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

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China Zenith Chemical Group Limited

中國天化工集團有限公司

(Formerly known as Daqing Petroleum and Chemical Group Limited)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 362)

**PROPOSED RE-ELECTION OF DIRECTORS
AND
GENERAL MANDATES TO ISSUE SHARES AND TO PURCHASE ITS OWN SHARES
AND
REFRESHMENT OF THE LIMIT OF THE EXISTING SHARE OPTION SCHEME
AND
AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the annual general meeting of China Zenith Chemical Group Limited to be held at Mandarin Oriental Hong Kong, 5 Connaught Road, Central, Hong Kong on 6 December 2007, Thursday at 4:30 p.m. is set out on pages 18 to 22 of this circular. If you are not able to attend the meeting in person, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon and lodge the same with the Branch Share Registrar in Hong Kong of China Zenith Chemical Group Limited, 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 any adjournment thereof.

Completion and delivery of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof if you so wish.

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DEFINITIONS

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

“AGM”	the annual general meeting of the Company to be held at Mandarin Oriental Hong Kong, 5 Connaught Road, Central, Hong Kong on 6 December 2007, Thursday at 4:30 p.m., notice of which is set out on pages 18 to 22 of this circular
“Annual Report”	the annual report of the Company for the year ended 30 June 2007
“Articles of Association”	the articles of association of the Company
“associates”	has the meaning as defined in the Listing Rules
“Board”	the board of directors of the Company
“Cayman Islands Companies Law”	the Companies Law (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Company”	China Zenith Chemical Group Limited 中國天化工集團有限公司, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning as ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company for the time being
“Eligible Participants”	any employee or executive (including executive director, non-executive director and independent non-executive director of the Group or any Invested Entity), supplier of goods or services, customer, any person or entity that provides research, development or other technological support, Shareholders, advisers or consultants relating to business development, and joint venture partner or counterparty to business transactions to the Group or any Invested Entity

DEFINITIONS

“Existing Scheme Mandate Limit”	10% of the issued share capital of the Company as at the date of adoption of the Existing Share Option Scheme which may be issued upon exercise of all options to be granted under the Existing Share Option Scheme and any other share option schemes of the Group
“Existing Share Option Scheme”	the existing share option scheme of the Company approved by the Shareholders of the Company at the extraordinary general meeting held on 18 November 2002
“First Refreshed Limit”	the scheme mandate limit under the Existing Share Option Scheme which sets out the maximum number of share options to be granted by the Company refreshed by the Shareholders on 2 December 2005, being 10% of the issue share capital of the Company as at 2 December 2005
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Initial Limit”	the initial scheme mandate limit under the Existing Share Option Scheme which set out the maximum number of share options to be granted by the Company at the time of adoption of the Existing Share Option Scheme, being 10% of the issued share capital of the Company at the time of adoption of the Existing Share Option Scheme
“Invested Entity”	any entity in which any member of the Group holds any equity interest
“Issue Mandate”	the general and unconditional mandate proposed to be granted to the Directors to allot, issue and deal with Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the relevant resolution approving this issue mandate at the AGM, which is extended by the addition of the number of Shares repurchased under the Repurchase Mandate

DEFINITIONS

“Latest Practicable Date”	29 October 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Memorandum of Association”	the memorandum of association of the Company
“Repurchase Mandate”	the general and unconditional mandate proposed to be granted to the Directors to repurchase Shares with an aggregate amount of which shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the relevant resolution approving this repurchase mandate at the AGM
“Second Refreshed Limit”	the scheme mandate limit under the Existing Share Option Scheme which sets out the maximum number of share options to be granted by the Company refreshed by the Shareholders on 28 June 2007, being 10% of the issue share capital of the Company as at 28 June 2007
“SFO”	the Securities and Futures Ordinance
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

LETTER FROM THE BOARD



China Zenith Chemical Group Limited

中國天化工集團有限公司

(Formerly known as Daqing Petroleum and Chemical Group Limited)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 362)

Executive Directors:

Chan Yuen Tung
Chan Yuk Foebe
Chiau Che Kong
Peng Zhanrong
Wu Jianwei

Registered Office:

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

Independent non-executive Directors:

Ma Wing Yun Bryan
Yau Chung Hong
Tam Ching Ho

Principal Place of Business:

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

2 November 2007

To the Shareholders of the Company

Dear Sir or Madam,

**PROPOSED RE-ELECTION OF DIRECTORS
AND
GENERAL MANDATES TO ISSUE SHARES AND TO PURCHASE ITS OWN SHARES
AND
REFRESHMENT OF THE LIMIT OF THE EXISTING SHARE OPTION SCHEME
AND
AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with information regarding the resolutions to be proposed at the AGM which, upon approval, would enable the Company to:

- (a) re-elect the retiring Directors;

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- (b) grant the Issue Mandate;
- (c) grant the Repurchase Mandate;
- (d) extend the Issue Mandate set out in (b) above by an amount representing the aggregate amount of the Shares repurchased by the Company pursuant to the Repurchase Mandate set out in (c) above;
- (e) refresh the Existing Scheme Mandate Limit; and
- (f) amend the Articles of Association.

RE-ELECTION OF DIRECTORS

In accordance with Articles 108 and 112 of the Company's Articles of Association, Mr. Chan Yuen Tung, Ms. Chan Yuk Foebe, Mr. Tam Ching Ho and Mr. Wu Jianwei will retire from office by rotation and be eligible for re-election at the AGM. Details of Mr. Chan Yuen Tung, Ms. Chan Yuk Foebe, Mr. Tam Ching Ho and Mr. Wu Jianwei are set out in the Appendix I to this circular.

GENERAL MANDATE TO ISSUE SHARES

At the AGM, it will be proposed, by way of ordinary resolution, that the Directors of the Company be given a general and unconditional mandate to allot, issue and deal with Shares with an aggregate nominal amount up to 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of such resolution. Such mandate will give the Director greater flexibility to issue new Shares when it is in the interests of the Group and the Shareholders as a whole.

The Company has an aggregate of 3,635,070,324 Shares in issue as at the Latest Practicable Date. Subject to the passing of the proposed ordinary resolution at the AGM for the approval of granting the Issue Mandate to the Directors and on the basis that no Shares would be issued and/or repurchased by the Company from the Latest Practicable Date up to the date of the AGM, the Issue Mandate would allow the Directors to issue and allot up to a maximum of 727,014,064 Shares, representing 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the AGM.

In addition, it will be further proposed, by way of a separate ordinary resolution, that the Issue Mandate be extended by adding to it the number of Shares repurchased under the Repurchase Mandate referred to below. Any issue of new Shares in the Company is subject to approval from the Stock Exchange for the listing of and permission to deal such new Shares.

GENERAL MANDATE TO REPURCHASE SHARES

At the AGM, it will also be proposed, by way of ordinary resolution, that the Directors of the Company be given a general and unconditional mandate to repurchase Shares of the Company with an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing such resolution.

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Pursuant to the Listing Rules, the Company is required to provide you with the requisite information which is reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolution relating to the Repurchase Mandate. An explanatory statement for such purpose is contained in the Appendix II to this circular.

REFRESHMENT OF THE EXISTING SCHEME MANDATE LIMIT

The Existing Share Option Scheme was adopted by the resolution passed by the Shareholders at the extraordinary general meeting of the Company held on 18 November 2002. The purpose of the Existing Share Option Scheme is to enable the Company to provide incentives or rewards to the Eligible Participants for their contribution to the Group.

Under the Existing Share Option Scheme, the Directors were authorized to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Existing Share Option Scheme. The Company may grant options of up to the Initial Limit, i.e. 10% (equivalent to 87,300,000 Shares) of the issued share capital of the Company as at the date of adoption of the Existing Share Option Scheme. Under the Initial Limit, options carrying the rights to subscribe for 20,000,000 Shares were granted and 13,000,000 of which were exercised (representing approximately 0.36% of the issued share capital of the company as at the Latest Practicable Date). 7,000,000 share options granted under the Initial Limit of the Existing Share Options Scheme were lapsed during the year ended 30 June 2006.

At the annual general meeting of the Company held on 2 December 2005, the Initial Limit was refreshed and the First Refreshed Limit was approved by the Shareholders. Pursuant to the First Refreshed Limit, the Company may grant options under the Existing Option Scheme up to 10% of the issued share capital of the Company as at 2 December 2005, i.e. not exceeding 166,441,000 Shares. Up to the Latest Practicable Date, options carrying the rights to subscribe for 166,100,000 Shares have been granted under the First Refreshed Limit and 98,330,000 of which were exercised during the year ended 30 June 2006.

The Company completed an open offer on 9 January 2007. The open offer offered 1,050,770,000 offer shares on the basis of one offer share for every two existing Shares held by the qualifying shareholders on the record date at a price of HK\$0.3 per offer share. With effect from the completion of the open offer, the remaining outstanding and unexercised options granted under the First Refreshed Limit of 67,770,000 were adjusted to 72,610,714 and the exercise prices of these outstanding options have been adjusted. The auditor of the Company has reviewed such adjustments and confirmed in writing that such adjustments satisfy the requirements pursuant to Rule 17.03(13) of the Listing Rules.

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Further detail of the adjustments are as follows:

Date of grant	Before the open offer		After the open offer	
	Number of Shares to be allotted upon the exercise of the outstanding options	Exercise Price of options	Number of Shares to be allotted upon the exercise of the outstanding options	Exercise Price of options
3 January 2006	13,770,000	0.363	14,753,571	0.339
4 May 2006	54,000,000	0.552	57,857,143	0.515
	<u>67,770,000</u>		<u>72,610,714</u>	

At the extraordinary general meeting of the Company held on 28 June 2007, the First Refreshed Limit was refreshed and the Second Refreshed Limit was approved by the Shareholders. Pursuant to the Second Refreshed Limit, the Company may grant options under the Existing Option Scheme up to 10% of the issued share capital of the Company as at 28 June 2007, i.e. not exceeding 337,782,907 Shares. Up to the Latest Practicable Date, options carrying the rights to subscribe for 337,000,000 Shares have been granted under the Second Refreshed Limit and none of which were exercised during the year ended 30 June 2007.

As at the Latest Practicable Date, there remain 254,600,000 share options outstanding and unexercised under the Existing Share Option Scheme, which entitle their respective holders to subscribe for a total of 254,600,000 share options (representing approximately 7.00% of the issued share capital of the Company as at the Latest Practicable Date). Options, if not granted under the Second Refreshed Limit, will not be granted in the future upon the approval of the refreshment of the Existing Scheme Mandate Limit in the AGM.

Apart from the Existing Share Option Scheme, the Company has no other share option scheme currently in force. The Directors consider that the Company should refresh the Existing Scheme Mandate Limit so that the Company could have more flexibility to provide incentives to those Eligible Participants of the Existing Share Option Scheme by way of granting share options to them. If the refreshment of the Existing Scheme Mandate Limit is approved at the AGM, based on the 3,635,070,324 Shares in issue as at the Latest Practicable Date and assuming no further Shares will be allotted and issued and no Shares will be repurchased after the Latest Practicable Date and up to the date of the AGM, the Company will be allowed to grant options under the Existing Share Option Scheme for subscription of up to a total of 363,507,032 Shares, representing 10% of the issued share capital of the Company as at the date of the AGM.

LETTER FROM THE BOARD

The following table shows the details of the share options granted / exercised / lapsed / outstanding under the Existing Share Option Scheme up to the Latest Practicable Date:

	Under Initial Limit	Under First Refreshed Limit	Under Second Refreshed Limit	Total
No. of Options Granted	20,000,000	166,100,000	337,000,000	523,100,000
No. of Options Exercised	13,000,000	170,920,000	82,400,000	266,320,000
Adjusted upon the completion of the open offer on 9 January 2007	–	4,840,714	–	4,840,714
No. of Options Lapsed/Cancelled	7,000,000	20,714	–	7,020,714
No. of Outstanding Options	–	–	254,600,000	245,600,000

So far as the Company is aware, there is no grantee under the Existing Share Option Scheme be granted with options which exceed the limit of 1% of the issued share capital of the Company in the 12-month period up to and including the date of grant as set out in Rule 17.03(4) of the Listing Rules.

The maximum number of Shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Existing Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time. The Directors consider that the refreshment of the Existing Scheme Mandate Limit is in the interests of the Group and the Shareholders as a whole because it enables the Company to reward and motivate the Eligible Participants under the Existing Share Option Scheme.

The refreshment of the Existing Scheme Mandate Limit is conditional upon:

- (i) the passing of the ordinary resolution at the AGM;
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in any new Shares which may fall to be allotted and issued upon the exercise of the subscription rights attaching to the options that may be granted under the refreshed limit of the Existing Share Option Scheme up to 10% of the issued share capital of the Company as at the date of passing of the ordinary resolution at the AGM; and
- (iii) the submission of the application Form C1 by the Company to the Stock Exchange.

The documents of the Existing Share Option Scheme are available for public inspection at the head office of the Company in Hong Kong at Unit 1101-12, Sun Hung Kai Centre, 30 Harbour Road, Hong Kong during normal business hours on any weekday, except public holiday, for the period from the date of this Circular, i.e. 2 November 2007 to 14 days thereafter, i.e. 17 November 2007.

LETTER FROM THE BOARD

AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND MEMORANDUM OF ASSOCIATION

The Directors wish to propose a special resolution at the AGM to amend the Articles of Association and the Memorandum of Association of the Company to reflect the recent change of name of the Company from “Daqing Petroleum and Chemical Group Limited 大慶石油化工集團有限公司” to “China Zenith Chemical Group Limited 中國天化工集團有限公司”.

There is no requirement under Cayman Islands laws that the articles and memorandum of association of the Company should be amended to reflect the change of name of the Company at the time when the change of the name of the Company is effected.

However, after due consideration by the Company, the Company considers that it would be in the interest of the shareholders and beneficial for the future operation of the Company for it to put forward such proposed resolutions in its forthcoming annual general meeting to amend its articles and memorandum of association to reflect its recent change of name.

A full text of the proposed amendments to the Articles of Association and the Memorandum of Association is contained in resolution nos. 5 and 6 of the notice of AGM as set out on pages 18 to 22 of this circular.

ANNUAL GENERAL MEETING

A notice of the AGM is set out on pages 18 to 22 of this circular. A form of proxy for use at the AGM is enclosed with this circular. To be valid, the form of proxy must be completed in accordance with the instructions printed thereon and deposited, together with 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 AGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude Shareholders from attending and voting at the AGM or any adjournment thereof if they so wish.

PROCEDURE TO DEMAND A POLL

In accordance with Article 72 of the Articles of Association, 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:

LETTER FROM THE BOARD

- (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
- (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. or more of the total voting rights at such meeting.

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 herein misleading.

RECOMMENDATION

The Directors consider that the proposed re-election of Directors, the granting of the Issue Mandate and Repurchase Mandate, the extension of the Issue Mandate, refreshment of the Existing Scheme Mandate Limit and amendments to the Articles of Association are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all the relevant resolutions to be proposed at the AGM.

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

Details of the Directors proposed to be re-elected are as follows:

Mr. Chan Yuen Tung (陳遠東), aged 39, graduated with a bachelor degree in Computer Engineering from The University of Hong Kong in 1992. Mr. Chan has enormous experience in manufacturing industries in the mainland China, properties development and investment in both property and stock market in Hong Kong.

From October 1995 to February 1999, Mr. Chan was appointed as an executive director of DC Finance (Holdings) Limited (now known as “SMI Corporation Limited”) (Stock Code: 198). Since 2000, Mr. Chan participated in the investment in the manufacturing industries in the People’s Republic of China. He was appointed as a member of Mudanjiang Committee of Chinese People’s Political Consultative Conference in 2005 and became a member of standing committee of Mudanjiang Committee of the Chinese People’s Political Consultative Conference in 2006. Save as disclosed herein, Mr. Chan did not hold any other directorships in any listed public company in the last three years.

Mr. Chan was appointed as the chairman of the Board and an executive director of the Company with effect from 29 October 2007 until the next following annual general meeting of the Company. Mr. Chan has entered into a service agreement with the Company and is entitled to have a director’s fee of HK\$180,000 per month. The director’s fee is determined by the Board with reference to his Mr. Chan’s experience, duties and responsibilities and the prevailing market practice, and in accordance with the remuneration policy adopted by the remuneration committee of the Company.

As at the Latest Practicable Date, Mr. Chan holds 1,060,432,287 shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He does not or have any relationship with any directors, senior management or substantial or controlling shareholders of the Company.

Save as disclosed above, there is no other matter that need to be brought to the attention of the shareholders of the Company in relation to the appointment of Mr. Chan and there is no information required to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Ms. Chan Yuk Foebe (陳昱), aged 38, is an executive director and the chief-executive officer of the Company. Ms. Chan joined the Company in January 2004 and is responsible for overall management and business development of the Group. Ms. Chan holds a Bachelor Degree in Accountancy from the Queensland University of Technology in Australia. Ms. Chan has over 10 years’ experience in corporate finance and management. Ms. Chan is a non-executive Director of Heng Tai Consumables Group Limited, a listed company on the main board of the Stock Exchange. Ms. Chan is also directors of the Group’s subsidiaries, including Cozy Worldwide Ltd., Ever Concept Investments Limited, Gold Capture Investments Inc.,

Perfect Prosper Investments Limited, Powerful Rise Group Limited, Quality Gain Investments Limited, Better Day Bio-Chem Technology Ltd., Better Day Power Ltd., Mudanjiang Better Day Power Ltd., Mudanjiang Dongbei Chemical Engineering Company Limited, Mudanjiang Dongbei Gaoxin Chemical Co., Ltd., Mudanjiang Gaoke Bio-Chem Co., Ltd., Perfect Quality Investments Limited, STB Company Limited, Success Eagle Investment Limited, Daytech Group Limited, Mudanjiang Daytech Chemical Ltd.

As at the Latest Practicable Date, Ms. Chan holds 14,750,000 Shares of the Company within the meaning of Part XV of the SFO. Ms. Chan will hold office until she retires from the Board and will be eligible for re-election at the AGM in accordance with the Articles of Association of the Company.

Ms. Chan has entered into a service contract with the Company commencing from 22 November 2004, which shall, subject to the re-appointment as a director of the Company in accordance with the Company's Articles, continue until terminated by either party giving not less than three months' notice in writing to the other. Ms. Chan will be entitled to HK\$100,000 per month payable by the Group under the service contract. Ms. Chan's emoluments is determined by the Board with reference to Ms. Chan's experience, duties and responsibilities and the prevailing market practice, and in accordance with the remuneration policy adopted by the remuneration committee of the Company.

Ms. Chan is also a non-executive director of Heng Tai Consumables Group Limited, a shareholder (as defined in the Listing Rules) of the Company. As at the Latest Practicable Date, she does not have any interests in the shares of Heng Tai Consumables Group Limited within the meaning of Part XV of the SFO. Ms. Chan has no relationships with any directors, senior management or substantial or controlling shareholders (as defined in the Listing Rules) of the Company and Heng Tai Consumables Group Limited. Save as disclosed above, Ms. Chan did not hold any director positions in other listed companies in the last three years.

Save as disclosed above, there is no other matter that need to be brought to the attention of the shareholders of the Company in relation to the re-election of Ms. Chan and there is no information required to be disclosed pursuant to any of the requirements of Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

Mr. Wu Jianwei (武建偉) aged 53, is an executive director and the chief operation officer of the Company, mainly responsible for overseeing the sale, marketing, administration and production of vinyl acetate, polyvinyl-chloride, glucose and starch, heat and power. He joined the Company in September 2004. Mr. Wu has over 30 years' extensive experience in the operation and production management of coal related petrochemical enterprises. He was the Chairman and Party secretary general manager of Mudanjiang Association of Petrochemical Industry (formerly known as Mudanjiang Petrochemical Industry Group Company) before serving the Group. He graduated from Mudanjiang Education College, majoring in economic management. Mr. Wu is a qualified senior economist in the PRC. Save as disclosed herein, he did not hold any other directorships in listed public companies in the last three years.

Mr. Wu is appointed as an executive director of the Company with effect from 15 October 2007 until the AGM and has entered into a service contract with the Company. Mr. Wu is entitled to have a director's fee of RMB25,000 per month (borne by the Company's PRC subsidiaries) and HK\$15,000 per month (borne by the Company's Hong Kong office) under the service contract. The director's fee is determined by the Board with reference to Mr. Wu's experience, duties and responsibilities and the prevailing market practice, and in accordance with the remuneration policy adopted by the remuneration committee of the Company. If elected as an executive director of the Company in the AGM, Mr. Wu's appointment will, subject to the Mr. Wu's re-appointment as a director of the Company in accordance with the Company's articles of association, continue until terminated by him or the Company giving not less than three month's notice in writing to the other party. In any event, Mr. Wu's service contract will automatically be terminated after three years from 15 October 2007. Mr. Wu is the director of the Company's wholly owned subsidiaries, Mudanjiang Daytech Chemical Ltd. and Mudanjiang Better Day Power Ltd.

As at the Latest Practicable Date, Mr. Wu does not hold any shares of the Company within the meaning of Part XV of the SFO. Mr. Wu does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company or its subsidiaries.

Save as disclosed above, there is no other matter that need to be brought to the attention of the shareholders of the Company in relation to the re-election of Mr. Wu and there is no information required to be disclosed pursuant to any of the requirements of Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

Mr. Tam Ching Ho (譚政豪), aged 36, is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He is also a certified public accountant in Hong Kong. Mr. Tam has about 14 years of experience in areas of corporate finance, listing compliance, accounting and auditing. Mr. Tam is currently the Group Financial Controller of Celestial NutriFoods Limited, a company whose shares are listed on the main board of the Singapore Exchange Limited. He is also an independent non-executive director of Chaoda Modern Agriculture (Holdings) Limited, a company whose shares are listed on the main board of the Stock Exchange. Save as disclosed herein, he did not hold any other directorships in listed public companies in the last three years.

Mr. Tam is appointed as an independent non-executive director of the Company with effect from 30 June 2007 until the AGM and has entered into a service contract with the Company. Mr. Tam is entitled to have a director's fee of HK\$10,000 per month under the service contract. The director's fee is determined by the Board with reference to his experience, duties and responsibilities and the prevailing market practice, and in accordance with the remuneration policy adopted by the remuneration committee of the Company. If elected as an independent non-executive director of the Company in the AGM, Mr. Tam's appointment will, subject to the

Mr. Tam's re-appointment as a director of the Company in accordance with the Company's articles of association, continue until terminated by him or the Company giving not less than one month's notice in writing to the other party. In any event, Mr. Tam's service contract will automatically be terminated on the date of the AGM and the Company intends enter into new service contract with Mr. Tam upon his re-election.

As at the Latest Practicable Date, Mr. Tam is interested in 1,920,000 shares of the Company. Save as the aforesaid, he does not have any interests in shares of the Company within the meaning of Part XV of the SFO or have any relationship with any directors, senior management or substantial or controlling shareholders of the Company or its subsidiaries. Mr. Tam does not hold any position with the Company or other members of its group other than acting as an independent non-executive director of the Company.

Save as disclosed above, there is no other matter that needs to be brought to the attention of the shareholders of the Company in relation to the re-election of Mr. Tam, and there is no information required to be disclosed pursuant to any of the requirements of Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

This Appendix serves as an explanatory statement, as required by the Listing Rules, to provide you with the requisite information relating to the Repurchase Mandate to be proposed at the AGM.

1. REASONS FOR REPURCHASE MANDATE

Although the Directors have no present intention of repurchasing any Shares, they believe that the flexibility afforded by the Repurchase Mandate would be beneficial to the Company and its Shareholders. Trading conditions on the Stock Exchange have sometimes been volatile in recent years. At any time in the future when Shares are trading at a discount to their underlying value, the ability of the Company to repurchase Shares will be beneficial to those Shareholders who retain their investment in the Company since their percentage interest in the assets of the Company would increase in proportion to the number of Shares repurchased by the Company and thereby resulting in an increase in net assets and/or earnings per Share of the Company. Such repurchases will only be made when the Directors believe that such repurchases will benefit the Company and its Shareholders.

2. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 3,635,070,324 Shares.

Subject to the passing of the Repurchase Mandate (ordinary resolution no. 4B), the Company would be allowed under the Repurchase Mandate to repurchase Shares up to a maximum of 363,507,032 Shares on the basis that no further Shares will be issued or repurchased prior to the date of the AGM.

3. FUNDING OF REPURCHASE

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the memorandum and Articles of Association of the Company, the Cayman Islands Companies Law and the Listing Rules, including but not limited to profits of the Company or the proceeds of a fresh issue of Shares made for the purpose of the repurchase.

There might be material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the annual report for the year ended 30 June 2007) in the event that the Repurchase Mandate was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are purchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

4. MARKET PRICES

The highest and lowest prices at which the Shares have been traded on the Stock Exchange during each of the previous twelve months prior to the Latest Practicable Date are as follows:

	Shares	
	Highest HK\$	Lowest HK\$
2006		
October	0.410	0.350
November	0.410	0.330
December	0.380	0.325
2007		
January	0.405	0.330
February	0.480	0.370
March	0.450	0.365
April	0.440	0.390
May	0.580	0.395
June	0.770	0.500
July	0.700	0.550
August	0.600	0.325
September	0.570	0.465
October (up to the Latest Practicable Date)	0.530	0.455

5. SHARE REPURCHASE MADE BY THE COMPANY

No purchase of Shares has been made by the Company during the last six months preceding the Latest Practicable Date (whether on the Stock Exchange or otherwise).

6. UNDERTAKING

The Directors have undertaken to the Stock Exchange to exercise the powers of the Company to make purchases under the Repurchase Mandate in accordance with the Listing Rules, the memorandum and Articles of Association of the Company and the Cayman Islands Companies Law.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates, presently intends to sell Shares to the Company under the Repurchase Mandate in the event that Repurchase Mandate is approved by the Shareholders.

No connected persons of the Company has notified to the Company that they have a present intention to sell any Shares, or that they have undertaken not to sell any Shares held by them to the Company in the event that the Repurchase Mandate is approved by its Shareholders.

7. TAKEOVERS CODE

If on the exercise of the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a Shareholder or group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date and based on the information available to the Company, Mr. Chan Yuen Tung, the single largest shareholder of the Company, was beneficially interested in 1,060,432,287 Shares, representing 29.17% of the issued share capital of the Company. In the event that the Directors exercise in full the Repurchase Mandate, the shareholding of Mr. Chan Yuen Tung in the Company will be increased to approximately 32.41% of the issued share capital of the Company. Such an increase would give rise to an obligation to Mr. Chan Yuen Tung to make a mandatory offer under Rule 26 of the Takeovers Code. However, the Directors have no current intention to exercise the proposed Repurchase Mandate to such an extent that will trigger a requirement requiring Mr. Chan Yuen Tung to make a mandatory offer under the Takeovers Code.

Based on the information available to the Company as at the Latest Practicable Date, the Directors are not aware of any consequences which may arise under the Takeovers Code as a result of any repurchases made under the proposed resolution.

NOTICE OF ANNUAL GENERAL MEETING



China Zenith Chemical Group Limited

中國天化工集團有限公司

(Formerly known as Daqing Petroleum and Chemical Group Limited)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 362)

NOTICE IS HEREBY GIVEN THAT an annual general meeting of China Zenith Chemical Group Limited (the “Company”) will be held at Mandarin Oriental Hong Kong, 5 Connaught Road, Central, Hong Kong on 6 December 2007 at 4:30 p.m. for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

1. to receive and consider the audited consolidated financial statements and the reports of the directors of the Company (the “Directors”) and the auditors for the year ended 30 June 2007;
2. (a) to re-elect the following persons as Directors:
 - (i) Mr. Chan Yuen Tung (*Note 1*)
 - (ii) Ms. Chan Yuk Foebe (*Note 1*)
 - (iii) Mr. Tam Ching Ho (*Note 1*)
 - (iv) Mr. Wu Jianwei (*Note 1*)
- (b) to authorise the board of directors of the Company (the “Board”) to fix the Directors’ remuneration;
3. to re-appoint Messrs. RSM Nelson Wheeler as auditors of the Company for the ensuing year and to authorise the Board to fix their remuneration;
4. as special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

(A) “**THAT:**

- (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$0.01 each in the capital of the Company and to make or grant

NOTICE OF ANNUAL GENERAL MEETING

offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;

- (b) the approval in paragraph (a) shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers, after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this resolution and the said approval shall be limited accordingly; and
- (d) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held; or
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders in general meeting.”;

(B) **“THAT:**

- (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase shares of HK\$0.01 each in the capital of the Company be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the shares to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution and the said approval shall be limited accordingly; and

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- (c) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:–
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held; or
 - (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders in general meeting.”;
- (C) “**THAT** the general mandate granted to the Directors pursuant to resolutions nos. 4A and 4B as above and for the time being in force to exercise the powers of the Company to allot shares and to make or grant offers, agreements and options which might require the exercise of such powers referred to in resolution no. 4A be and is hereby extended by the total nominal amount of shares in the capital of the Company repurchased by the Company since the granting of such general mandate pursuant to the exercise by the Directors of the powers of the Company to purchase such shares pursuant to resolution no. 4B, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this resolution”;
- (D) “**THAT** the existing scheme limit under the share option scheme adopted by a resolution of the shareholders of the Company on 18 November 2002 (“Share Option Scheme”) be refreshed so that the aggregate nominal amount of the shares of the Company to be allotted and issued pursuant to the grant or exercise of the options under the Share Option Scheme (excluding options previously granted, outstanding, cancelled, lapsed or exercised under the Share Option Scheme) shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this resolution (“Refreshed Scheme Limit”) and that the Directors be and are hereby authorised, subject to compliance with the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time), to grant options under the Share Option Scheme up to the Refreshed Scheme Limit and to exercise all the powers of the Company to allot, issue and deal with shares of the Company pursuant to the exercise of such options”.

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5. as special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as special resolutions:

SPECIAL RESOLUTIONS

“THAT:

the articles of association of the Company (the “Articles”) be and are hereby amended in the following manner:

- (a) by deleting the name “Daqing Petroleum and Chemical Group Limited” and replacing it with “China Zenith Chemical Group Limited” on the cover of the Articles;
 - (b) by deleting the name “Daqing Petroleum and Chemical Group Limited 大慶石油化工集團有限公司” and replacing it with “China Zenith Chemical Group Limited 中國天化工集團有限公司” on the first page of the Articles and in the definition of “the Company” or “this Company” in Article 1(A);
 - (c) the re-formatted Articles incorporating all the amendments to the Articles previously approved by the members of the Company and the amendments referred to in sub-paragraphs (a) and (b) of this resolution in the form of the printed document marked “A” and produced to this meeting and for the purpose of identification signed by the Chairman of this meeting be and is hereby adopted, confirmed and approved.”
6. **“THAT:**
- (a) the memorandum of association of the Company (the “Memorandum”) be and is hereby amended by deleting the name “Sunlord Chemical Group Limited” and replacing it with “China Zenith Chemical Group Limited” on the first page of the Memorandum and in clause (1) of the Memorandum;
 - (b) the re-formatted Memorandum incorporating all the changes to the share capital of the Company previously approved by the members of the Company and the amendments referred to in sub-paragraph (a) of this resolution in the form of the printed document marked “B” and produced to this meeting and for the purpose of identification signed by the Chairman of this meeting be and is hereby adopted, confirmed and approved.”

By Order of the Board
China Zenith Chemical Group Limited
Chan Yuk Foebe
Executive Director

Hong Kong, 2 November 2007

NOTICE OF ANNUAL GENERAL MEETING

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. Yau Chung Hong and Mr. Tam Ching Ho are the independent non-executive Directors

Notes:

- (1) Please refer to the circular for the annual general meeting of the Company for details of Mr. Chan Yuen Tung, Ms. Chan Yuk Foebe, Mr. Tam Ching Ho and Mr. Wu Jianwei.
- (2) 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 4:00 p.m. on 3 December 2007 shall qualify for attending and voting at the annual general meeting. The register of members of the Company will be closed from 4 December 2007 to 6 December 2007, 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 3 December 2007.
- (3) 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.
- (4) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notorially 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.