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

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

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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)**

### **DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF BETTER LION HOLDINGS LIMITED**

**Financial adviser to the Company**



**VC CAPITAL LIMITED**

滙盈融資有限公司

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

**VEDA | CAPITAL**

智略資本

A letter from the Independent Board Committee containing its advice and recommendation to the independent Shareholders is set out on page 12 of this circular. A letter from Veda Capital, the Independent Financial Adviser to the Independent Board Committee and the independent Shareholders, is set out on pages 13 to 21 of this circular.

A notice convening the EGM to be held at Unit 1101-12, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on Thursday, 15 May 2008 at 4:30 p.m. is set out on pages 27 to 28 of this circular. A form of proxy for the EGM is enclosed with this circular of the Company. Whether or not you propose to attend the EGM, you are requested to complete the form of proxy and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for the EGM. Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM if you so wish.

25 April 2008

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## DEFINITIONS

*In this circular, unless the context otherwise requires, terms used herein shall have the following meanings:*

“Acquisition”	the acquisition of the entire issued share capital of Better Lion as contemplated under the Share Purchase Agreement
“Announcement”	the announcement of the Company dated 10 April 2008 in relation to the Acquisition
“Articles”	the articles of association of the Company
“Better Lion”	Better Lion Holdings Limited 佳獅控股有限公司, a company incorporated in the BVI with limited liability and is wholly-owned by the Vendor
“Board”	the board of Directors
“BVI”	British Virgin Islands
“Company”	China Zenith Chemical Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting to be convened by the Company at Unit 1101-12, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on Thursday, 15 May 2008 at 4:30 p.m., to consider and, if thought fit, to approve the Acquisition
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	the independent committee of the Board comprising all independent non-executive Directors, namely Mr. Ma Wing Yun, Bryan, Mr. Yau Chung Hong, Mr. Tam Ching Ho, and Dato’ Wong Sin Just, established to advise the independent Shareholders on the Acquisition
“Independent Financial Adviser” or “Veda Capital”	Veda Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity as defined under the SFO, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the independent Shareholders regarding the Acquisition

## DEFINITIONS

“Latest Practicable Date”	21 April 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchaser”	Better Day Bio-Chem Technology Ltd., a company incorporated in the BVI with limited liability and is an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi yuan, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holders of the Shares
“Share Purchase Agreement”	the share purchase agreement dated 8 April 2008 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the entire issued share capital of Better Lion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Kenelly Group Limited, a company incorporated in the BVI with limited liability
“WFOE”	牡丹江高科生化有限公司 (Mudanjiang Gaoke Bio-Chem Co., Ltd.), a wholly-foreign owned enterprise established in the PRC and is owned as to 60% by Better Day and 40% by Better Lion
“%”	per cent.

*For the purpose of this circular, amounts in RMB are translated into HK\$ at the following exchange rate unless otherwise specified:*

RMB0.938 : HK\$1.00

## 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 with limited liability)

(Stock Code: 362)

*Executive Directors:*

Mr. Chan Yuen Tung  
Ms. Chan Yuk, Foebe  
Mr. Chiau Che Kong  
Mr. Peng Zhanrong  
Mr. Wu Jianwei

*Registered office:*

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

*Independent non-executive Directors:*

Mr. Ma Wing Yun, Bryan  
Mr. Yau Chung Hong  
Mr. Tam Ching Ho  
Dato' Wong Sin Just

*Principal place of*

*business in Hong Kong:*

Unit 1101-12  
Sun Hung Kai Centre  
30 Harbour Road  
Wanchai  
Hong Kong

25 April 2008

*To the Shareholders*

Dear Sir and Madam,

#### DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF BETTER LION HOLDINGS LIMITED

#### INTRODUCTION

Reference is made to the Announcement in relation to the Acquisition. On 8 April 2008, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Share Purchase Agreement with the Vendor, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the entire issued share capital of Better Lion. Better Lion is the legal and beneficial owner of the 40% of the equity interest in the WFOE and the Group holds the remaining 60% of the equity interest in the WFOE. Upon completion of the Acquisition, the WFOE will become an indirect wholly-owned subsidiary of the Company.

## LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, further details of (i) the Acquisition; (ii) information of the Group; and (iii) to give notice of the EGM.

### THE SHARE PURCHASE AGREEMENT

#### Parties

Vendor: Kenelly Group Limited, a connected person of the Company

Purchaser: Better Day Bio-Chem Technology Ltd., an indirect wholly-owned subsidiary of the Company

#### Date

8 April 2008

#### Assets to be acquired

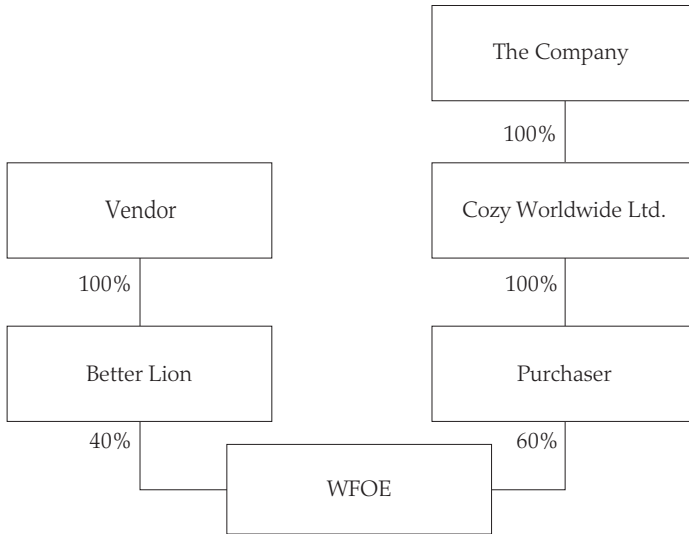
Two ordinary shares of Better Lion, representing the entire issued share capital of Better Lion. The sole investment of Better Lion is its holding of 40% equity interest in the registered capital of the WFOE, which Better Lion acquired at a consideration of RMB48 million (equivalent to approximately HK\$50.2 million at the actual exchange rate of RMB0.956 : HK\$1.00 at time of acquisition) in August 2007.

The remaining 60% equity interest in the registered capital of the WFOE is indirectly held by the Group. As at the Latest Practicable Date, the WFOE is an indirect non wholly-owned subsidiary of the Company. The WFOE will become an indirect wholly-owned subsidiary of the Company upon completion of the Acquisition and its accounts will remain consolidated in the Group's accounts.

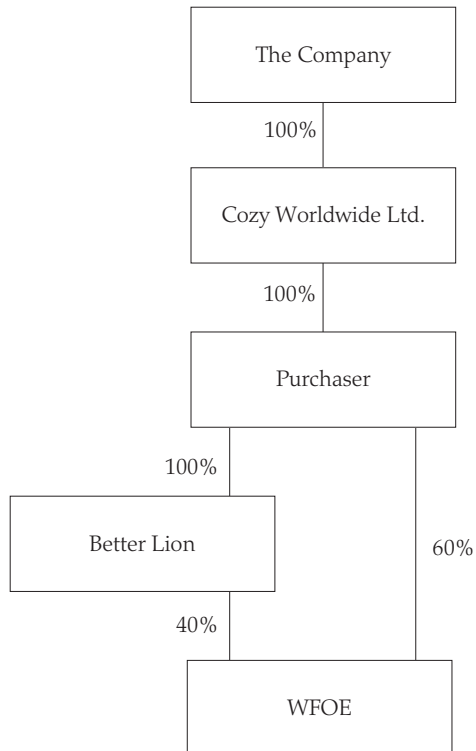
# LETTER FROM THE BOARD

## Ownership structure of the WFOE before and immediately after the Acquisition

*Before the Acquisition*



*Immediately after the Acquisition*



## LETTER FROM THE BOARD

### Consideration

The consideration for the Acquisition is HK\$155 million. The consideration will be settled in cash and is payable in the following manner:

1. HK\$55 million, being 35.5% of the consideration, has been paid by the Purchaser in cash to the Vendor as a deposit and for settling part of the consideration upon completion; and
2. HK\$100 million, being the remaining 64.5% of the consideration, payable within 3 months from the date of completion of the Share Purchase Agreement.

The Company will satisfy the consideration by its internal resources. The consideration has been arrived at between the parties after arm's length negotiations taken into account the unaudited net asset value of the WFOE of approximately HK\$345.5 million as at 31 December 2007.

### Conditions precedent

Completion of the Share Purchase Agreement is subject to and conditional upon satisfaction of, inter alia, the following conditions precedent:

- (1) completion of satisfactory legal, financial and business due diligence on Better Lion;
- (2) the obtaining of consents which are necessary or desirable for the implementation of the transactions contemplated by the Vendor and the Purchaser under the Share Purchase Agreement, including without limitation, approval of the Shareholders, if required, in relation to the Share Purchase Agreement and the transactions contemplated thereunder and any other approvals or notifications required pursuant to the requirements of the Listing Rules;
- (3) the issuance of a BVI legal opinion by the Vendor's BVI legal counsel in form satisfactory to the Purchaser;
- (4) there shall not be in effect on the completion date any law restraining, enjoining or otherwise prohibiting or making illegal the consummation of any of the transactions contemplated by the Share Purchase Agreement or which may have a material adverse effect on the Better Lion or the WFOE;
- (5) all consents, in form and substance reasonably satisfactory to the Purchaser, to the performance by the Vendor of its obligations under the Share Purchase Agreement as are required under any law or arrangement (contractual or otherwise) having been obtained and remaining in full force and effect;



## LETTER FROM THE BOARD

- (6) none of the warranties in the Share Purchase Agreement being found to be, or no event occurring or matter arising which may render any of the warranties, untrue or inaccurate or misleading on and as at the completion date; and
- (7) the Vendor shall have complied with its completion obligations as set out in the Share Purchase Agreement.

If the above conditions precedent which may be waived in whole or in part under the Share Purchase Agreement at any time by the Purchaser, have not been satisfied or waived on or before 30 June 2008 or such other date as the parties may agree in writing, the Share Purchase Agreement shall lapse and no party shall make any claim against the other in respect thereof, save for any antecedent breach.

As at the Latest Practicable Date, none of the above conditions precedent has been satisfied.

Furthermore, pursuant to a confirmation letter provided by the Vendor to the Company dated 9 April 2008, in the event that (a) the Vendor fails to complete the sale of the entire issued share capital of Better Lion in accordance with the provisions of the Share Purchase Agreement and the Purchaser exercises its rights under the Share Purchase Agreement to rescind the Share Purchase Agreement, or (b) the above conditions precedent are not satisfied in accordance with the provisions of the Share Purchase Agreement, the deposit in the sum of HK\$55 million paid by the Purchaser shall forthwith be returned in its entirety to the Purchaser without interest. Given the Vendor may have forgone the possibility of negotiating the sale of the entire issued share capital of Better Lion with other potential investors during the time pending for the completion of the Share Purchase Agreement, the Directors consider that the terms of the refund are on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### REASONS FOR THE ACQUISITION

The Company intends to expand the current production processes of the WFOE upon completion of the Acquisition to include further processing of glucose into acetic acid which is a major raw material used in the production of vinyl acetate (“VA”) and the manufacture and sale of which is a major business of the Group. The Directors believe that this expansion will be beneficial to the Group on the basis that estimated internal production cost of acetic acid is lower than the direct purchasing cost from external suppliers and also the expansion will not incur substantial research and development cost as the Group already holds the technology to process glucose into acetic acid. However, such expansion plan was not supported by the Vendor and the Vendor insists the WFOE should continue to produce starch and glucose only.

The Board is optimistic on the development of bio-chemical products division of the Group (or our corn-based manufacturing arm currently producing starch and glucose). According to the 關於促進玉米深加工業健康發展的指導意見 (Guided opinion on facilitation of the healthy development of corn further development industry) published by the

## LETTER FROM THE BOARD

National Development and Reform Commission of the PRC (中國國家發展和改革委員會) in September 2007, the PRC government will not approve any new corn-based manufacturing project at the moment to avoid over-manufacturing of corn into chemical raw materials for industrial use. In addition, Mr. Hu Jin Tao, the president of the PRC has announced in the Seventeenth National Congress of the Communist Party of China that new policy favoring the primary industry will be introduced in due course. In view of this, the Board believes that the aforesaid expansion will be able to capitalise on these favorable policies and further enhance the earnings ability of the Group.

The Board, having considered the amount of capital investment required to expand the WFOE's existing production which will be financed by banking facilities or debt financing or other financing methods depending on the then market condition, believes that the expansion will provide a reliable and cost effective supply of acetic acid to support the Group's expanded VA production capacity, and generate additional revenue for the Group from selling the acetic acid produced from any production surplus after satisfying its internal demand to other customers. In addition, the Board also considers that the Acquisition is in line with the Group's business objectives in diversifying its product mix and fostering the Group to develop and produce high value-added bio-chemical products, such as xanthan gum and sodium gluconate both of which are products generated from glucose.

Based on the above, the Directors consider that the terms of the Share Purchase Agreement are on normal commercial terms and that they are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### FINANCIAL EFFECTS OF THE ACQUISITION

Upon completion of the Share Purchase Agreement, the WFOE will become an indirect wholly-owned subsidiary of the Company and its accounts will remain consolidated into the accounts of the Group. It is estimated that there will be no material effect on the net asset of the Group upon completion of the Acquisition and the Acquisition is expected to enhance the earnings of the Group.

### INFORMATION ON THE COMPANY AND THE PURCHASER

The Company is principally engaged in the manufacture and sale of VA, polyvinyl-chloride, glucose and starch, and generation and supply of power and steam.

The Purchaser is incorporated in the BVI with limited liability and is indirectly wholly-owned by the Company. The Purchaser is principally engaged in investment holding activities.

## LETTER FROM THE BOARD

### INFORMATION ON THE VENDOR

The Vendor is an investment holding company incorporated in the BVI with limited liability. It is the legal and beneficial owner of the entire issued share capital of Better Lion, which in turn holds 40% equity interest in the registered capital of the WFOE, an indirect non wholly-owned subsidiary of the Company. The Vendor is therefore an associate of a substantial shareholder of a subsidiary of the Company and is a connected person of the Company pursuant to the Listing Rules. Further, a director of the Vendor is personally interested in 33,700,000 shares of the Company (representing approximately 0.93% of the issued shares of the Company) as at the Latest Practicable Date.

### INFORMATION ON BETTER LION AND THE WFOE

Better Lion is incorporated in the BVI with limited liability and is wholly-owned by the Vendor. Better Lion is principally engaged in investment holding activities. As at the Latest Practicable Date, the sole investment of Better Lion is its 40% equity interest in the registered capital of the WFOE, an indirect non wholly-owned subsidiary of the Company. Accordingly, Better Lion is a substantial shareholder of a subsidiary of the Company pursuant to the Listing Rules.

The WFOE is a wholly-foreign owned enterprise established in the PRC with limited liability and is owned as to 60% by the Purchaser, an indirect wholly-owned subsidiary of the Company, and 40% by Better Lion. As at the Latest Practicable Date, the WFOE has a total investment amount of RMB230 million (approximately HK\$245.2 million) and a total paid-up registered capital of RMB100 million (approximately HK\$106.6 million). The WFOE is principally engaged in the manufacture and sale of glucose and starch.

In accordance with the Hong Kong Financial Reporting Standards, the unaudited net asset value of the WFOE was approximately HK\$345.5 million as at 31 December 2007. The audited net loss before and after tax and extraordinary items of the WFOE between the period from 16 August 2006, being the completion date of the acquisition of the 60% equity interest in the WFOE by the Group, to 30 June 2007 were approximately HK\$33.9 million. The unaudited net loss before tax and extraordinary items and net profit after tax and extraordinary items of the WFOE for the six months ended 31 December 2007 were approximately HK\$1.3 million and HK\$27.5 million, respectively.

### IMPLICATIONS OF THE LISTING RULES

As some of the applicable percentage ratios (as defined in the Listing Rules) of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Rule 14.08 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules. As the Vendor is a connected person of the Company, the Acquisition also constitutes a connected transaction for the Company under Rule 14A.16(5) of the Listing Rules and will be subject to and conditional on, among other things, the approval of the independent Shareholders by way of poll at the EGM. A director of the Vendor holding approximately 0.93% of the issued share capital of the Company as at the Latest Practicable Date will be required to abstain

## LETTER FROM THE BOARD

from voting on the resolution to be proposed at the EGM to approve the Acquisition. The director of the Vendor has indicated to the Company that he/she will abstain from voting accordingly. As at the Latest Practicable Date, save as disclosed herein, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, there is no other Shareholder who has a material interest in the Acquisition whereby the Shareholder and his associates will be required to abstain from voting on the resolution to be proposed at the EGM.

In addition, there is no prior transaction between the Company and the Vendor and its ultimate beneficial owner(s) which would require to be aggregated with the Acquisition under Rules 14.22 and 14A.25 of the Listing Rules.

### EGM

The EGM will be convened and held at Unit 1101-12, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on Thursday, 15 May 2008 at 4:30 p.m. to consider and, if thought fit, to approve the Acquisition.

A notice convening the EGM is set out on pages 27 to 28 of this circular and a proxy form for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, not less than 48 hours before the time fixed for the EGM. Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM in person if you so wish.

### PROCEDURES FOR DEMANDING A POLL

In accordance with article 72 of the Articles, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless voting by way of poll is required by the Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (a) by the chairman of the meeting; or
- (b) by at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or

## LETTER FROM THE BOARD

- (d) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right; or
- (e) if required by the Listing Rules, by any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing five per cent (5%) or more of the total voting rights at such meeting.

### RECOMMENDATION

The Directors consider that the terms of the Acquisition are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Acquisition.

Your attention is drawn to the Letter from the Independent Board Committee to the independent Shareholders set out on page 12 of this circular and the Letter from the Independent Financial Adviser to the Independent Board Committee and the independent Shareholders set out on pages 13 to 21 of this circular in respect of the Acquisition. The Independent Board Committee, having taking into account the advice from Veda Capital, considers that the terms of the Acquisition Agreement 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.

### ADDITIONAL INFORMATION

Please refer to the additional information set out in the appendix of this circular.

Yours faithfully,  
For and on behalf of the Board of  
**China Zenith Chemical Group Limited**  
**Chan Yuk Foebe**  
*Chief Executive Officer*



## 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)

Unit 1101-12  
Sun Hung Kai Centre  
30 Harbour Road  
Wanchai  
Hong Kong

25 April 2008

*To the independent Shareholders*

Dear Sir and Madam,

#### **DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF BETTER LION HOLDINGS LIMITED**

We have been appointed as members of the Independent Board Committee to advise you in respect of the terms of the Share Purchase Agreement, details of which are set out in the "Letter from the Board" in the circular (the "Circular") of the Company dated 25 April 2008, of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

We wish to draw your attention to the letter of advice from Veda Capital as set out on pages 13 to 21 of the Circular, which contains its advice and recommendation to us as to whether or not the terms of the Share Purchase Agreement 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, as well as the principal factors and reasons for its advice and recommendation.

Having considered, amongst other matters, the factors and reasons considered by, and the opinion of, Veda Capital as stated in its aforementioned letter of advice, we are of the opinion that the terms of the Share Purchase Agreement 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. We therefore recommend the independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Acquisition.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Ma Wing Yun, Bryan Yau Chung Hong Tam Ching Ho Wong Sin Just**

*Independent non-executive Directors*

## LETTER FROM VEDA CAPITAL

*The following is the full text of a letter of advice from Veda Capital to the Independent Board Committee and the independent Shareholders in respect of the Acquisition prepared for the purpose of inclusion in this circular.*

**VEDA | CAPITAL**  
**智略資本**

**Veda Capital Limited**

Suite 1302, 13th Floor, Takshing House  
20 Des Voeux Road Central, Hong Kong

25 April 2008

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

Dear Sirs,

### **DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF BETTER LION HOLDINGS LIMITED**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the independent Shareholders in relation to the Acquisition, details of which are set out in the letter from the Board (the "Board Letter") contained in this circular (the "Circular") dated 25 April 2008 issued by the Company, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

It was stated in the Announcement that on 8 April 2008, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Share Purchase Agreement with the Vendor, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the entire issued share capital of Better Lion. Currently, Better Lion owns 40% equity interest in the WFOE. Upon completion of the Acquisition, the Group will indirectly own 100% equity interest in the WFOE.

The Acquisition constitutes a discloseable and connected transaction for the Company under Rules 14.08 and 14A.16(5) of the Listing Rules and will be subject to and conditional upon, among other things, the approval of the independent Shareholders by way of poll at the EGM. A director of the Vendor holding approximately 0.93% of the issued share capital of the Company as at the Latest Practicable Date will be required to abstain from voting with respect to the resolution approving the Acquisition at the EGM.

The Independent Board Committee has been established to advise whether the terms of the Acquisition are fair and reasonable and in the interests of the Company and the independent Shareholders as a whole. The Independent Board Committee (comprising the

## LETTER FROM VEDA CAPITAL

independent non-executive Directors, namely Mr. Ma Wing Yun, Bryan, Mr. Yau Chung Hong, Mr. Tam Ching Ho and Dato' Wong Sin Just) which is not involved in nor has any interest in the Acquisition and thus being independent, has been established. Veda Capital has been appointed by the Company to advise the Independent Board Committee and the independent Shareholders as to (i) whether the terms of the Acquisition are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the independent Shareholders as a whole; and (ii) whether the independent Shareholders should vote in favour of the resolution to approve the Acquisition.

### **BASIS OF OUR ADVICE**

In formulating our opinion to the Independent Board Committee and the independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company, Directors and management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, Directors and management of the Company and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be true up to the date of the EGM.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading. 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, conducted any independent in-depth investigation into the business and affairs of the Company or its subsidiaries.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In assessing the Acquisition and in giving our recommendation to the Independent Board Committee and the independent Shareholders, we have taken into account the following principal factors and reasons:

#### **A. Reasons for the Acquisition**

The Company is principally engaged in the manufacture and sale of vinyl acetate ("VA"), polyvinyl-chloride, glucose and starch, and generation and supply of power and steam. Better Lion is incorporated in the BVI with limited liability and is wholly-owned by the Vendor. Better Lion is principally engaged in investment holding activities. As at the Latest Practicable Date, the sole investment of Better Lion is its 40% equity interest in the registered capital of the WFOE, an indirect non



## LETTER FROM VEDA CAPITAL

wholly-owned subsidiary of the Company. Accordingly, Better Lion is a substantial shareholder of a subsidiary of the Company pursuant to the Listing Rules. The WFOE is a wholly-foreign owned enterprise established in the PRC with limited liability and is owned as to 60% by the Purchaser, an indirect wholly-owned subsidiary of the Company, and 40% by Better Lion. The WFOE is principally engaged in the manufacture and sale of glucose and starch.

As stated in the Board Letter, the Company intends to expand the current production processes of the WFOE upon completion of the Acquisition to include further processing of glucose into acetic acid which is a major raw material used in the production of VA and the manufacture and sale of which is a major business of the Group. The Directors believe that this expansion will be beneficial to the Group on the basis that estimated internal production cost of acetic acid is lower than the direct purchasing cost from external suppliers. Based on an estimate by the Directors, the internal production cost of acetic acid is approximately 16% less costly than direct purchasing cost. The Directors also believe that the expansion will not incur substantial research and development cost as the Group already holds the technology to process glucose into acetic acid. However, such expansion plan was not supported by the Vendor and the Vendor insists the WFOE should continue to produce starch and glucose only.

We have reviewed the 關於促進玉米深加工業健康發展的指導意見 (Guided opinion on facilitation of the healthy development of corn further development industry) published by the National Development and Reform Commission of the PRC in September 2007 and noticed that the PRC government will not approve any new corn-based manufacturing project at the moment to avoid over-manufacturing of corn into chemical raw materials for industrial use. Such a new entry barrier to the industry is expected to have a positive impact on the business of the WFOE for being an existing player in the field. With reference to the recent announcement (during the Seventeenth National Congress of the Communist Party of China) by Mr. Hu Jin Tao, the president of the PRC, that new policy favoring the primary industry will be introduced in due course, we concur with the Directors that the expansion plan of the Group to include further processing of glucose into acetic acid will be able to capitalize on the favorable policies and further enhance the earnings ability of the Group.

As stated in the Board Letter, the Directors are of the view that the expansion will provide a reliable and cost effective supply of acetic acid to support the Group's expanded VA production capacity. It is also believed that the expansion would provide an additional revenue for the Group from selling the acetic acid produced from any production surplus after satisfying its internal demand to other customers. The Board considers that the Acquisition is in line with the Group's business objectives in diversifying its product mix and fostering the Group to develop and produce high value-added bio-chemical products, such as xanthan gum and sodium gluconate both of which are products generated from glucose. The amount of capital investment required to expand the WFOE's existing production will be financed by banking facilities or debt financing or other financing methods depending on the then market condition.

## LETTER FROM VEDA CAPITAL

### B. Conditions precedent

Completion of the Share Purchase Agreement is subject to, inter alia, the fulfillment of the following conditions precedent:

- (1) completion of satisfactory legal, financial and business due diligence on Better Lion;
- (2) the obtaining of consents which are necessary or desirable for the implementation of the transactions contemplated by the Vendor and the Purchaser under the Share Purchase Agreement, including without limitation, approval of the independent Shareholders, if required, in relation to the Share Purchase Agreement and the transactions contemplated thereunder and any other approvals or notifications required pursuant to the requirements of the Listing Rules;
- (3) the issuance of a BVI legal opinion by the Vendor's BVI legal counsel in form satisfactory to the Purchaser;
- (4) there shall not be in effect on the completion date any law restraining, enjoining or otherwise prohibiting or making illegal the consummation of any of the transactions contemplated by the Share Purchase Agreement or which may have a material adverse effect on the Better Lion or the WFOE;
- (5) all consents, in form and substance reasonably satisfactory to the Purchaser, to the performance by the Vendor of its obligations under the Share Purchase Agreement as are required under any law or arrangement (contractual or otherwise) having been obtained and remaining in full force and effect;
- (6) none of the warranties in the Share Purchase Agreement being found to be, or no event occurring or matter arising which may render any of the warranties, untrue or inaccurate or misleading on and as at the completion date; and
- (7) the Vendor shall have complied with its completion obligations as set out in the Share Purchase Agreement.

If the above conditions precedent which may be waived in whole or in part under the Share Purchase Agreement at any time by the Purchaser, have not been satisfied or waived on or before 30 June 2008 or such other date as the parties may agree in writing, the Share Purchase Agreement shall lapse and no party shall make any claim against the other in respect thereof, save for any antecedent breach. Given the above conditions are for compliance of the relevant provisions of the Listing Rules, fulfilling the requirements by the relevant authorities, keeping warranties true and correct in any material respect and enabling the due diligence on Better

## LETTER FROM VEDA CAPITAL

Lion, we concur with the Directors that the conditions of the Share Purchase Agreement are in normal commercial terms and fair and reasonable to the Company and the independent Shareholders.

### C. Consideration

The consideration of HK\$155 million payable under the Share Purchase Agreement was arrived at after arm's length negotiations between the Purchaser and the Vendor and was determined by reference to the unaudited net asset value of the WFOE of approximately HK\$345.5 million as at 31 December 2007. The consideration has been/will be settled in cash and is payable in the following manner:

- (1) HK\$55 million, being approximately 35.5% of the consideration, has been paid by the Purchase in cash to the Vendor as a deposit and for settling part of the consideration upon completion; and
- (2) HK\$100 million, being the remaining approximately 64.5% of the consideration, payable within 3 months from the date of completion of the Share Purchase Agreement.

Furthermore, pursuant to a confirmation letter provided by the Vendor to the Company dated 9 April 2008, in the event that (a) the Vendor fails to complete the sale of the entire issued share capital of Better Lion in accordance with the provisions of the Share Purchase Agreement and the Purchaser exercises its rights under the Share Purchase Agreement to rescind the Share Purchase Agreement; or (b) the conditions precedent as set out in the section headed "Conditions precedent" above are not satisfied in accordance with the provisions of the Share Purchase Agreement, the deposit in the sum of HK\$55 million paid by the Purchaser shall forthwith be returned in its entirety to the Purchaser without interest. Given the Vendor may have forgone the possibility of negotiating the sale of the entire issued share capital of Better Lion with other potential investors during the time pending for the completion of the Share Purchase Agreement, we share the view of the Directors that the terms of the refund are on normal commercial terms and fair and reasonable and in the interests of the Company and the independent Shareholders as a whole.

## LETTER FROM VEDA CAPITAL

### D. Valuation of the Acquisition

In assessing the fairness and reasonableness of the Acquisition under the Share Purchase Agreement, we have identified six comparable listed companies (including the Company, the “Sector Comparables”) which are principally engaged in the sale and manufacture of glucose and/or starch. Our findings on the six Sector Comparables are summarized below:

Company name (Stock code)	Principal business	Closing share price as at the date of the Share Purchase Agreement (HK\$)	Market capitalization as at the date of the Share Purchase Agreement (HK\$ million)	Price-earnings multiple based on closing share price as at the date of the Share Purchase Agreement (times)	Latest net asset/(liability) value per share prior to the date of the Share Purchase Agreement (HK\$)	Price to net asset ratio (times)
China Starch Holdings Limited (3838)	Manufacture of cornstarch and ancillary corn-refined products, L-lysine hydrochloride salt and agricultural fertilizers and sales of steam and electricity	3.28	1,713.8	24.15	0.375	8.75
The Company (362)	Manufacture and sale of vinyl acetate, polyvinyl-chloride, glucose and starch, and generation and supply of power and steam	0.385	1,399.5	21.78	0.414	0.93
Fufeng Group Limited (546)	Vertically integrated manufacturing of corn-based biochemical products principally utilizing fermentation technology in the PRC	0.55	1,013.4	3.95	0.338	1.81
Global Sweeteners Holdings Limited (3889)	Production and sale of various corn sweeteners which can be classified into three categories: corn syrup, corn syrup solid and sugar alcohol and trading of sorbitol and HFCS. Corn syrup products include glucose syrup, maltose syrup and HFCS; corn syrup solid products include crystallised glucose and maltodextrin; and sugar alcohol includes sorbitol.	1.25	1,306.3	8.33	0.389	3.22

## LETTER FROM VEDA CAPITAL

Company name (Stock code)	Principal business	Closing share price as at the date of the Share Purchase Agreement (HK\$)	Market capitalization as at the date of the Share Purchase Agreement (HK\$ million)	Price-earnings multiple based on closing share price as at the date of the Share Purchase Agreement (times)	Latest net asset/(liability) value per share prior to the date of the Share Purchase Agreement (HK\$)	Price to net asset ratio (times)
Vedan International (Holdings) Limited (2317)	Manufacture and sale of fermentation-based food additives and biochemical products and cassava starch-based industrial products including modified starch, glucose syrup, MSG, soda and acid, and beverages	0.60	913.6	10.73	1.231	0.49
Xiwang Sugar Holdings Company Limited (2088)	Production of corn refined products and corn based biochemical products for food and beverage, pharmaceutical, animal feed and biochemical industries. It also produces crystallized glucose in the PRC	3.10	2,574.1	6.69	1.829	1.70
			<b>Maximum</b>	<b>24.15</b>	<b>Maximum</b>	<b>8.75</b>
			<b>Minimum</b>	<b>3.95</b>	<b>Minimum</b>	<b>0.49</b>
			<b>Average</b>	<b>12.61</b>	<b>Average</b>	<b>3.87</b>
Acquisition			155 (Note 1)	Not applicable since loss making		1.12 (Note 2)

Source: website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

Notes:

1. Consideration of the Acquisition
2. Based on the comparison of the consideration of the Acquisition to 40% of the unaudited net asset value of the WFOE as at 31 December 2007.

(a) *Price-earnings multiple basis*

We consider that price-earnings multiple is one of the most commonly used benchmarks for valuing the Acquisition. However, the WFOE recorded net loss for the period from 16 August 2006 (being the date when the WFOE became a subsidiary of the Company) to 30 June 2007 (the "Latest Full Period"). Accordingly, it would not be feasible and meaningful to assess the Consideration using the price-earnings multiple approach.

However, we noted from the management accounts of the WFOE for the six months ended 31 December 2007 (the "Latest Interim Period") and for the Latest Full Period respectively that the turnover for the Latest Interim Period

## LETTER FROM VEDA CAPITAL

already represents an increment of approximately 89% from that for the Latest Full Period. The Latest Full Period recorded a gross loss while the Latest Interim Period recorded a gross profit. The audited net loss before and after tax and extraordinary items of the WFOE for the Latest Full Period were approximately HK\$33.9 million. The unaudited net loss before tax and extraordinary items and net profit after tax and extraordinary items of the WFOE for the six months ended 31 December 2007 were approximately HK\$1.3 million and HK\$27.5 million respectively. In this respect, we concur with the Directors that the financial performance of the WFOE has improved from the Latest Full Period to the Latest Interim Period.

*(b) Net asset value basis*

To facilitate meaningful comparison, we have extended our analysis to the price to net asset value ratio. Given the WFOE is engaged in the sale and manufacture of glucose and starch which require capital spending in machineries, the Directors believe that there exists a certain level of correlation between the invested capital and the turnover being generated. In this regard, the asset size reflects the scales and capabilities of the WFOE to create earnings. On the other hand, the price to net asset value ratio is not affected by the negative earnings of companies.

As shown in the above table, we noted that the ratio represented by the consideration of the Acquisition to 40% of the unaudited net asset value of the WFOE of approximately 1.12 times is within the range of price to net asset value ratio of the Sector Comparables from approximately 0.49 times to approximately 8.75 times and is below the average of the price to net asset value ratio of approximately 3.87 times. Given the exceptionally high price to net asset value ratio of China Starch Holdings Limited, we also calculate the average of the price to net asset value ratios of the Sector Comparables by excluding China Starch Holdings Limited to be approximately 1.63 times which is higher than the ratio represented by the consideration of the Acquisition to 40% of the unaudited net asset value of the WFOE of 1.12 times. On such basis, we consider that the consideration of the Acquisition is fair and reasonable so far as the interests of the Company and the independent Shareholders are concerned.

### **E. Financial effects of the Acquisition**

Upon completion of the Share Purchase Agreement, the WFOE will become an indirect wholly-owned subsidiary of the Company and its accounts will remain consolidated into the accounts of the Group. It is estimated that there will be no material effect on the net asset of the Group upon completion of the Acquisition and the Acquisition is expected to enhance the earnings of the Group.

## LETTER FROM VEDA CAPITAL

### RECOMMENDATION

Taking into consideration of the above mentioned principal factors and reasons, in particular:

- (i) the PRC government will not approve any new corn-based manufacturing project at the moment and such new entry barrier to the industry is expected to have a positive impact on the business of the WFOE for being an existing player in the field of sale and manufacture of glucose and starch;
- (ii) new policy favoring the primary industry will be introduced in due course so that the expansion plan of the Group to include further processing of glucose into acetic acid will be able to capitalize on the favorable policies and further enhance the earnings ability of the Group;
- (iii) the expansion will provide a reliable and cost effective supply of acetic acid to support the Group's expanded VA production capacity;
- (iv) the expansion would provide an additional revenue for the Group from selling the acetic acid produced from any production surplus after satisfying its internal demand to other customers;
- (v) the conditions of the Acquisition are in normal commercial terms;
- (vi) the financial performance of the WFOE has improved from the Latest Full Period to the Latest Interim Period; and
- (vii) the ratio represented by the consideration of the Acquisition to 40% of the unaudited net asset value of the WFOE as at 31 December 2007 of approximately 1.12 time is within the range of price to net asset value ratio of the Sector Comparables from approximately 0.49 times to approximately 8.75 times and is below the average of the price to net asset value ratio of approximately 3.87 times,

we consider that the terms of the Acquisition are fair and reasonable so far as the independent Shareholders are concerned and are in the interests of the Company and the independent Shareholders as a whole. We also consider that the terms of the Acquisition were entered into upon normal commercial terms and in the ordinary and usual course of business of the Group. We recommend the independent Shareholders, as well as the Independent Board Committee to advise the independent Shareholders, to vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve the Acquisition.

Yours faithfully,

For and on behalf of

**Veda Capital Limited**

**Hans Wong**

*Managing Director*

**Julisa Fong**

*Executive Director*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### Directors, supervisors and chief executive of the Company

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

#### *Interests in the Shares*

Name of director	Name of company	Type of interest	Number of Shares held (long position)	% of issued capital of the Company
Mr. Chan Yuen Tung	The Company	Beneficial Owner	1,048,400,287	28.84%
Ms. Chan Yuk Foebe	The Company	Beneficial Owner	14,750,000	0.41%
Mr. Chiau Che Kong	The Company	Beneficial Owner	46,940,000	1.29%
Mr. Tam Ching Ho	The Company	Beneficial Owner	1,920,000	0.05%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.



*Interests of Substantial Shareholders*

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or were directly or indirectly interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of the subsidiaries of the Company:

**Long or short position in the Shares**

Name of substantial Shareholders	Number of Shares held	Approximate percentage of shareholding in the Company
Mr. Webb Richard Ian ( <i>Note 1</i> )	431,370,000 (L)	11.87% (L)
Metage Capital Limited ( <i>Note 1</i> )	431,370,000 (L)	11.87% (L)
Pope Asset Management, LLC	410,200,000 (L)	11.28% (L)
Deutsche Bank Aktiengesellschaft	374,445,000 (L)	10.30% (L)
UBS AG	310,500,000 (L)	8.54% (L)
Polygon Global Opportunities Master Fund ( <i>Note 2</i> )	236,505,000 (L)	6.51% (L)
Polygon Investment Partners HK Limited ( <i>Note 2</i> )	236,505,000 (L)	6.51% (L)
Polygon Investment Partners LLP ( <i>Note 2</i> )	236,505,000 (L)	6.51% (L)
Polygon Investment Partners LP ( <i>Note 2</i> )	236,505,000 (L)	6.51% (L)
QVT Financial GP LLC ( <i>Note 3</i> )	334,746,000 (L)	9.21% (L)
QVT Financial LP ( <i>Note 3</i> )	334,746,000 (L)	9.21% (L)
QVT Associates GP LLC ( <i>Note 4</i> )	328,199,371 (L)	9.03% (L)
QVT Fund LP ( <i>Note 4</i> )	290,835,313 (L)	8.00% (L)

\* (L) - Long Position

*Notes:*

1. Mr. Webb Richard Ian is a controlling shareholder of Metage Capital Limited. In accordance with the SFO, the interests of Metage Capital Limited are deemed to be, and have therefore been included in the interests of Mr. Webb Richard Ian.
2. Each of Polygon Investment Partners LLP, Polygon Investment Partners LP and Polygon Investment Partners HK Limited acts as an investment manager of Polygon Global Opportunities Master Fund. In accordance with the SFO, the interests of Polygon Global Opportunities Master Fund are deemed to be, and have therefore been included in each of the interests of Polygon Investment Partners LLP and Polygon Investment Partners LP.
3. QVT Financial GP LLC is deemed to be interested in the shares of the Company through its controlled corporation, QVT Financial LP. In accordance with the SFO, the interests of QVT Financial LP are deemed to be, and have therefore been included in the interests of QVT Financial GP LLC.
4. QVT Associates GP LLC is deemed to be interested in the shares of the Company through its controlled corporation, QVT Fund LP. In accordance with the SFO, the interests of QVT Fund LP are deemed to be, and have therefore been included in the interests of QVT Associates GP LLC.

**Long position in the share capital of the subsidiaries of the Company**

<b>Name of shareholder</b>	<b>Name of the subsidiary</b>	<b>Extent of holding (%)</b>
Better Lion	Mudanjiang Gaoke Bio-Chem Co., Ltd.	40%
Fame First Holdings Limited	Mudanjiang Dongbei Chemical Engineering Company Limited	36.89%
Fame First Holdings Limited	大慶高新區東北化工 銷售有限公司	36.89%

Save as disclosed above, none of the Directors or chief executive of the Company are aware of any person (other than the Directors or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the subsidiaries of the Company.

**3. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors or proposed Directors had any existing or proposed service agreement with any member of the Group which will not expire or is not determinable within one year without payment of compensation (other than statutory compensation).

**4. INTEREST IN ASSETS**

The Directors confirm that none of the Directors have any interest, direct or indirect, in any assets which had been, since 30 June 2007, being the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

**5. MATERIAL CHANGES**

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 June 2007, being the date to which the latest published audited financial statements of the Group were made up.

**6. INTEREST IN CONTRACT**

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

**7. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors or their respective associates have any competing interests in a business, which competes or may compete, either directly or indirectly with the business of the Company pursuant to the Listing Rules.

**8. LITIGATION**

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

**9. EXPERT'S QUALIFICATION AND CONSENT**

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

<b>Name</b>	<b>Qualification</b>
Veda Capital	Licensed corporation for type 6 (advising on corporate finance) regulated activity as defined under the SFO

As at the Latest Practicable Date, Veda Capital did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group be for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Veda Capital did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 30 June 2007, the date on which the latest published audited financial statements of the Group were made up.

Veda Capital has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

#### 10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Unit 1101-12, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong, during 10:00 a.m. to 4:00 p.m., on any weekday other than public holiday from the date of this circular up to and including the date of the EGM:

- (a) the Share Purchase Agreement
- (b) the confirmation letter provided by the Vendor to the Purchaser dated 9 April 2008 in relation to the refund of the deposit

#### 11. MISCELLANEOUS

- (1) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (2) The head office and principal place of business in Hong Kong is at Unit 1101-12, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong.
- (3) The principal share registrar and transfer office of the Company in the Cayman Islands is the Bank of Bermuda (Cayman) Limited, P. O. Box 513 G.T., Strathvale House, North Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies. The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (4) Mr. Tsang Chiu Hung, Victor is the Company secretary and the qualified accountant of the Company appointed under Rule 3.24 of the Listing Rules. He is an associate member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
- (5) The English text of this circular shall prevail over the Chinese text.

## NOTICE OF EGM



# 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)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "EGM") of China Zenith Chemical Group Limited (the "Company") will be held at Unit 1101-12, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on Thursday, 15 May 2008 at 4:30 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company:

#### ORDINARY RESOLUTION

1. "THAT:

- (a) the share purchase agreement (the "Share Purchase Agreement") dated 8 April 2008 entered into between Kenelly Group Limited (the "Vendor", a connected person of the Company) and Better Day Bio-Chem Technology Ltd. (the "Purchaser", an indirect wholly-owned subsidiary of the Company) pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued share capital of Better Lion Holdings Limited (the "Acquisition"), a copy of which has been produced to the EGM marked "A" and signed by the chairman of the EGM for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) the Directors be and are hereby authorised to execute all such documents and do all such acts and things as they consider desirable, necessary or expedient in connection with and to give effect to the Share Purchase Agreement and the transactions contemplated thereunder."

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

Hong Kong, 25 April 2008

## NOTICE OF EGM

*Notes:*

- (i) The members of the Company whose names appear on the register of members held by the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong at 4 p.m. on 9 May 2008 shall qualify for attending and voting at the extraordinary general meeting. The register of members of the Company will be closed from 13 May 2008 to 15 May 2008, both days inclusive, during which period no share transfer will be registered. In order to qualify to attend and vote on the proposed resolutions set out in this notice, all transfers accompanied by the relevant share certificates must be lodged with Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on 9 May 2008.
- (ii) A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
- (iii) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or other authority, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for holding the meeting or at any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the meeting or any adjournment thereof should he/she so wish.