also an independent non-executive director of Chaoda Modern Agriculture (Holdings)

Limited (Stock Code: 682), the shares of which are listed on the main board of the Stock Exchange. Save as disclosed herein, Mr. Tam did not hold any other directorships in listed companies in the last three years.

Mr. Hau Chi Kit (侯志傑), aged 44, is an independent non-executive director of the Company. He was a barrister-at-law in private practice in Hong Kong from 2001 to 2008. Prior to becoming a barrister, Mr. Hau worked at the Securities and Futures Commission. Mr. Hau is currently a solicitor not in private practice and was an independent non-executive director of CNC Holdings Limited (Stock Code: 8356), a company listed on the Growth Enterprises Market of the Stock Exchange from 16 May 2011 to 18 May 2015. Mr. Hau is also an independent non-executive director of both eForce Holdings Limited (Stock Code: 943), a company listed on the main board of the Stock Exchange and Celebrate International Holdings Limited (Stock Code: 8212), a company listed on the Growth Enterprises Market of the Stock Exchange with effect from 1 May 2015. Save as disclosed herein, Mr. Hau did not hold any other directorships in listed companies in the last three years. Mr. Hau was appointed as the independent non-executive director and a member of each of the audit committee, remuneration committee and nomination committee with effect from 18 December 2013.

9. EXPERT AND CONSENT

The following is the qualification of the professional adviser who has given opinion or advice which is contained in this prospectus:

Name	Qualification
Elite Partners CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, Elite Partners CPA Limited has given and has not withdrawn its consents to the issue of this prospectus with the inclusion of their letters, and reference to its names in the form and context in which it appears.

As at the Latest Practicable Date, Elite Partners CPA Limited did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Elite Partners CPA Limited did not have any direct or indirect interests in any assets which have since 30 June 2016 (being the date to which the latest published audited consolidated financial statements of the Group were made up) 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.

10. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group, excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

11. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates had any interest in a business which competes or may compete either directly or indirectly with the business of the Group.

12. EXPENSES

The expenses in connection with the Open Offer, including, underwriting commission, printing, registration, translation, legal and accountancy charges and other related expenses, are estimated to amount to approximately HK\$1,787,000 and are payable by the Company.

13. LEGAL EFFECT

This prospectus and all acceptance of any offer or application contained in such documents are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

14. GENERAL

- (a) The principal office of the Company in Hong Kong is situated at Room 4007, 40/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.
- (b) The principal share registrar and transfer office 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) As at the Latest Practicable Date, there was no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong and from outside Hong Kong.
- (e) The business address of all Directors and authorized representatives of the Company is Room 4007, 40/F, Resources Building, No. 26, Harbor Road, Wanchai, Hong Kong.
- (f) In the event of any inconsistency, the English language text of this prospectus shall prevail over the Chinese language text.

15. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of the Prospectus Documents and the written consent referred to in the paragraph headed “Expert and Consent” in this appendix have been delivered to the Registrar of Companies of Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

16. 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 prospectus up to and including 25 November 2016:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for each of the financial years ended 30 June 2015 and 30 June 2016;
- (c) the accountants’ report on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II of this prospectus;
- (d) the material contracts referred to in the paragraph headed “Material Contracts” above;
- (e) the written consent referred to in the paragraph headed “Expert and Consent” above;
- (f) 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;
- (g) the Circular; and
- (h) this prospectus.