

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a 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 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.

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



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)

**PROPOSED RE-ELECTION OF DIRECTORS
AND
PROPOSED GENERAL MANDATES TO ALLOT AND ISSUE SHARES
AND
TO PURCHASE ITS OWN SHARES
AND
PROPOSED REFRESHMENT OF THE LIMIT OF
THE EXISTING SHARE OPTION SCHEME
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 19 December 2011, Monday at 4:00 p.m. is set out on pages 20 to 24 of this circular. Whether or not you intend to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and lodge the same with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event 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.

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	
A. Introduction	5
B. Proposed re-election of directors	6
C. Proposed general mandate to allot and issue shares	6
D. Proposed general mandate to repurchase shares	7
E. Proposed refreshment of the existing scheme mandate limit	7
F. Annual general meeting	12
G. Voting by way of poll	12
H. Responsibility statement	12
I. Recommendation	12
APPENDIX I – DETAILS OF RETIRING DIRECTORS PROPOSED FOR RE-ELECTION	13
APPENDIX II – EXPLANATORY STATEMENT ON THE REPURCHASE MANDATE	17
NOTICE OF ANNUAL GENERAL MEETING	20

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 19 December 2011, at 4:00 p.m., notice of which is set out on pages 20 to 24 of this circular;
“Annual Report”	the annual report of the Company for the year ended 30 June 2011;
“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;
“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”	the maximum number of Shares which may be issued upon exercise of all options to be granted under the Existing Share Option Scheme;
“Existing Share Option Scheme”	the existing share option scheme of the Company approved by the Shareholders at the extraordinary general meeting held on 18 November 2002;
“Fifth 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 17 December 2009, being 10% of the issued share capital of the Company as at 17 December 2009;
“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 issued share capital of the Company as at 2 December 2005;
“Fourth 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 31 December 2008, being 10% of the issued share capital of the Company as at 31 December 2008;
“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 sets 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;

DEFINITIONS

“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;
“Latest Practicable Date”	10 November 2011, 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;
“PRC”	the People’s Republic of China;
“Repurchase Mandate”	the general and unconditional mandate proposed to be granted to the Directors to repurchase Shares 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 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 issued 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;

DEFINITIONS

“Sixth 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 20 December 2010, being 10% of the issued Share capital of the Company as at 20 December 2010;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers;
“Third 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 6 December 2007, being 10% of the issued Share capital of the Company as at 6 December 2007; and
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong



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:

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
Tam Ching Ho
Wong Sin Just
Wong Sin Lai

Principal Place of Business in Hong Kong:

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

15 November 2011

To the Shareholders

Dear Sir or Madam,

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

A. 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;

LETTER FROM THE BOARD

- (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; and
- (e) refresh the Existing Scheme Mandate Limit.

B. PROPOSED RE-ELECTION OF DIRECTORS

In accordance with Article 108 of the Company's Articles of Association, Mr. Peng Zhanrong, an executive Director, and Mr. Ma Wing Yun Bryan, Dato' Wong Sin Just and Mr. Wong Sin Lai, all independent non-executive Directors, will retire from office by rotation and be eligible for re-election at the AGM. Details of Mr. Peng Zhanrong, Mr. Ma Wing Yun Bryan, Dato' Wong Sin Just and Mr. Wong Sin Lai are set out in Appendix I to this circular.

C. PROPOSED GENERAL MANDATE TO ALLOT AND ISSUE SHARES

At the AGM, it will be proposed, by way of ordinary resolution, that the Directors be given a general and unconditional mandate 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 such resolution. Such mandate will give the Directors 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 745,633,173 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 149,126,634 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 in such new Shares.

LETTER FROM THE BOARD

D. PROPOSED GENERAL MANDATE TO REPURCHASE SHARES

At the AGM, it will also be proposed, by way of ordinary resolution, that the Directors be given a general and unconditional mandate to repurchase Shares 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 of such resolution.

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 Appendix II to this circular.

E. PROPOSED 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 1.7% of the issued Share capital of the Company as at the Latest Practicable Date) and 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 Share 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\$0.30 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.

LETTER FROM THE BOARD

Further details of the adjustments are as follows:

Date of grant	Before the open offer	Exercise price of options	After the open offer	Exercise price of options
	Number of Shares to be allotted upon the exercise of the outstanding options		Number of Shares to be allotted upon the exercise of the outstanding 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
	67,770,000		72,610,714	
	67,770,000		72,610,714	

Up to the Latest Practicable Date, options carrying the rights to subscribe for 72,610,714 Shares have been granted under the First Refreshed Limit (as adjusted subsequent to the open offer) and 72,590,000 of which were exercised and 20,714 were cancelled during the year ended 30 June 2007.

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 Share 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 116,100,000 of which were exercised during the year ended 30 June 2008.

At the annual general meeting of the Company held on 6 December 2007, the Second Refreshed Limit was refreshed and the Third Refreshed Limit was approved by the Shareholders. Pursuant to the Third Refreshed Limit, the Company may grant options under the Existing Share Option Scheme up to 10% of the issued Share capital of the Company as at 6 December 2007, i.e. not exceeding 363,507,732 Shares. Up to the Latest Practicable Date, options carrying the rights to subscribe for 72,000,000 Shares have been granted under the Third Refreshed Limit and all of which were exercised during the year ended 30 June 2008.

At the annual general meeting of the Company held on 31 December 2008, the Third Refreshed Limit was refreshed and the Fourth Refreshed Limit was approved by the Shareholders. Pursuant to the Fourth Refreshed Limit, the Company may grant options under the Existing Share Option Scheme up to 10% of the issued share capital of the Company as at 31 December 2008, i.e. not exceeding 374,088,782 Shares. Up to the Latest Practicable Date, options carrying the rights to subscribe for 205,000,000 Shares have been granted under the Fourth Refreshed Limit and all of which had been exercised as at the Latest Practicable Date.

LETTER FROM THE BOARD

The Company completed an open offer on 19 August 2009. The open offer offered 1,870,443,912 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\$0.11 per offer share. With effect from the completion of the open offer, the remaining outstanding and unexercised options granted under the Second Refreshed Limit of 220,900,000 were adjusted to 265,300,900 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.

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
20 July 2007	86,100,000	0.582	103,406,100	0.485
22 August 2007	134,800,000	0.420	161,894,800	0.350
	220,900,000		265,300,900	

The aforementioned 103,406,100 share options and 161,894,800 share options granted under the Second Refreshed Limit of the Existing Share Options Scheme were lapsed on 23 July 2010 and 23 August 2010, respectively.

At the annual general meeting of the Company held on 17 December 2009, the Fourth Refreshed Limit was refreshed and the Fifth Refreshed Limit was approved by the Shareholders. Pursuant to the Fifth Refreshed Limit, the Company may grant options under the Existing Share Option Scheme up to 10% of the issued share capital of the Company as at 17 December 2009, i.e. not exceeding 561,133,173 Shares. Up to the Latest Practicable Date, no options have been granted under the Fifth Refreshed Limit.

At the annual general meeting of the Company held on 20 December 2010, the Fifth Refreshed Limit was refreshed and the Sixth Refreshed Limit was approved by the Shareholders. Pursuant to the Sixth Refreshed Limit, the Company may grant options under the Existing Share Option Scheme up to 10% of the issued Share capital of the Company as at 20 December 2010, i.e. not exceeding 625,633,173 Shares. Up to the Latest Practicable Date, options carrying the rights to subscribe for 18,750,000 Shares have been granted under the Sixth Refreshed Limited and none of which had been exercised as at the Latest Practicable Date.

LETTER FROM THE BOARD

At the extraordinary general meeting of the Company held on 20 June 2011, shareholders approved the Company's proposal to consolidate every ten (10) issued and unissued Shares of HK\$0.01 each in the share capital of the Company into one (1) ordinary share of HK\$0.10 each in the share capital of the Company. With effect from the completion of the share consolidation on 20 June 2011, the remaining outstanding and unexercised options of 187,500,000 granted under the Sixth Refreshed Limit were adjusted to 18,750,000 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.

As at the Latest Practicable Date, there remain 18,750,000 share options outstanding and unexercised under the Existing Share Option Scheme, which entitle their respective holders to subscribe for a total of 18,750,000 Shares (representing approximately 2.5% of the issued share capital of the Company as at the Latest Practicable Date). If the Company does not seek the Shareholders' approval to refresh the Existing Scheme Mandate Limit (which is currently the Sixth Refreshed Limit) at the AGM or in the event that such refreshment of the Existing Scheme Mandate Limit is not approved by the Shareholders at the AGM, it may further grant share options carrying the rights to subscribe for 43,813,317 Shares pursuant to the Sixth Refreshed Limit.

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 745,633,173 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 74,563,317 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/cancelled/outstanding under the Existing Share Option Scheme up to the Latest Practicable Date:

	Under Initial Limit	Under First Refreshed Limit	Under Second Refreshed Limit	Under Third Refreshed Limit	Under Fourth Refreshed Limit	Under Fifth Refreshed Limit	Under Sixth Refreshed Limited	Total As of the Latest Practicable Date
Maximum number of Shares to be subscribed for if maximum options are granted	87,300,000	166,441,000	337,782,907	363,507,732	374,088,782	561,133,173	625,633,173	Not applicable
No. of options granted	20,000,000	166,100,000	337,000,000	72,000,000	205,000,000	-	187,500,000	987,600,000
No. of options exercised	13,000,000	170,920,000	116,100,000	72,000,000	205,000,000	-	-	577,020,000
Adjusted upon the completion of the open offer on 9 January 2007	-	4,840,714	-	-	-	-	-	4,840,714
Adjusted upon the completion of the open offer on 19 August 2009	-	-	44,400,900	-	-	-	-	44,400,900
Adjusted upon the completion of the share consolidation on 20 June 2011							168,750,000	168,750,000
No. of options lapsed/cancelled	7,000,000	20,714	265,300,900	-	-	-	-	272,321,614
No. of outstanding options	-	-	-	-	-	-	18,750,000	18,750,000

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 to approve the refreshment of the Existing Scheme Mandate Limit; and
- (ii) 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.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued under the refreshed Existing Scheme Mandate Limit.

LETTER FROM THE BOARD

The documents of the Existing Share Option Scheme are available for public 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 normal business hours on any weekday, except public holiday, for the period from the date of this circular, i.e. 15 November 2011 to 14 days thereafter, i.e. 5 December 2011.

F. ANNUAL GENERAL MEETING

A notice of the AGM is set out on pages 20 to 24 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.

G. VOTING BY WAY OF POLL

Pursuant to Rule 13.39 of the Listing Rules, all votes of the Shareholders at the general meetings must be taken by poll. The chairman of the meeting will therefore demand a poll for every resolution put to the vote at the AGM in accordance with the Articles of Association. An announcement on the poll vote results will be made by the Company after the AGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

H. RESPONSIBILITY STATEMENT

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

So far as the Directors are aware having made all reasonable enquiries, there is no Shareholder who is required to abstain from voting at the AGM under the Listing Rules.

I. RECOMMENDATION

The Directors consider that the proposed re-election of Directors, the granting of the Issue Mandate and the Repurchase Mandate, the extension of the Issue Mandate and the refreshment of the Existing Scheme Mandate Limit are in the best interests of the Company and the 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
Chief Executive Officer

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

Mr. Peng Zhanrong (彭展榮), aged 41, is an executive director of the Company and joined the Group in February 2004. Mr. Peng is responsible for overseeing the operation of the Group's investment in Mudanjiang, Heilongjiang Province, the PRC. Mr. Peng obtained a certificate from South China Advanced English College (華南高等英語專修院) in July 1994. Mr. Peng has more than 10 years' experience in the automobile and petroleum industries in the PRC prior to joining the Group in February 2004. Mr. Peng was also an executive director of Heng Tai Consumables Group Limited (Stock Code: 197) (whose Shares are listed on the main board of the Stock Exchange) until his resignation with effect from 8 December 2008.

Mr. Peng has entered into a service contract with the Company commencing from 24 November 2004, which shall, subject to the re-appointment as a Director in accordance with the Company's Articles of Association, continue until terminated by either party giving not less than three months' notice in writing to the other. Mr. Peng will be entitled to HK\$15,000 per month payable by the Group under the service contract. Mr. Peng's emoluments is determined by the Board with reference to Mr. Peng'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. Peng does not hold any Shares within the meaning of Part XV of the SFO. Save as being an executive Director, Mr. Peng 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 needs to be brought to the attention of the Shareholders in relation to the re-election of Mr. Peng 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. Ma Wing Yun Bryan (馬榮欣), aged 45, is an independent non-executive director and is also the chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee of the Company. Mr. Ma is the finance director of Union Sun International Group Limited, a non-listed company with affiliates dealing in property development and the building and operation of hydro-electric plants in the PRC. He was an independent director of Celestial Nutrifoods Limited (the shares of which are listed on the main board of Singapore Exchange Securities Trade Limited (the "Singapore Exchange")) until 18 August 2011. Moreover, Mr. Ma was an independent director of China Oilfield Technology Services Group Limited (the shares of which are listed on the main board of the Singapore Exchange) until 30 May 2010. He has approximately 20 years of experience in the areas of audit, financial management and operational management. Mr. Ma is a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Ma was appointed as an independent non-executive director in February 2001.

Mr. Ma has entered into a service contract for a term of two years with the Company commencing from 1 April 2011, which shall, subject to the re-appointment as a Director in accordance with the Company's Articles of Association, continue until terminated by either party giving not less than one month's notice in writing to the other. Mr. Ma will be entitled to HK\$10,000 per month payable by the Group under the service contract. Mr. Ma's emoluments is determined by the Board with reference to Mr. Ma'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. Ma does not hold any Shares within the meaning of Part XV of the SFO. Save as being an executive Director, Mr. Ma 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 needs to be brought to the attention of the Shareholders in relation to the re-election of Mr. Ma 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.

Dato' Wong Sin Just (黃森捷), aged 45, is an independent non-executive director of the Company. Dato' Wong is also an independent non-executive director of CSI Properties Limited (formerly known as Capital Strategic Investment Limited) (Stock Code: 497), the shares of which are listed on the Stock Exchange as well as CDC Software Corporation Inc, the shares of which are listed on the NASDAQ market in the United States. Dato' Wong is the non-executive chairman of Westminster Travel Limited, the shares of which are listed on the Catalist board of the Singapore Exchange.

Dato' Wong was the non-executive director of Suncorp Technologies Limited until his resignation with effect from 27 October 2009. Moreover, Dato' Wong was a non-executive director of the China Renji Medical Group Limited (formerly known as Softbank Investment International (Strategic) Limited) until his resignation with effect from 8 December 2009. Dato' Wong was also an executive director of E2-Capital (Holdings) Limited until his resignation with effect from 31 May 2008. All of the aforementioned companies are listed on the Stock Exchange. Furthermore, Dato' Wong was a non-executive director of Intelligent Edge Technologies Berhad, the shares of which are listed on the ACE Market of Bursa Malaysia Securities Berhad until his vacation of office, with effect from 1 January 2010. Dato' Wong was an independent non-executive director of China.com Inc. (Stock Code: 8006) until his resignation on 23 March 2011.

Dato' Wong possesses more than 20 years of accounting, venture capital, fund management and investment banking experience and has held senior positions in investment banks and asset management companies. Dato' Wong holds a bachelor's degree in Engineering (First Class Honours) from the Imperial College of Science, Technology and Medicine in London. Dato' Wong was qualified as an associate of the Institute of Chartered Accountants, England and Wales in 1992 and during his service as a public accountant.

In addition, Dato' Wong is actively involved in various charitable and social organisations. This includes his role as a member of the Campaign Committee, Chairman of General Donations and Special Events Organising Committee of the Community Chest of Hong Kong, a fund dedicated to the underprivileged in Hong Kong. Dato' Wong was appointed as an independent non-executive director of the Company on 27 December 2007.

Dato' Wong has entered into a service contract for a term of two years with the Company commencing from 31 December 2010, which shall, subject to the re-appointment as a Director in accordance with the Company's Articles of Association, continue until terminated by either party giving not less than one month's notice in writing to the other. Dato' Wong will be entitled to HK\$10,000 per month payable by the Group under the service contract. Dato' Wong's emoluments is determined by the Board with reference to Dato' Wong'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, Dato' Wong does not hold any Shares within the meaning of Part XV of the SFO. Save as being an executive Director, Dato' Wong 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 needs to be brought to the attention of the Shareholders in relation to the re-election of Dato' Wong 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. Wong Sin Lai (王善豐), aged 53, has been a professional financial advisor since 2001. He obtained a bachelor's degree with honours in social sciences from the University of Hong Kong in November 1982. From 1992 to 1997, he had worked as a financial controller and senior executive in various manufacturing companies (including a garments manufacturer, a food and beverage supplier and a leather products manufacturer) in Hong Kong after obtaining the qualification as a practising accountant. Prior to obtaining the professional qualification, he had worked in the audit department of Banque Nationale de Paris. Currently, he is a member of Australian Society of Certified Practising Accountants and associate member of Hong Kong Institute of Certified Public Accountants. He has extensive experience in financial, strategic management and debt and equity financing for both listed companies and private enterprises. Since 3 January 2011, Mr. Wong is an independent non-executive director of National Investments Fund Limited (stock code: 1227), the shares of which are listed on the Main Board of the Stock Exchange. Mr. Wong was appointed as an independent non-executive director on 29 April 2011.

Mr. Wong has entered into a service contract with the Company commencing from 29 April 2011, which shall, subject to the re-appointment as a Director in accordance with the Company's Articles of Association, continue until terminated by either party giving not less than one's month's notice in writing to the other. Mr. Wong will be entitled to HK\$10,000 per month payable by the Group under the service contract. Mr. Wong's

emoluments is determined by the Board with reference to Mr. Wong'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. Wong does not hold any Shares within the meaning of Part XV of the SFO. Save as being an executive Director, Mr. Wong 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 needs to be brought to the attention of the Shareholders in relation to the re-election of Mr. Wong 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 the 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. Such repurchases will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

2. SHARE CAPITAL

As at the Latest Practicable Date, the issued Share capital of the Company comprised 745,633,173 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 74,563,317 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 the Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association, the Cayman Islands Companies Law and the Listing Rules. Under the Cayman Islands law, any repurchase of Shares would be made out of profits of the Company or out of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Islands Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of the profits of the Company or from sums standing to the credit of the share premium account of the Company or, subject to the Cayman Islands Companies Law, out of capital.

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 2011) 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\$
2010		
November	2.8500	2.4600
December	2.7500	2.4900
2011		
January	2.7000	1.9200
February	2.0800	1.6200
March	1.7700	1.3900
April	1.8300	1.4900
May	1.6100	1.0700
June	1.2300	0.6600
July	0.8100	0.6200
August	0.6300	0.4000
September	0.4450	0.2600
October	0.6100	0.2700
November (up to the Latest Practicable Date)	0.5700	0.5000

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 Articles of Association 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 the Repurchase Mandate is approved by the Shareholders.

No connected persons of the Company have notified to the Company that they have a present intention to sell any Shares, or have undertaken not to sell any Shares held by them to the Company in the event that the Repurchase Mandate is approved by the 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 191,112,543 Shares, representing 25.63% 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 28.48% 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.



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 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 19 December 2011, Monday at 4:00 p.m. (if there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above is hoisted on 19 December 2011, the provisions contained in Note 5 below shall be applicable) 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 2011;
2. (a) to re-elect the following persons as Directors:
 - (i) Mr. Peng Zhanrong (*Note 1*)
 - (ii) Mr. Ma Wing Yun Bryan (*Note 1*)
 - (iii) Dato’ Wong Sin Just (*Note 1*)
 - (iv) Mr. Wong Sin Lai (*Note 1*)
- (b) to authorize the board of Directors (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 authorize the Board to fix their remuneration;

NOTICE OF ANNUAL GENERAL MEETING

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 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) above shall authorize 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) above 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.”

NOTICE OF ANNUAL 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 at the date of the passing of this resolution and the said approval shall be limited accordingly; and
- (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.”

NOTICE OF ANNUAL GENERAL MEETING

- (D) “**THAT** the existing scheme mandate 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 authorized, 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.”

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

Hong Kong, 15 November 2011

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

Notes:

- (1) Please refer to the circular for the annual general meeting of the Company for details of Mr. Peng Zhanrong, Mr. Ma Wing Yun Bryan, Dato’ Wong Sin Just and Mr. Wong Sin Lai.
- (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 on 19 December 2011 shall qualify for attending and voting at the annual general meeting. The register of members of the Company will be closed from 16 December 2011 to 19 December 2011, 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 4:30 p.m. on 15 December 2011.
- (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.

NOTICE OF ANNUAL GENERAL MEETING

- (4) 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.
- (5) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above is hoisted at or after 11:30 a.m. on 19 December 2011 and/or the Hong Kong Observatory has announced at or before 11:30 a.m. on 19 December 2011 that either of the above mentioned warnings is to be issued within the next two hours, the meeting shall automatically be postponed to the next Business Day on which no "black" rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted between the hours from 11:30 a.m. to 1:30 p.m. and in such case the meeting shall be held at 1:30 p.m. on that Business Day at Unit 1101-12, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong. "Business Day", in this context, shall mean a day (not being a Saturday) on which banks are open for general banking business in Hong Kong.