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## **China Zenith Chemical Group Limited**

**中國天化工集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 362)**

### **PROFIT WARNING AND PRICE-SENSITIVE INFORMATION**

This announcement is made by China Zenith Chemical Group Limited (“the Company”) together with its subsidiaries, the “Group”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The Board wishes to inform the Shareholders and potential investors that the unaudited interim results of the Group for the six months ended 31 December 2011 (the “Interim Results”) is expected to record a substantial loss as compared to the profit recorded for the six months ended 31 December 2010. The estimated loss is mainly due to the suspension of the production of the coal-related chemical products in the aftermath of an industrial accident which occurred in the calcium carbide production facilities of Mudanjiang Daytech Chemical Limited (“Mudanjiang Daytech”), a wholly owned subsidiary of the Company, in the morning of 30 May 2011. No production activities for coal-related chemical products will be recorded in the financial period under review (“the Current Financial Period”).

Moreover, the increase in the cost of repairs and maintenance for all production facilities to further enhance work safety will be recorded in the Current Financial Period.

Further impairment of goodwill on vitamin C, glucose and starch businesses will also be recognized in the Current Financial Period.

As the Company is still in the process of finalizing its Interim Results, the information contained in this announcement is only based on a preliminary assessment of the information available by the management of the Company.

**Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

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### **REASON FOR FURTHER DELAY IN THE RESUMPTION OF PRODUCTION OF CALCIUM CARBIDE**

Although Mudanjiang Daytech has on 28 September 2011 obtained the final endorsement dated 27 September 2011 from Heilongjiang Provincial Administration of Work Safety for its resumption of production of calcium carbide starting from 29 September 2011, the management considered that it was not the appropriate time to resume production of calcium carbide under the current business environment and condition.

When Mudanjiang Daytech was ready to resume production, it was already in mid-November 2011 and the temperature in Mudanjiang was below zero degree Celsius at that time. The local management had had lengthy and in-depth discussion on the resumption of calcium carbide with the major contractor of the main reactors of the calcium carbide. Our major contractor and the mechanic expert advised in mid-November 2011 that the resumption of production of calcium carbide might be running at risk in cold weather condition while the temperature was below zero degree Celsius.

The management had seriously considered the advice from the mechanic expert in building reactors of calcium carbide. Given the current business environment and condition, although preparation work for the resumption of production was all ready, the management, after thorough consideration of, among other things, the mechanic expert’s advice, decided in mid-December 2011 to avoid running the production at risk in winter. To ensure the resumption work is carried out properly, our major contractor is invited to oversee and manage the resumption process scheduled for March 2012 when the temperature is expected to be warmer. With the direct supervision from our major contractor, the management is confident that the resumption of the production of calcium carbide in Mudanjiang Daytech will be successful and the production work safety will be further improved.

At the same time, the management was also very cautious in carrying out repairs and maintenances works on other production facilities for coal-related chemical products during the time of suspension of production. The aims are to review all the production workflow to remove all hidden perils which may affect production safety and to tighten the regulation or procedures to be followed by workers in order to eliminate the chances of any future occurrence of industrial accident.

After the 30 May 2011 industrial accident, the production of calcium carbide, the major raw materials for producing polyvinyl-chloride and vinyl acetate, was disrupted. Unavoidably, the production of polyvinylchloride and vinyl acetate will be suspended until the production of calcium carbide is resumed. The management had dropped the option of sourcing calcium carbide from outside suppliers because such arrangement was not cost-effective during winter.

The local management expects that production of calcium carbide will gradually be resumed to normal starting from March 2012. The production of the downstream products of the coal-related chemical products division is expected to be running normally in the second quarter of 2012.

As the Company is still in the process of finalizing its Interim Results, the information contained in this announcement is only based on a preliminary assessment by the management of the Company of the information available as at the date of this announcement.

The results announcement of the Company for the six-month period ended 31 December 2011 is expected to be released before the end of February 2012. In the meantime, the Company will make further announcement to update its shareholders and potential investors on its financial condition and operations as and when appropriate.

**Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

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

Hong Kong, 6 January 2012

*As at the date hereof, Mr. Chan Yuen Tung, Ms. Chan Yuk Foebe, Mr. Chiau Che Kong, Mr. Peng Zhanrong and Mr. Wu Jianwei are the executive Directors and Mr. Ma Wing Yun Bryan, Mr. Tam Ching Ho, Dato' Wong Sin Just and Mr. Wong Sin Lai are the independent non-executive Directors.*