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

If you have sold or transferred all your shares in China Zenith Chemical Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.



China Zenith Chemical Group Limited

中國天化工集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 362)

**(1) CONTINUING CONNECTED TRANSACTIONS –
SUPPLEMENTAL AGREEMENT IN RELATION TO THE JV AGREEMENT;
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

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



A notice convening an special general meeting of China Zenith Chemical Group Limited to be held at 22/F, Euro Trade Centre, 13–14 Connaught Road Central, Central, Hong Kong on Friday, 6 September 2024 at 4:30 p.m., is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use at the special general meeting is also enclosed with this circular. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and the Company at <http://www.chinazenith.com.hk/>.

Whether or not you are able to attend the special general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable and in any event not later than 48 hours before the time appointed for holding the special general meeting, or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjourned meeting (as the case may be) should you so wish. In such event, the instrument appointing a proxy shall be deemed revoked.

22 August 2024

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DEFINITIONS

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

“Annual Cap A”	the proposed maximum annual amount of Transaction I contemplated under the Supplemental Agreement
“Annual Cap B”	the proposed maximum annual amount of Transaction II contemplated under the Supplemental Agreement
“Annual Caps”	collectively, Annual Cap A and Annual Cap B
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“China Mining”	中礦聯合控股集團有限公司 (China Mining United Holding Group Co., Ltd.*)
“China Mining Zenith (Zhuhai)”	中礦天資源控股(珠海)有限責任公司 (China Mining Zenith (Zhuhai) Company Limited*), a company established in the PRC with limited liability and a wholly owned subsidiary of the JV Company
“Companies (WUMP) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	China Zenith Chemical Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued shares of which are listed on the Stock Exchange (stock code: 362)
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“High Court”	High Court of the Hong Kong Special Administrative Region
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board comprising all its independent non-executive Directors, established for the purpose of advising Independent Shareholders on the Supplemental Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Independent Financial Adviser”	Grand Moore Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities for the purpose of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders advising on the Supplemental Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Independent Shareholders”	Shareholders other than China Mining and its close associates and those who are required to abstain from voting at the SGM under the Listing Rules
“Independent Third Parties”	persons who are not connected with any Directors, chief executive or substantial shareholders of our Company or any of its subsidiaries and their respective associates
“JV Agreement”	the joint venture agreement dated 13 March 2024 entered into between the Company and China Mining in relation to the formation of the JV Company
“JV Company”	China Mining Zenith (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability and indirectly owned as to 51% by the Company and 49% by China Mining, being the company formed under the JV Agreement
“JV Group”	collectively the JV Company and China Mining Zenith (Zhuhai)
“Latest Practicable Date”	19 August 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“PRC”	the People’s Republic of China, which for the purpose of this circular excludes, Hong Kong, Macau and Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be convened and held for the purposes of, among other matters, considering and, if thought fit, approving the Supplemental Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 10 May 2024 entered into between the Company and China Mining
“Transaction I”	has the meaning defined in the section headed “THE SUPPLEMENTAL AGREEMENT” of this circular
“Transaction II”	has the meaning defined in the section headed “THE SUPPLEMENTAL AGREEMENT” of this circular
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

For the purpose of this circular, unless the context otherwise requires, conversion of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 to HK\$1.1. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ or RMB have been, could have been or may be converted at such or any other rate or at all.

The English names of Chinese entities marked with “” are translations of their Chinese names and are included in this circular for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.*

LETTER FROM THE BOARD



China Zenith Chemical Group Limited

中國天化工集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 362)

Executive Directors:

Mr. Law Tze Ping Eric
(Acting Chief Executive Officer)
Mr. Tang Yiduan
Mr. Shing Pan Yu James
Mr. Chin Chun Hin

Independent non-executive Directors:

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

Registered office:

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM10
Bermuda

*Head office and principal place of
business in Hong Kong:*

Suites 1003–1005, 10/F
Shui On Centre
6–8 Harbour Road
Wanchai
Hong Kong

22 August 2024

To the Shareholders

Dear Sir or Madam

**(1) CONTINUING CONNECTED TRANSACTIONS –
SUPPLEMENTAL AGREEMENT IN RELATION TO THE JV AGREEMENT;
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

References are made to (i) the announcement of the Company dated 13 March 2024 in relation to the JV Company with China Mining; and (ii) the announcement of the Company dated 10 May 2024 in relation to the Supplemental Agreement.

The purpose of this circular is to provide the Shareholders with, among other things, (i) details of the Supplemental Agreement and the transactions contemplated thereunder (including the Annual Caps); (ii) the letter from the Independent Board Committee; (iii) the letter from the

LETTER FROM THE BOARD

Independent Financial Adviser; (iv) the notice of SGM; and (v) other information as required under the Listing Rules.

THE SUPPLEMENTAL AGREEMENT

Introduction

On 10 May 2024, the Company and China Mining entered into the Supplemental Agreement to govern (i) the sale of mineral products, chemical products or other relevant products by China Mining to China Mining Zenith (Zhuhai); and (ii) the sale of mineral products, chemical products or other relevant products by China Mining Zenith (Zhuhai) to the Group.

Set out below is a summary of the principal terms of the Supplemental Agreement:

Date

10 May 2024

Parties

- (i) the Company; and
- (ii) China Mining

Key terms and condition of the Supplemental Agreement

Pursuant to the Supplemental Agreement, (a) China Mining agreed to sell mineral products, chemical products or other relevant products to China Mining Zenith (Zhuhai) in order to facilitate (i) distribution and sales within the PRC; (ii) export to the overseas market; and (iii) resale of these mineral products, chemical products or other relevant products to the Group for deep processing (the “**Transaction I**”); and (b) China Mining Zenith (Zhuhai) agreed to sell mineral products, chemical products or other relevant products to the Group for deep processing (“**Transaction II**”).

China Mining Zenith (Zhuhai) will place purchase order to China Mining and the Company will place purchase order to China Mining Zenith (Zhuhai) from time to time under the Supplemental Agreement for the purchase of mineral products, chemical products or other relevant products and the sale price will be determined for each purchase order with reference to the prevailing market price and a discount to be further determined by China Mining Zenith (Zhuhai), China Mining and the Company from time to time upon the placement of the purchase order(s).

LETTER FROM THE BOARD

Terms

The term of the Supplemental Agreement is from 30 April 2024 to 31 December 2024 (both days inclusive). There was no transaction under the Supplemental Agreement from 30 April 2024 up to the Latest Practicable Date.

Annual Caps

The proposed Annual Cap A of Transaction I contemplated under the Supplemental Agreement is RMB5,000,000,000.

The proposed Annual Cap B of Transaction II contemplated under the Supplemental Agreement is RMB250,000,000.

As disclosed in the announcement of the Company dated 10 May 2024, the initial annual cap was determined to be RMB10 billion. Considering that the SGM is expected to be held on 6 September 2024 and the transactions contemplated under the Supplemental Agreement will be commenced thereafter, the Annual Cap A and Annual Cap B have been adjusted accordingly.

In arriving at the proposed Annual Cap A, the Directors (including the independent non-executive Directors) have considered (i) the historical amounts of China Mining and its subsidiaries for selling and distribution of the mineral products, chemical products or other relevant products; (ii) the expected growth in demand of the mineral products, chemical products or other relevant products based on relevant historical growth rates from 2022 to 2023; (iii) the actual term of the Supplemental Agreement of 4 months having considered that the transactions contemplated thereunder are expected to commence after the Supplemental Agreement is duly approved by the Independent Shareholders at the SGM; (iv) a buffer of approximately 10% to allow for flexibility and maximization of profits; and (v) seasonal factor or seasonal adjustment applied to account for the expected higher coal demand during the winter months compared to the annual average. In particular, when assessing the historical amounts, the Directors took into account the total consolidated revenue recorded by China Mining and its subsidiaries for the year ended 31 December 2023 in the amount of RMB11,375 million (equivalent to approximately HK\$12,514 million), of which approximately RMB9,225 million, RMB1,094 million and RMB835 million were attributable to distribution, sales and export of coal, plastic related products and chemical related products, respectively.

The proposed Annual Cap B of RMB250,000,000 which accounts for 5% of the Annual Cap A was determined by the Directors after taking into account the expected demand for deep-processing of coals to produce calcium carbide and premium coal by the Group having considered (i) the Group's annual capacity for production of calcium carbide; (ii) the amount and price of coal required for production of calcium carbide and premium coal; and (iii) anticipated market demand of premium coal based on enquiries received from potential customers of the Group.

LETTER FROM THE BOARD

Conditions Precedent

The Supplemental Agreement and the transactions contemplated thereunder are conditional upon the holding of the SGM, the obtaining of the opinion from the independent financial adviser and the approval by the Independent Shareholders as required under the Listing Rules.

The parties to the Supplemental Agreement agreed to amend and supplement the Supplemental Agreement further as may be necessary in compliance with all requirements under the Listing Rules.

HISTORICAL FIGURES

The table below sets out the total consolidated revenue generated by China Mining and its subsidiaries for each of the three years ended 31 December 2023:

Period	Total consolidated revenue recorded by China Mining and its subsidiaries
For the year ended 31 December 2021	approximately RMB49 million (equivalent to approximately HK\$54 million)
For the year ended 31 December 2022	approximately RMB301 million (equivalent to approximately HK\$331 million)
For the year ended 31 December 2023 (<i>Note</i>)	approximately RMB11,375 million (equivalent to approximately HK\$12,514 million)

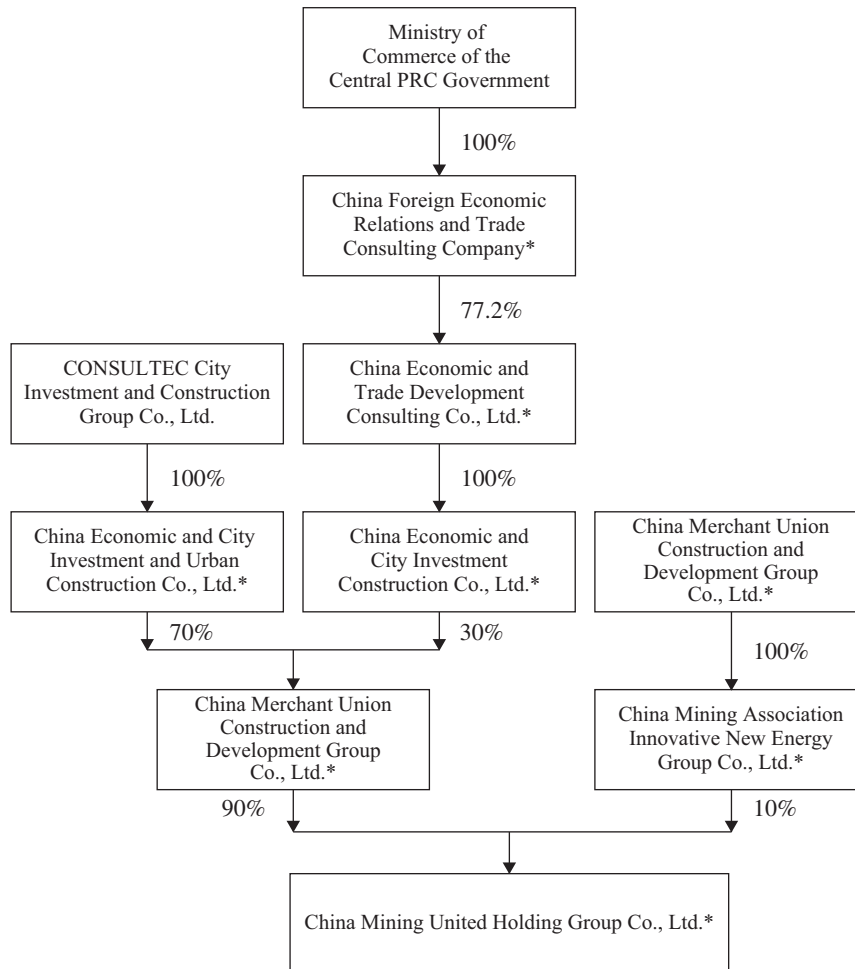
Note: For the year ended 31 December 2023, out of the total consolidated revenue generated by China Mining and its subsidiaries in the amount of approximately RMB11,375 million (equivalent to approximately HK\$12,514 million), of which approximately RMB9,225 million, RMB1,094 million and RMB835 million were attributable to distribution, sales and export of coal, plastic related products and chemical related products, respectively.

LETTER FROM THE BOARD

INFORMATION OF THE GROUP AND THE CONNECTED PERSONS

The Company is an investment holding company. The Group is principally engaged in the manufacturing and sales of coal-related chemical products and chemical products for agriculture.

China Mining is an enterprise established in the PRC under the direct management of the Central Government with businesses covering trading and sales, sales of mineral products, sales of chemical products, sales of communication devices, leasing and sales of real estates, sales of construction materials, largescale agriculture and consultation services, etc. As at the Latest Practicable Date, China Mining owns 154,960,000 Shares, representing approximately 11.47% of the issued share capital of the Company and is a substantial shareholder of the Company (as defined under the Listing Rules). The shareholding structure of China Mining as at the Latest Practicable Date is as follows:



LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, all corporate shareholders of China Mining are managed and ultimately owned by Ministry of Commerce of the Central PRC Government (中華人民共和國商務部).

The JV Company is an investment holding company and is indirectly owned as to 51% by the Company and 49% by China Mining. The JV Company has been accounted for as a subsidiary of the Group and its financial results have been consolidated into the consolidated financial statements of the Group. China Mining Zenith (Zhuhai) is principally engaged in production and sales of mineral products and chemical products and is wholly owned by the JV Company. Each of the JV Company and China Mining Zenith (Zhuhai) is a connected subsidiary (as defined under the Listing Rules).

BUSINESS MODEL OF THE JV COMPANY

The JV Company will be primarily focusing on the importing, processing and selling of coal related products, plastic related products and chemical related products. The target customers of the JV Company include both PRC markets and overseas markets. The JV Company will also export raw materials to the Company's subsidiary for deep processing. As complimentary business, the JV Company will also provide logistics, storage and settlement services to the customers.

There will be 3 milestone stages of the development of the JV Company. In the initial stage, the JV Company will conduct business with existing customers of China Mining, the Company and the Company's subsidiaries. In the second stage, the JV Company will designate marketing teams to target PRC customers other than those of the initial stage. For the last stage, the JV Company will expand into overseas markets.

The revenue sources of the JV Company will primarily be derived from the sales of coal related products, plastic related products and chemical related products, as well as deep processing services, logistics services, storage services and settlement services.

The costs of the JV Company will mainly stem from the purchase of coal, raw plastic materials and chemicals, logistics expenses, employee salaries and training expenses.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL AGREEMENT

With the Company and China Mining's implementation of the JV Company's business, the Supplemental Announcement further enhance the synergies in between the Company, China Mining and the JV Group. The Supplemental Agreement can benefit the parties in the following ways:

- (i) it allows the JV Company and the Company to import coal, raw plastic materials and chemicals at market-discounted prices with shared supplier in China Mining as China Mining shall be the sole supplier of the JV Company and an indirect part supplier of the Company, which benefits the Company's existing business of manufacturing and selling calcium carbide by cutting costs;
- (ii) the collaboration between the parties could expand the Company's product portfolio and mitigate risks associated with conducting businesses by selling one single product, as the Company will continue to operate all its existing businesses and will diversify its business through the operation of the JV Company;
- (iii) the collaboration between the parties allows the parties to benefit from economies of scale stemming from shared resources, complementary capabilities, operational efficiencies as well as enhanced competitiveness in both domestic and overseas markets, including but not limited to (a) the Company and the JV Company selling complementary goods whereby the JV Company would be selling coals to the Company and its customers, and the Company would utilise these coals to produce calcium carbide and premium coal to meet the market demands; and (b) the Company would rent out its unused storage in the Northeast China to the JV Company at market price if the JV Company receives purchase orders from customers in the nearby area, which would allow the JV Company to access to storage in the Northeast China instead of having to resort to its own storage in Zhuhai;
- (iv) it can foster the exchange between talents from mainland China and Hong Kong leading to higher qualities and capabilities of staffs; and
- (v) from the perspective of China Mining, it can expand its business through the China-Hong Kong cooperation platform, and more particularly, through the status of the Company being a Hong Kong listed company.

The Directors (including the independent non-executive Directors) consider that the Supplemental Agreement has been: (i) entered into in the Group's ordinary and usual course of business; and (ii) negotiated on an arm's length basis, on normal commercial terms, fair and reasonable and in the interest of the Group and the Shareholders as a whole.

LETTER FROM THE BOARD

INTERNAL CONTROL MEASURES

The Group has implemented adequate internal control measures for monitoring all of its continuing connected transactions, including but not limited to the regular reporting of transaction volume to the Group's finance department for monitoring the annual caps of the relevant transactions.

In particular, the Group will adopt the following internal control measures to ensure that the basis of determining the sales and resales prices of the mineral, chemical and other relevant products will be based on the prevailing market prices and the following principles:

- (i) by reference to the prevailing market price of the same or substantially similar products, taking into account the price of the same or substantially similar products with comparable order quantities and quality offered to/by other suppliers; and
- (ii) if there are not sufficient comparable transactions in (i) above, on normal commercial terms comparable to those currently offered by the Group to, or received by the Group from, independent third parties in respect of the same or substantially similar products with comparable quantities.

In determining the prevailing market price of the products, the Company will invite quotations from at least three independent supplier(s) to ensure that the products to be offered by China Mining would be on normal commercial terms and no less favourable to the Group than that available from independent third party suppliers.

For mineral products, chemical products or other relevant products with public prices available in particular, when determining their sales and resales prices, references will be made by the Group to the trading and/or public prices of the relevant products in different commodity exchanges and information center in the PRC including Dailian Commodity Exchange, Shanghai Futures Exchange and China Statistical Information Service Center and other international commodity exchanges including New York Mercantile Exchange, Chicago Mercantile Exchange, The London Metal Exchange, Intercontinental Exchange and Tokyo Commodity Exchange.

In addition, the Company's auditors and independent non-executive Directors will conduct annual review of the transactions contemplated under the Supplemental Agreement and provide annual confirmations in accordance with the Listing Rules that the transactions are conducted in accordance with the terms of such agreements, on normal commercial terms, in the interest of the Company and its Shareholders as a whole, and in accordance with the relevant pricing policies.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, China Mining owns 154,960,000 Shares, representing approximately 11.47% of the issued share capital of the Company and is a substantial shareholder of the Company (as defined under the Listing Rules). As China Mining is a

LETTER FROM THE BOARD

connected person of the Company under Chapter 14A of the Listing Rules, the transactions between China Mining and the JV Group under the Supplemental Agreement constitute continuing connected transactions of the Company, and are subject to the relevant disclosure and independent shareholders' approval requirements as stipulated in the Listing Rules. The JV Company is owned as to 51% by the Company and 49% by China Mining and hence each of the JV Company and China Mining Zenith (Zhuhai) is a connected subsidiary (as defined under the Listing Rules). As China Mining Zenith (Zhuhai) is a connected subsidiary, the transactions between China Mining Zenith (Zhuhai) and the Company under the Supplemental Agreement constitute continuing connected transactions of the Company, and are subject to the relevant disclosure and independent shareholders' approval requirements as stipulated in the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the transactions under the Supplemental Agreement are more than 5%, the transactions under the Supplemental Agreement are subject to the announcement, reporting and annual review requirement and Independent Shareholders' approval under Chapter 14A of the Listing Rules.

Save as disclosed, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the Latest Practicable Date, none of the Directors has material interest in the transactions contemplated under the Supplemental Agreement.

SGM AND INDEPENDENT BOARD COMMITTEE

The SGM will be convened by the Company at 22/F, Euro Trade Centre, 13–14 Connaught Road Central, Central, Hong Kong at 4:30 p.m. on Friday, 6 September 2024 for the purposes of considering, and if thought fit, approving the Supplemental Agreement and the transactions contemplated thereunder (including the Annual Caps). As at the Latest Practicable Date, China Mining owns 154,960,000 Shares, representing approximately 11.47% of the issued share capital of the Company and is a substantial shareholder of the Company (as defined under the Listing Rules).

As such, China Mining and its respective associates will abstain from voting on the proposed resolution to approve the Supplemental Agreement and the transactions contemplated thereunder (including the Annual Caps). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has any material interest in the Supplemental Agreement and the transactions contemplated thereunder (including the Annual Caps), and therefore no other Shareholder is required to abstain from voting at the SGM in respect of the resolution approving the aforesaid matters.

Pursuant to Rule 13.39(6) of the Listing Rules, the Company has established the Independent Board Committee comprising all its independent non-executive Directors, namely Mr. Ma Wing Yun Bryan, Mr. Tam Ching Ho and Mr. Hau Chi Kit to advise the Independent Shareholders on the fairness and reasonableness of the Supplemental Agreement and the transactions contemplated thereunder (including the Annual Caps) and in the interests of the Company and the Shareholders as a whole. None of the members of the Independent Board

LETTER FROM THE BOARD

Committee has any interest or involvement in the transactions contemplated under the Supplemental Agreement.

Grand Moore Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Supplemental Agreement as to whether the Supplemental Agreement and the transactions contemplated thereunder (including the Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The appointment of Grand Moore Capital Limited as the Independent Financial Adviser has been approved by the Independent Board Committee.

The notice of SGM is set out on pages SGM-1 to SGM-2 of this circular. A proxy form for use at the SGM is enclosed herewith. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the offices of the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for the SGM. The completion and delivery of a form of proxy will not preclude you from attending and voting at the SGM in person.

RECOMMENDATION

Your attention is drawn to the letter of the Independent Board Committee set out on pages 15 to 16 of this circular. Your attention is also drawn to the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement and the transactions contemplated thereunder (including the Annual Caps) set out on pages 17 to 38 of this circular.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the Supplemental Agreement and the transactions contemplated thereunder (including the Annual Caps) are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed for approving the Supplemental Agreement and the transactions contemplated thereunder (including the Annual Caps) at the SGM.

The Board (including the members of the Independent Board Committee) considers that the Supplemental Agreement and the transactions contemplated thereunder (including the Annual Caps) are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the relevant resolution to be proposed as set out in the notice of SGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

By order of the Board
China Zenith Chemical Group Limited
Law Tze Ping Eric
Acting Chief Executive Officer



China Zenith Chemical Group Limited

中國天化工集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 362)

CONTINUING CONNECTED TRANSACTIONS

22 August 2024

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular issued by the Company to the Shareholders dated 22 August 2024 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise you as to whether the Supplemental Agreement and the transactions contemplated thereunder (including the Annual Caps) are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and its Shareholders as a whole.

Grand Moore Capital Limited has also been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect thereof. We wish to draw your attention to the “Letter from the Board” and the “Letter from the Independent Financial Adviser” set out in the Circular.

Having considered the Supplemental Agreement and the transactions contemplated thereunder (including the Annual Caps) and the principal factors and reasons considered by, and the advice of the Independent Financial Adviser set out in its letter of advice, we consider that the Supplemental Agreement and the transactions contemplated thereunder (including the Annual Caps) are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the Supplemental Agreement and the transactions contemplated thereunder (including the Annual Caps) at the SGM.

Yours faithfully,
For and on behalf of
the Independent Board Committee of
China Zenith Chemical Group Limited

Mr. Ma Wing Yun Bryan **Mr. Tam Ching Ho** **Mr. Hau Chi Kit**
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Grand Moore Capital Limited setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement and the transactions contemplated (including the Annual Caps), which has been prepared for the purpose of inclusion in the Circular.



中毅資本有限公司
Grand Moore Capital Limited

Unit 1401, 14/F, Lippo Sun Plaza, 28 Canton Road,
Tsim Sha Tsui, Kowloon, Hong Kong

22 August 2024

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS – SUPPLEMENTAL AGREEMENT IN RELATION TO THE JV AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement and the transactions contemplated (including the Annual Caps), (the “**Transactions**”), the details of which are set forth in the “Letter from the Board” (the “**Board Letter**”) contained in the circular issued by the Company to the Shareholders dated 22 August 2024 (the “**Circular**”), of which this letter forms apart. Unless the context otherwise requires. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As stated in the Board Letter, on 10 May 2024, the Company and China Mining entered into the Supplemental Agreement to govern (i) the sale of mineral products, chemical products or other relevant products by China Mining to China Mining Zenith (Zhuhai); and (ii) the sale of mineral products, chemical products or other relevant products by China Mining Zenith (Zhuhai) to the Group.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Ma Wing Yun Bryan, Mr. Tam Ching Ho and Mr. Hau Chi Kit, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Transactions. We, Grand Moore Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OUR INDEPENDENCE

As at the Latest Practicable Date, we were not connected with the Company, China Mining, their respective substantial Shareholders, Directors or chief executives, or any of their respective associates and accordingly, are considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Transactions.

In the past two years, we have not acted as any financial adviser role to the Company but we have acted as an independent financial adviser to the independent board committee and independent shareholders of the Company in connection with (i) a rights issue, the details of which are set out in the Company's circular dated 21 November 2022; and (ii) a refreshment of general mandate, the details of which are set out in the Company's circular dated 28 April 2023 (the "**Previous Appointments**"). Save for the current engagement as the Independent Financial Adviser and the Previous Appointments, there was no other relationship and/or engagement between the Company and us in the past two years.

With regards to our independence from the Company, it is noted that (i) apart from normal professional fees paid or payable to us in connection with the current appointment as the Independent Financial Adviser, no other arrangements exist whereby we had received or will receive any fees or benefits from the Company, its subsidiaries or their respective controlling Shareholders that could reasonably be regarded as relevant to our independence; and (ii) the aggregate professional fees paid or to be paid to us do not make up a significant portion of our revenue during the relevant period which would affect our independence. Accordingly, we consider that we are independent to act as the Independent Financial Adviser in respect of the Transactions pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the Company's interim report for six months ended 31 December 2023 (the "**2023 Interim Report**"); (iii) other information provided by the Directors and/or the senior management of the Company (the "**Management**"); (iv) the opinions expressed by and the representations of the Directors and the Management; and (v) our review of the relevant public information. We have assumed that all information and representations that have been provided by the Directors and the Management, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers, the Directors and/or the Management (where applicable), which have been provided to us. The Directors have confirmed that, to the best of

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their knowledge, they believe that no material fact or information has been omitted from the information supplied to us and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading.

We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Chapters 13 and 14A of the Listing Rules. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company, nor conducted any independent in-depth investigation into the business affairs, assets and liabilities or future prospects of the Company, China Mining, their respective subsidiaries or associates (if applicable) or any of the other parties involved in the Transactions, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. The Company has been separately advised by its own professional advisers with respect to the Transactions and the preparation of the Circular (other than this letter).

We have assumed that the Transactions will be consummated in accordance with the terms and conditions set forth in the Circular without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Transactions, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Transactions. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

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PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in relation to the Transactions, we have taken into account the following principal factors and reasons:

1. Background information and financial overview of the Group

As stated in the Board Letter, the Company is an investment holding company. The Group is principally engaged in the manufacturing and sales of coal-related chemical products and chemical products for agriculture. Certain summary financial information of the Group as extracted from the 2023 Interim Report for the six months ended 31 December 2022 and 2023 (“HY2022” and “HY2023” respectively) is set out below:

	For the six months ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue	24,733	92,217
Gross profit/(loss)	7,357	(2,267)
Profit/(loss) for the year attributable to owners of the Company	(84,614)	274,468

The Group’s revenue decreased from approximately HK\$92,217,000 for HY2022 to approximately HK\$24,733,000 for HY2023, representing a decrease of approximately HK\$67,484,000 or 73.2%. As per the 2023 Interim Report, the decrease in the Group’s revenue was mainly due to the production line of calcium carbide was temporarily suspended during HY2023 due to decrease in market selling price of calcium carbide.

The Group recorded gross loss of approximately HK\$2,267,000 for HY2022 and a turnaround as compared to the gross profit of approximately HK\$7,357,000 for HY2023. Such turnaround was mainly due to (i) decrease in cost of lime powder (partly offset by the aforementioned decrease in market selling price of calcium carbide); and (ii) commencement of new manufacture and sale of chemical products for agriculture segment since acquisition of Mudanjiang Haidi Technology Co., Limited on 15 June 2023.

The Group recorded profit for the year attributable to owners of the Company of approximately HK\$274,468,000 for HY2022 and a turnaround as compared to the loss for the year attributable to owners of the Company of approximately HK\$84,614,000 for HY2023. Such turnaround was mainly due to the one-off profit from gain on deconsolidation of Mudanjiang Better Day Power Limited during HY2022 and did not recur in HY2023.

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Set out below are certain key consolidated financial information of the Group as extracted from the condensed consolidated statement of financial position set out in the 2023 Interim Report.

	As at 31 December 2023	As at 30 June 2023
	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
Bank and cash balances	1,142	2,898
Current assets	70,194	45,694
Net current liabilities	991,863	794,788
Total assets	677,116	666,629
Current liabilities	1,062,057	840,482
Total liabilities	1,687,626	1,614,348
Deficit attributable to the owners of the Company	1,017,161	955,357

The Group's bank and cash balances amounted to approximately HK\$1,142,000 as at 31 December 2023, representing a decrease of approximately HK\$1,756,000 or 60.6%, as compared to that of approximately HK\$2,898,000 as at 30 June 2023. The Group recorded net current liabilities of approximately HK\$991,863,000 as at 31 December 2023, representing an increase of approximately HK\$197,075,000 or 24.8%, as compared to the net current liabilities of approximately HK\$794,788,000 as at 30 June 2023. Such increase was mainly attributable to the combined effects of an increase in current assets of approximately HK\$24,500,000 or 53.6% and an increase in current liabilities of approximately HK\$221,575,000 or 26.4% as at 31 December 2023. We note from the 2023 Interim Report that the increase in current assets was mainly attributable to the increase in inventories, trade receivables and prepayments, deposits and other receivables. Meanwhile, the increase in current liabilities was mainly due to the increase in trade payables, other payables and accruals and the current portion of bonds payable. The improvement in liquidity and solvency gives rise to an increase in current ratio from approximately 0.05 times as at 30 June 2023 to approximately 0.07 times as at 31 December 2023.

The Group's total liabilities increased by approximately HK\$73,278,000 or 4.5%, from approximately HK\$1,614,348,000 as at 30 June 2023 to approximately HK\$1,687,626,000 as at 31 December 2023. Such increase was mainly attributable to the combined effects of the aforementioned factors related to the increase in current liabilities, but was partially offset by the non-current portion of bonds payable.

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The Group recorded deficit attributable to the owners of the Company of approximately HK\$1,017,161,000 as at 31 December 2023, representing an increase of approximately HK\$61,804,000 or 6.5%, as compared to that of approximately HK\$955,357,000 as at 30 June 2023. This was mainly attributable to the loss for the year attributable to owners of the Company during HY2023.

2. Reasons for and benefits of entering into the Supplemental Agreement

It is stated in the Board Letter that with the Company and China Mining's implementation of the JV Company's business, the Supplemental Announcement further enhance the synergies in between the Company, China Mining and the JV Group. The Supplemental Agreement can benefit the parties in the following ways:

- (i) it allows the JV Company and the Company to import coal, raw plastic materials and chemicals at market-discounted prices with shared supplier in China Mining as China Mining shall be the sole supplier of the JV Company and an indirect part supplier of the Company, which benefits the Company's existing business of manufacturing and selling calcium carbide by cutting costs;
- (ii) the collaboration between the parties could expand the Company's product portfolio and mitigate risks associated with conducting businesses by selling one single product, as the Company will continue to operate all its existing businesses and will diversify its business through the operation of the JV Company;
- (iii) the collaboration between the parties allows the parties to benefit from economies of scale stemming from shared resources, complementary capabilities, operational efficiencies as well as enhanced competitiveness in both domestic and overseas markets, including but not limited to (a) the Company and the JV Company selling complementary goods whereby the JV Company would be selling coals to the Company and its customers, and the Company would utilise these coals to produce calcium carbide and premium coal to meet the market demands; and (b) the Company would rent out its unused storage in the Northeast China to the JV Company at market price if the JV Company receives purchase orders from customers in the nearby area, which would allow the JV Company to access to storage in the Northeast China instead of having to resort to its own storage in Zhuhai;
- (iv) it can foster the exchange between talents from mainland China and Hong Kong leading to higher qualities and capabilities of staffs; and
- (v) from the perspective of China Mining, it can expand its business through the China-Hong Kong cooperation platform, and more particularly, through the status of the Company being a Hong Kong listed company.

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The Directors consider that the Supplemental Agreement has been: (i) entered into in the Group's ordinary and usual course of business; and (ii) negotiated on an arm's length basis, on normal commercial terms, fair and reasonable and in the interest of the Group and the Shareholders as a whole.

3. Internal control measures

As stated in the Board Letter, the Group has implemented adequate internal control measures for monitoring all of its continuing connected transactions, including but not limited to the regular reporting of transaction volume to the Group's finance department for monitoring the annual caps of the relevant transactions.

The Group will adopt the following internal control measures to ensure that the basis of determining the sales and resales prices of the mineral, chemical and other relevant products will be based on the prevailing market prices and the following principles:

- (i) by reference to the prevailing market price of the same or substantially similar products, taking into account the price of the same or substantially similar products with comparable order quantities and quality offered to/by other suppliers; and
- (ii) if there are not sufficient comparable transactions in (i) above, on normal commercial terms comparable to those currently offered by the Group to, or received by the Group from, independent third parties in respect of the same or substantially similar products with comparable quantities.

In determining the prevailing market price of the products, the Company will invite quotations from at least three independent supplier(s) to ensure that the products to be offered by China Mining would be on normal commercial terms and no less favourable to the Group than that available from independent third party suppliers.

For mineral products, chemical products or other relevant products with public prices available in particular, when determining their sales and resales prices, references will be made by the Group to the trading and/or public prices of the relevant products in different commodity exchanges and information center in the PRC including Dailian Commodity Exchange, Shanghai Futures Exchange and China Statistical Information Service Center and other international commodity exchanges including New York Mercantile Exchange, Chicago Mercantile Exchange, The London Metal Exchange, Intercontinental Exchange and Tokyo Commodity Exchange.

In addition, the Company's auditors and independent non-executive Directors will conduct annual review of the transactions contemplated under the Supplemental Agreement and provide annual confirmations in accordance with the Listing Rules that the transactions are conducted in accordance with the terms of such agreements, on normal commercial

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terms, in the interest of the Company and its Shareholders as a whole, and in accordance with the relevant pricing policies.

4. Historical figures

As set out in the Board Letter, the table below sets out the total consolidated revenue generated by China Mining and its subsidiaries for each of the three years ended 31 December 2023:

Period	Total Revenue recorded by China Mining and its subsidiaries
For the year ended 31 December 2021	approximately RMB49 million (equivalent to approximately HK\$54 million)
For the year ended 31 December 2022	approximately RMB301 million (equivalent to approximately HK\$331 million)
For the year ended 31 December 2023	approximately RMB11,375 million (equivalent to approximately HK\$12,514 million)

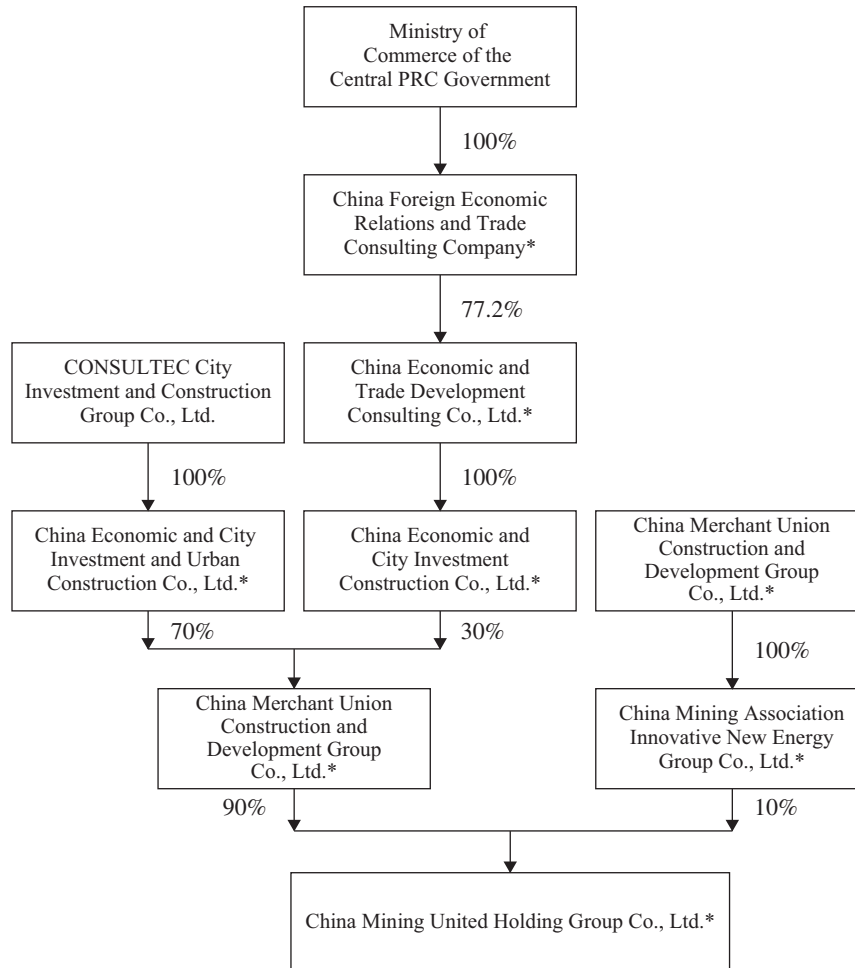
Note: For the year ended 31 December 2023, out of the total consolidated revenue generated by China Mining and its subsidiaries in the amount of approximately RMB11,375 million (equivalent to approximately HK\$12,514 million), of which approximately RMB9,225 million, RMB1,094 million and RMB835 million were attributable to distribution, sales and export of coal, plastic related products and chemical related products, respectively.

5. Information of the Group and the connected persons

As stated in the Board Letter, the Company is an investment holding company. The Group is principally engaged in the manufacturing and sales of coal-related chemical products and chemical products for agriculture.

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China Mining is an enterprise established in the PRC under the direct management of the Central Government with businesses covering trading and sales, sales of mineral products, sales of chemical products, sales of communication devices, leasing and sales of real estates, sales of construction materials, largescale agriculture and consultation services, etc. As at the Latest Practicable Date, China Mining owns 154,960,000 Shares, representing approximately 11.47% of the issued share capital of the Company and is a substantial shareholder of the Company (as defined under the Listing Rules). The shareholding structure of China Mining as at the Latest Practicable Date is as follows:



To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, all corporate shareholders of China Mining are managed and ultimately owned by Ministry of Commerce of the Central PRC Government (中華人民共和國商務部).

The JV Company is an investment holding company and is indirectly owned as to 51% by the Company and 49% by China Mining. The JV Company has been accounted for as a subsidiary of the Group and its financial results have been consolidated into the consolidated financial statements of the Group. China Mining Zenith (Zhuhai) is principally engaged in

* for identification purpose only

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production and sales of mineral products and chemical products and is wholly owned by the JV Company. Each of the JV Company and China Mining Zenith (Zhuhai) is a connected subsidiary (as defined under the Listing Rules).

Business model of the JV Company

The JV Company will be primarily focusing on the importing, processing and selling of coal related products, plastic related products and chemical related products. The target customers of the JV Company include both PRC markets and overseas markets. The JV Company will also export raw materials to the Company's subsidiary for deep processing. As complimentary business, the JV Company will also provide logistics, storage and settlement services to the customers.

There will be 3 milestone stages of the development of the JV Company. In the initial stage, the JV Company will conduct business with existing customers of China Mining, the Company and the Company's subsidiaries. In the second stage, the JV Company will designate marketing teams to target PRC customers other than those of the initial stage. For the last stage, the JV Company will expand into overseas markets.

The revenue sources of the JV Company will primarily be derived from the sales of coal related products, plastic related products and chemical related products, as well as deep processing services, logistics services, storage services and settlement services.

The costs of the JV Company will mainly stem from the purchase of coal, raw plastic materials and chemicals, logistics expenses, employee salaries and training expenses.

6. The Supplemental Agreement

As stated in the Board Letter, on 10 May 2024, the Company and China Mining entered into the Supplemental Agreement to govern (i) the sale of mineral products, chemical products or other relevant products by China Mining to China Mining Zenith (Zhuhai); and (ii) the sale of mineral products, chemical products or other relevant products by China Mining Zenith (Zhuhai) to the Group.

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Set out below is a summary of the principal terms of the Supplemental Agreement:

- Date : 10 May 2024
- Parties : (1) the Company; and
(2) China Mining.
- Key terms and condition of the Supplemental Agreement : Pursuant to the Supplemental Agreement, (a) China Mining agreed to sell mineral products, chemical products or other relevant products to China Mining Zenith (Zhuhai) in order to facilitate (i) distribution and sales within the PRC; (ii) export to the overseas market; and (iii) resale of these mineral products, chemical products or other relevant products to the Group for deep processing (the “**Transaction I**”); and (b) China Mining Zenith (Zhuhai) agreed to sell mineral products, chemical products or other relevant products to the Group for deep processing (“**Transaction II**”).
- China Mining Zenith (Zhuhai) will place purchase order to China Mining and the Company will place purchase order to China Mining Zenith (Zhuhai) from time to time under the Supplemental Agreement for the purchase of mineral products, chemical products or other relevant products and the sale price will be determined for each purchase order with reference to the prevailing market price and a discount to be further determined by China Mining Zenith (Zhuhai), China Mining and the Company from time to time upon the placement of the purchase order(s).
- Terms : The term of the Supplemental Agreement is from 30 April 2024 to 31 December 2024 (both days inclusive). There was no transaction under the Supplemental Agreement from 30 April 2024 up to the Latest Practicable Date.
- Annual Caps : The proposed Annual Cap A of Transaction I contemplated under the Supplemental Agreement is RMB5,000,000,000.

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The proposed Annual Cap B of Transaction II contemplated under the Supplemental Agreement is RMB250,000,000.

As disclosed in the announcement of the Company dated 10 May 2024, the initial annual cap was determined to be RMB10 billion. Considering that the SGM is expected to be held on 6 September 2024 and the transactions contemplated under the Supplemental Agreement will be commenced thereafter, the Annual Cap A and Annual Cap B have been adjusted accordingly.

In arriving at the proposed Annual Cap A, the Directors have considered (i) the historical amounts of China Mining and its subsidiaries for selling and distribution of the mineral products, chemical products or other relevant products; (ii) the expected growth in demand of the mineral products, chemical products or other relevant products based on relevant historical growth rates from 2022 to 2023; (iii) the actual term of the Supplemental Agreement of 4 months having considered that the transactions contemplated thereunder are expected to commence after the Supplemental Agreement is duly approved by the Independent Shareholders at the SGM; (iv) a buffer of approximately 10% to allow for flexibility and maximization of profits; and (v) seasonal factor or seasonal adjustment applied to account for the expected higher coal demand during the winter months compared to the annual average. In particular, when assessing the historical amounts, the Directors took into account the total consolidated revenue recorded by China Mining and its subsidiaries for the year ended 31 December 2023 in the amount of RMB11,376 million (equivalent to approximately HK\$12,514 million), of which approximately RMB9,225 million, RMB1,094 million and RMB835 million were attributable to distribution, sales and export of coal, plastic related products and chemical related products, respectively.

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The proposed Annual Cap B of RMB250,000,000 which accounts for 5% of the Annual Cap A was determined by the Directors after taking into account the expected demand for deep processing of coals to produce calcium carbide and premium coal by the Group having considered (i) the Group's annual capacity for production of calcium carbide; (ii) the amount and price of coal required for production of calcium carbide and premium coal; and (iii) anticipated market demand of premium coal based on enquiries received from potential customers of the Group.

Conditions Precedent : The Supplemental Agreement and the transactions contemplated thereunder are conditional upon the holding of the SGM, the obtaining of the opinion from the Independent financial adviser and the approval by the Independent Shareholders as required under the Listing Rules. The parties to the Supplemental Agreement agreed to amend and supplement the Supplemental Agreement further as may be necessary in compliance with all requirements under the Listing Rules.

7. Our analysis

7.1 Pricing policies

We have obtained from the Management and reviewed the Supplemental Agreement, and we understand from the Management that purchase order for mineral products, chemical products or other relevant products will be placed among the Company, China Mining and China Mining Zenith (Zhuhai), and the sell price will be determined for each purchase order with reference to the prevailing market price and a discount to be further determined by the Company, China Mining and China Mining Zenith (Zhuhai) from time to time.

In order to obtain the prevailing market price, we note from the Board letter and understand from the Management that for mineral products, chemical products or other relevant products with public prices available in particular, when determining their sales and resales prices, references will be made by the Company and/or China Mining Zenith (Zhuhai) to the trading and/or public prices of the relevant products in different commodity exchanges and information center in the PRC including Dailian Commodity Exchange, Shanghai Futures Exchange and China Statistical Information Service Center and other international commodity exchanges including New York Mercantile Exchange, Chicago Mercantile Exchange, The London Metal Exchange,

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Intercontinental Exchange and Tokyo Commodity Exchange. For products of which prevailing market price are not available in public domain, we note from the Board letter and understand from the Management that the Company and/or China Mining Zenith (Zhuhai) will invite quotations from at least three independent supplier(s) to ensure that (i) the products to be offered by China Mining to China Mining Zenith (Zhuhai) would be on normal commercial terms and no less favourable to the Group than that available from independent third party suppliers; and (ii) the products to be offered by China Mining Zenith (Zhuhai) to the Group would be on normal commercial terms and no less favourable to the Group than that available from independent third party suppliers.

In regard to “a discount to be further determined by China Mining Zenith (Zhuhai), China Mining and the Company” pursuant to the Supplemental Agreement, we enquired with the Management and understand that there is no absolute discount rate to be applied on each purchase order. Instead, the Management will ensure that (i) for products with prevailing market price available in public domain, either the unit price in each purchase order would be at least slightly lower than the prevailing market price, or the unit price will be the same as the prevailing market price obtained from the aforementioned public domain, with a small discount being offered in the lump sum price in each purchase order; and (ii) for products with no prevailing market price, the unit price in each purchase order would be no more than the lowest unit price offered from the independent third party suppliers.

7.2 The Annual Caps

The proposed Annual Cap A of Transaction I (i.e. sale of mineral products, chemical products or other relevant products by China Mining to China Mining Zenith (Zhuhai) for (i) distribution and sale of mineral products, chemical products or other relevant products by the JV Group to independent third parties within the PRC and in overseas market of RMB4,750,000,000 and (ii) sale of mineral products, chemical products or other relevant products by the JV Group to the Group for deep processing of RMB250,000,000) contemplated under the Supplemental Agreement is RMB5,000,000,000.

The proposed Annual Cap A

In regard to the proposed Annual Cap A, we discussed with the Management and understand that the Management and China Mining has made reference to the followings:

- (i) as represented by the Management, it is China Mining’s corporate strategy to reallocate the business of distribution, sales and export of mineral products and chemical products to China Mining Zenith (Zhuhai) to focus its resources on other business segments;

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- (ii) the term of the Supplemental Agreement is from 30 April 2024 to 31 December 2024 (both days inclusive), but the expected date of SGM would be on 6 September 2024 which means the actual period of time for the Group to conduct Transaction I pursuant to the Supplemental Agreement (assuming the Supplemental Agreement is duly passed by the Independent Shareholders at the SGM) is around 4 months of a whole year;
- (iii) the proportional transaction volume for Transaction I from the date of the SGM till the end of 2024 (with projected growth in 2024); and
- (iv) a roughly 10% buffer has been added to the estimated purchase of coal by the JV Group from China Mining allow more flexibility for China Mining Zenith (Zhuhai) to procure supply of coal products from China Mining should there be demand from customer in order to maximise the Group's profitability.

The historical consolidated revenue recorded by China Mining for the year ended 31 December 2023, together with the projected growth in 2024 and certain buffer as illustrated below:

Products	China Mining's revenue for the year ended 31 December 2023 RMB'000	Growth rate applied by the Management	Estimated purchase by the JV Group from China Mining in 2024 on 12 months' basis RMB'000	10% buffer on purchase on coal by the JV Group from China Mining on 12 months' basis RMB'000	Estimated purchase by the JV Group from China Mining on 4 months' basis RMB'000
Coal	9,224,669 <i>(note 1)</i>	5.7% <i>(note 2)</i>	9,750,475	10,725,522 <i>(note 4)</i>	4,290,209 <i>(note 5)</i>
Plastic related products	1,093,638 <i>(note 1)</i>	5.2% <i>(note 3)</i>	1,150,507	N/A	383,502
Chemical related products	834,782 <i>(note 1)</i>	5.2% <i>(note 3)</i>	878,191	N/A	292,730
Total					4,996,441 ~5,000,000 (rounded)

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Notes:

- (1) The figure is supported by the breakdown on China Mining's consolidated revenue for the year ended 31 December 2023 provided by China Mining to the Management and reviewed by us.
- (2) The figure represents the growth of consumption of coal in the PRC in 2023 as compared to 2022 as obtained from the website of National Bureau of Statistics. We enquired the Management and understand that the Management prefers to adopt the actual growth rate in 2023 against 2022 instead of a forecasted growth rate in 2024 against 2023.
- (3) The figure represents the growth of gross domestic product in the PRC in 2023 as compared to 2022 as obtained from the website of the Central Government of the People's Republic of China. We enquired the Management and understand that the Management prefers to adopt the actual growth rate in 2023 against 2022 instead of a forecasted growth rate in 2024 against 2023.
- (4) A 10% buffer has been added to the estimated purchase of coal by the JV Group from China Mining to allow more flexibility for China Mining Zenith (Zhuhai) to procure supply of coal from China Mining without lengthy approval process from Independent Shareholders should there be demand from customer in order to maximise the Group's profitability.
- (5) In contrary to plastic related products and chemical related products, the estimated purchase of coal by the JV Group from China Mining on 4 months' basis is not one-third (approximately 33.33%) of the estimated purchase of coal by the JV Group from China Mining on 12 months' basis. Instead, the Management applied 40% to take into account that the demand for coal in winter is general higher than that in other seasons.

The proposed Annual Cap B

The proposed Annual Cap B of Transaction II (i.e. sale of mineral products, chemical products or other relevant products by the JV Group to the Group for deep processing) contemplated under the Supplemental Agreement is RMB250,000,000.

As disclosed in the Board Letter, the proposed Annual Cap B of RMB250,000,000 which accounts for 5% of the Annual Cap A was determined by the Directors after taking into account the expected needs of the mineral products, chemical products or other relevant products to be deep-processed by the Group having considered (i) the historical transaction amounts of the chemical products or other relevant products deep-processed by the Group; and (ii) the anticipated increase in the orders to be placed by the customers of the Group for deep-processed mineral, chemical or other relevant products.

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We enquired the Management and understand that the proposed Annual Cap B of RMB250,000,000 is made reference to the followings:

Demand for coal for the Group's deep processing	Existing annual capacity for producing calcium carbide <i>ton</i>	Amount of dried carbon material required <i>ton</i>	Amount of coal required to produce the dried carbon material <i>ton</i>	Coal price per ton <i>RMB</i>	Estimated demand for coal for the Group's deep processing on 12 months' basis <i>RMB'000</i>	Estimated demand for coal for the Group's deep processing on 4 months' basis <i>RMB'000</i>
To produce calcium carbide	200,000 <i>(note 1)</i>	116,000 <i>(note 2)</i>	232,000 <i>(note 3)</i>	2,000 <i>(note 4)</i>	464,000	154,667
To process coal washing into premium coal						100,000 <i>(note 5)</i>
Total						254,667 -250,000 (rounded)

Notes:

- (1) The figure represents the annual capacity of calcium carbide as provided by the Management.
- (2) The figure represents the amount of dried carbon material (one of the ingredients required to generate calcium carbide) required to produce 200,000 tons of calcium carbide.
- (3) As discussed with the Management, based on their experience, 2 tons of coal is required to generate 1 ton of dried carbon material.
- (4) The figure represents the recent coal price (value added tax inclusive) in Taiyuan city, Shanxi Province (the principal place where China Mining conducts sales of coal) provided by the Management, which is also available in public domain.
- (5) The Management advised that they received interest/enquiry from potential customers for supply of premium coal. The Management would like to conduct coal washing to turn coal into premium coal to satisfy the demand from potential customers.

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7.3 Internal control measures

In addition to the aforementioned pricing policies, we discussed with the Management and understand that the Company will implement the following internal control measures to monitor the Transaction I and the Transaction II contemplated under the Supplemental Agreement and to ensure that such continuing connected transactions will be entered into on normal commercial terms:

- (i) prior to entering into each purchase order under the Supplemental Agreement, the trade department of the Group is responsible for negotiation of the contractual terms with reference to the pricing policies as discussed in sectioned 7.1 above, and the Group will only make purchase order to China Mining/China Mining Zenith (Zhuhai) if (i) the products to be offered by China Mining to China Mining Zenith (Zhuhai) would be on normal commercial terms and no less favourable to the Group than that available from independent third party suppliers; and (ii) the products to be offered by China Mining Zenith (Zhuhai) to the Group would be on normal commercial terms and no less favourable to the Group than that available from independent third party suppliers;
- (ii) the general manager of the Company is held responsible for the final approval of the terms of each purchase order under the Supplemental Agreement;
- (iii) upon submission of each purchase order and throughout the term of the Supplemental Agreement, the finance department of the Company is responsible for monitoring the implementation of the definitive purchase order under the Supplemental Agreement to ensure that the terms are strictly adhered to by the parties to the purchase orders. Any deviation from the contractual terms in the purchase order will be reported to the management of the Company for further actions. In addition, the management of the Company will perform spot checks on implementation of the Supplemental Agreement to ensure compliance with the contractual terms as and when necessary; and
- (iv) when determining the actual volume of products to be purchased under each purchase order, the Company will take into account the demand from such customers and ensure that China Mining Zenith (Zhuhai)/the Group will only purchase from China Mining/China Mining Zenith (Zhuhai) the amount of products demand from the subject customers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition to the above, the Management advised us that the Company will also adopt the following internal control measures in respect of the continuing connected transactions contemplated under the Supplemental Agreement:

- (i) the finance department of the Company will be responsible for regular monitoring of the transaction amounts under the Supplemental Agreement to ensure that the transactions have been conducted within the relevant Annual Caps;
- (ii) the Company will engage its auditors to conduct an annual review of the continuing connected transactions conducted under the Supplemental Agreement and confirm whether such transactions are entered into, in all material respects, in accordance with the pricing policies and other provisions set forth in the Supplemental Agreement and have exceeded the relevant Annual Caps; and
- (iii) the independent non-executive Directors will review the continuing connected transactions conducted under the Supplemental Agreement by the end of 2024 and confirm in the annual report of the Company for the year ending 31 June 2025 whether such continuing connected transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and in accordance with the Supplemental Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

7.4 Synergies between the Company, China Mining and the JV Group

The Group is principally engaged in the manufacturing and sales of coal-related chemical products and chemical products for agriculture, while the JV Group will be primarily focusing on the importing, processing and selling of coal related products, plastic related products and chemical related products. The revenue sources of the JV Company will primarily be derived from the sales of coal related products, plastic related products and chemical related products, as well as deep processing services, logistics services, storage services and settlement services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As discussed with the Management, the benefits of entering into the Supplemental Agreement to each of the Company, China Mining and the JV Group are as follows:

The Company

- (1) The Company imports coal from China Mining at market-discounted prices, which benefits the Company's existing business of manufacturing (coal is key energy source for making one of the ingredients for manufacturing calcium carbide) and selling calcium carbide by cutting costs.
- (2) The Company imports coal from China Mining at market-discounted prices and utilizes its existing capacity to produce premium coal for sale.
- (3) The Group's product portfolio will be expanded, and the Group has mitigated risks associated with conducting businesses by selling one single product.
- (4) The Company would rent out its unused storage in the Northeast China to the JV Company at market price to maximise the utilisation of the Group's resources.

China Mining

- (1) It is China Mining's corporate strategy to reallocate the business of distribution, sales and export of mineral products and chemical products to China Mining Zenith (Zhuhai) to focus its resources on other business segments.
- (2) China Mining can expand its business through the China-Hong Kong cooperation platform, and more particularly, through the status of the Company being a Hong Kong listed company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

JV Group

- (1) The JV Group imports coal, raw plastic materials and chemicals at market-discounted prices and resell for profit.
- (2) In the initial development stage, the JV Company will kick start its business with existing customers of China Mining, the Company and the Company's subsidiaries before marketing its products to other potential domestic clients and overseas clients.
- (3) If the JV Company receives purchase orders from customers in the Northeast China area, the Company allows the JV Company to access to storage in the Northeast China instead of having to resort to its own storage in Zhuhai to save transportation cost.

Having considered the above, we considered the Supplemental Agreement (i) is in line with the Company's existing business and business strategy; and (ii) could enhance the synergies between the Company, China Mining and the JV Group.

7.5 Conclusion

Having review and analyzed the Group's pricing policies as stated in section 7.1 above, we are of the view that the terms of the Supplemental Agreement and the transactions contemplated thereunder are on normal commercial terms and not prejudicial to the interests of the Company and the Independent Shareholders and are fair and reasonable.

Having review and analyzed the proposed Annual Caps as stated in section 7.2 above, we are of the view that the basis for determining each of the Annual Caps is fair and reasonable so far as the Independent Shareholders are concerned.

In respect of internal control effectiveness, based on our understanding illustrated in section 7.3 above, we do not doubt the effectiveness of the implementation of the internal control procedures as mentioned above.

Having considered the benefits of entering into the Supplemental Agreement to each of the Company, China Mining and the JV Group as illustrated in section 7.4 above, we considered the Supplemental Agreement (i) is in line with the Company's

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

existing business and business strategy; and (ii) could enhance the synergies between the Company, China Mining and the JV Group.

OPINION AND RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the view that the Transactions (including the Annual Caps) are in the ordinary and usual course of business, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Therefore, we would recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favor of the ordinary resolution(s) to approve the Transactions (including the Annual Caps) at the SGM.

Yours faithfully,

For and on behalf of

Grand Moore Capital Limited

Kevin So

Florence Ng

Managing Director –

Associate Director

Investment Banking

Department

Note: Mr. Kevin So is a licensed person under the SFO to undertake type 6 regulated activity (advising on corporate finance) and is a responsible officer in respect of Grand Moore Capital Limited's type 6 regulated activity (advising on corporate finance). Mr. So has over 20 years of experience in the corporate finance industry in Hong Kong.

Ms. Florence Ng is a licensed person under the SFO to undertake type 6 regulated activity (advising on corporate finance) and is a responsible officer in respect of Grand Moore Capital Limited's type 6 regulated activity (advising on corporate finance). Ms. Ng has over 10 years of experience in the corporate finance industry in Hong Kong.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests and short positions, if any, of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required (a) 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 were taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register pursuant to Section 352 of the SFO; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the Shares and underlying Shares:

Name of Director	Nature of interest	Number of Shares/ Underlying Shares held	Approximate percentage of issued share capital of the Company
Mr. Chin Chun Hin	Beneficial owner	106,800,000 (L)	7.90%

(L) denotes long positions

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required (a) 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 would be taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

As at the Latest Practicable Date, so far as known to the Directors, none of the Directors is a director or employee of a company which has 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 Division 2 and 3 of Part XV of the SFO.

3. DISCLOSURE OF INTERESTS OF THE SHAREHOLDERS PURSUANT TO THE SFO

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV 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 circumstances at general meetings of any other members of the Group or had any option in respect of such capital:

Long positions in the Shares and underlying Shares:

Name of Shareholder	Capacity	Number of Shares/ Underlying Shares held	Approximate percentage of issued share capital of the Company
Mr. Cheung Hung	Beneficial owner	238,460,000 (L)	17.64%
China Mining	Beneficial owner	154,960,000 (L)	11.47%
Ms. Hung Tsz Shan (<i>Note</i>)	Interest of spouse	106,800,000 (L)	7.90%

(L) denotes long positions

Note: Mr. Chin Chun Hin, an executive Director, is interested in 106,800,000 Shares. Ms. Hung Tsz Shan (the spouse of Mr. Chin Chun Hin) is deemed to be interested in the 106,800,000 Shares held by Mr. Chin Chun Hin by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, no other persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have, any interests or short positions in the Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, nor were there any persons, 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 members of the Group or held any option in respect of such capital.

4. COMPETING BUSINESS INTERESTS OF DIRECTORS

At the Latest Practicable Date, none of the Directors or their respective associates had any business or interest apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

5. DIRECTORS' MATERIAL INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENT

- (a) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have, since 30 June 2023 (being the date to which the latest published audited financial statements of the Company were made up), been (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group; and
- (b) None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into any service contracts with the Company or any member of the Group (excluding contracts expiring or determinable within one year without payment of compensation (other than statutory compensation)).

7. LITIGATION

On 8 June 2023 (and refiled on 3 July 2023), Ms. Wang Yuexian filed a winding up petition with the Court of First Instance of the High Court for the winding-up of the Company under the provisions of Companies (WUMP) Ordinance under Companies Winding-up Proceedings No. 243 of 2023 in relation to the relevant statutory demand. The substantive hearing of the abovementioned winding-up petition has been fixed for 19 September 2024 in the High Court. For more details, please refer to the announcements of the Company dated 23 August 2023, 28 August 2023, 30 November 2023, 28 February 2024, 29 February 2024, 6 March 2024, 26 March 2024, 15 April 2024, 5 June 2024 and 2 July 2024.

Save as disclosed, as at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group or to which any member of the Group may become a party.

8. MATERIAL ADVERSE CHANGE

The Directors confirm that there were no material adverse changes in the financial or trading position of the Group since 30 June 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up.

9. QUALIFICATION OF EXPERT AND CONSENT

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

Name	Qualification
Grand Moore Capital Limited	A corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

The expert above has given and has not withdrawn its written consents to the issue of this circular with copies of its letter or report (as the case may be) and the references to its name included herein the form and context in which they respectively appear. The letter from the expert is given as of the date of this circular for incorporation in this circular.

As at the Latest Practicable Date, the expert above had no shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the expert above had no direct or indirect interests in any assets which have since 30 June 2023 (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. DOCUMENTS AVAILABLE ON DISPLAY

A copy of the Supplemental Agreement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinazenith.com.hk) for not less than 14 days from the date of this circular (both days inclusive).

11. MISCELLANEOUS

- (a) The Company Secretary of the Company is Mr. Ma Kin Ling. Mr. Ma Kin Ling is a fellow member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda.

- (c) The head office and principal place of business of the Company in the PRC is 7/F, B Block, Hongsong Building, Terra 9th Road, Futian District, Shenzhen, Guangdong Province, PRC.
- (d) The principal place of business of the Company in Hong Kong is at Suites 1003–1005, 10/F, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong.
- (e) The principal share registrar and transfer office of the Company is Eстера Management (Bermuda) Limited, Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda.
- (f) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (g) The English text of this circular prevails over the Chinese text in case of inconsistency.

NOTICE OF SGM



China Zenith Chemical Group Limited

中國天化工集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 362)

NOTICE OF SGM

NOTICE IS HEREBY GIVEN that an special general meeting (the “**SGM**”) of China Zenith Chemical Group Limited (the “**Company**”) will be held at 22/F, Euro Trade Centre, 13–14 Connaught Road Central, Central, Hong Kong, on Friday, 6 September 2024 at 4:30 p.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution. Capitalised terms defined in the circular dated 22 August 2024 issued by the Company (the “**Circular**”) of which this notice forms part shall have the same meanings when used herein unless otherwise specified:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the Supplemental Agreement (a copy of which has been produced to the meeting marked “A” and initialled by the chairman of the meeting for the purpose of identification) and the transactions contemplated under the Supplemental Agreement and the implementation thereof be and are hereby approved, ratified and confirmed;
- (b) the proposed Annual Caps (as set out in the Circular) be and are hereby approved; and
- (c) any one of the Directors be and is hereby authorised to do all such acts and things and sign, agree, ratify, execute, perfect or deliver all such documents or instruments under hand (or where required, under the common seal of our Company together with another Director or any person authorised by the board of Directors) and take all such steps as the Director in his/her discretion may consider necessary, appropriate, desirable or expedient to implement, give effect to or in connection with the Supplemental Agreement and any of the transactions contemplated thereunder.”

By Order of the Board
China Zenith Chemical Group Limited
Law Tze Ping Eric
Acting Chief Executive Officer

Hong Kong, 22 August 2024

NOTICE OF SGM

Registered office:

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM10
Bermuda

Head office and principal place of business in Hong Kong:

Suite 1003–1005, 10/F
Shui On Centre
6–8 Harbour Road
Wanchai
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened is entitled to appoint one or more proxies to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy, must be deposited together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority, at the offices of the Company's share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.
3. For the purpose of ascertaining shareholders' entitlement to attend and vote at the special general meeting, the register of members of the Company will be closed from Tuesday, 3 September 2024 to Friday, 6 September 2024 (both days inclusive), during which period no transfers of shares will be registered. In order to be eligible to attend and vote at the special general meeting, all transfer documents accompanied by the relevant share certificates, have to be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Monday, 2 September 2024.
4. Completion and delivery of the form of proxy will not preclude members from attending and voting in person at the special general meeting and in such event, the relevant form of proxy shall be deemed to be revoked.
5. In compliance with the Listing Rules and the Articles of association of the Company, the resolution set out in this notice of the special general meeting will be voted on by way of poll.

As at the date of this notice, Mr. Law Tze Ping Eric, Mr. Tang Yiduan, Mr. Shing Pan Yu James and Mr. Chin Chun Hin are the executive Directors; and Mr. Ma Wing Yun Bryan, Mr. Tam Ching Ho and Mr. Hau Chi Kit are the independent non-executive Directors.