



## **ZKP Group Limited (ZKA)**

ACN 610 299 271

### **Information Memorandum relating to the Company's application to list its Ordinary Shares on the National Stock Exchange of Australia**

16 May 2016

## **Important Information and Notices**

### **Issue of this document**

This Information Memorandum has been prepared by ZKP Group Limited (the Company or ZKA) in connection with its application for a NSX listing. The Company does not seek to raise capital in connection with its proposed NSX listing, and is therefore proposing a compliance listing only.

This document is dated 16 May 2016. A copy of this document was lodged with the NSX on that day. Neither the NSX nor any of its officers takes any responsibility for the content of the document.

### **Purpose of this document**

This document has been prepared solely for information purposes and to assist investors in evaluating the Company. Neither the Company nor any other person (not limited to any person named in this document) has independently verified any of the information or data contained in this document.

This document is not a prospectus or a disclosure document within Chapter 6D of the Corporations Act.

### **No Liability for costs**

Neither the Company nor any other person (not limited to any person named in this Information Memorandum) accepts any responsibility for any costs incurred by any person in relation to that person's evaluation of the Company pursuant to this document or otherwise.

### **Forward looking statements**

This Information Memorandum contains forward-looking statements. Those forward-looking statements reflect views held only as at the date of this Information Memorandum. Any such statement is subject to inherent risks and uncertainties. Actual events or results may differ materially from the events or results expressed or implied in any forward-looking statement, and such deviations are both normal and to be expected.

Neither the Company, nor any of its officers or any person named in this document with their consent or any person involved in the preparation of this document, makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement or any events or results expressed or implied in any forward-looking statement. Any intending investor in ZKA is cautioned not to place undue reliance on any such statement.

### **Exclusion of Liability**

Nothing in this document is a promise or representation as to the future. Any prospective investor must make his or her own investigations and enquiries about the assumptions, uncertainties and contingencies which may affect the Company. Neither the Company nor any other person (not limited to persons named in this document) has authorised the making of any statement not expressly contained in this document.

### **Application for listing**

Application will be made for listing of the Company's securities offered by this Information Memorandum to the National Stock Exchange of Australia Limited. The fact that the National Stock Exchange of Australia Limited may list the securities of the Company is not to be taken in any way as an indication of the merits of the Company or the listed securities. The National Stock Exchange of Australia Limited takes no responsibility for the contents of this document, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this document.

### **Currency of information**

All information in this document is, unless otherwise specifically stated, current only as at the date of issue of this document and then only to the extent that relevant information is available at the time of compilation of this document.

The publication of this document does not create any implication that there will be, or has been, no change in the business or affairs of ZKA the date of issue of this document. ZKA may in its absolute discretion update or supplement this document but is under no obligation to do so.

**Suitability of Investment and Risk Factors**

Before deciding to invest in the Company by purchase of shares on market following admissions of the Company to the official list of the NSX, Prospective investors should read this entire Information Memorandum.

**Defined terms**

Defined terms used below and elsewhere in this document (indicated with initial capital letters) are explained in the glossary in Chapter 11 of this document.

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## Corporate Directory

<b>Directors</b> Mr. Lijian Lu Mr. Jian Lu Mr. Kao Chien-Chih Mr. Brendan Connell Mr. Andrew Martin	<b>Share Registrar</b> Automic Registry Services Pty Ltd Suite 310, Level 3 50 Holt Street Surry Hills NSW 2010 Australia  PO Box 2226 Strawberry Hills NSW 2012 Australia
<b>Company Secretary</b> James Church	<b>Corporate Adviser</b> Beijing Zhanteng Borun Investment Management Co., Ltd. Level 6, Block 3 China Central Place 77 Jianguo Road Chaoyang District Beijing, China, 100025
<b>Australian Legal and Nominated Adviser</b> Connell Lawyers 55 Birksgate Drive, Urrbrae South Australia 5064 <a href="http://www.connell-lawyers.com.au">www.connell-lawyers.com.au</a>	<b>Website</b> <a href="http://www.zkpgroup.com">www.zkpgroup.com</a>
<b>Registered Office</b> 55 Birksgate Drive Urrbrae South Australia 5064	<b>Chinese Legal Adviser</b> Hunan Hengzhou Law Offices 34 JieFang Road, Zhengxiang District Hengyang City, Hunan Province People's Republic of China
<b>China Office</b> 239 Yunji Road Industrial Park, Hengnan County Hengyang City, Hunan Province People's Republic of China	<b>Auditor</b> Hall Consulting Group Pty Ltd Suite 4.02, Level 4, 9 Help Street Chatswood NSW 2067 Sydney, Australia (PO Box 1355, Chatswood NSW 2057)

## Chapter 1 Chairman's Letter

Dear Shareholders

On behalf of the Directors of ZKP Group Limited (the 'Company' or 'ZKA'), I am pleased to present this Information Memorandum in connection with our application for a compliance listing of the Company's 2,042,000 issued ordinary shares on the NSX.

ZKA was incorporated on 21 January 2016 as a vehicle to list on the NSX. Its wholly owned operating company Hengyang Zhongke Photoelectron Company Limited ("ZKP") was established in Hengyang, Hunan Province, China in November 2011 and commenced production of optical communication products for the telecommunications industry in June 2013.

ZKP designs, manufactures and sells ceramic ferrules used in fibre-optic cables for the electronic information industry. As a national high-tech private enterprise, ZKP integrates research and development with the manufacturing, sales and service of its high tech products.

ZKP has achieved spectacular growth since it commenced production. In early 2015 the Company introduced 6 new production lines for a total of 18 meaning the Company has the third largest ceramic ferrule production capacity in China.

Our core objectives for future growth include; increasing the Company's vertical integration via a joint venture or acquisition, updating the Company's manufacturing equipment and increasing the Company's R&D capabilities for dedicated devices.

This Information Memorandum explains our products, operations and financial position. The successful listing of the Company on the NSX will provide us with a solid foundation for future growth, and help us to improve corporate governance and to raise the company and products profile.

I encourage you to read this document closely and hope you will consider investing in ZKA in the future.

Yours faithfully



Mr Lijian Lu

Chairman

## Chapter 2      Answers to key questions

Question	Response	More information
Who is issuing this Information Memorandum?	ZKP Group Limited ACN 610 299 271 (the Company or ZKA)	Chapter 3
Who is ZKA and what do we do?	ZKA is the ultimate holding company for ZKP. ZKP is an optical communication products manufacturer situated in Hengyang City, Hunan Province, China. We design, manufacture and sell ceramic ferrules which are the core elements in fibre optic cables which are used in 3G and 4G telecommunications.	Chapter 3
How does ZKP generate income?	ZKP design, manufacture and sell components for the fibre optic communications industry. We have a manufacturing facility in Hengyang City, China and sell our products to domestic wholesale customers.	Chapter 3
What are ZKP's business strategies?	In early 2015 we expanded our production capacity by the purchase and installation of 6 new production lines bringing total production capacity to 240 million ferrules p.a. At present demand exceeds supply for ZKP's products so we are capitalizing on this by the increase in our production capacity to 240 million units per year.	Chapter 3
What are ZKP's competitive strengths?	Since inception our revenue has increased each year and we sell all of our manufactured products.	Chapter 3
What is ZKP Group's historical financial information?	See the table below and Chapter 7 for further information	NB The Notional Consolidated Statement of Financial Position detailed here is derived from the audited financial statements of ZKP and has been prepared to illustrate what the financial position of the Company would have been if it had owned the PRC operating entity ZKP from 1 January 2013.

	Group 31 Dec 2015 A\$'000	ZKP 31 Dec 2015 A\$'000	ZKP 31 Dec 2014 A\$'000
<b>Assets</b>			
Cash and cash equivalents	30	30	16
Trade and other receivables	12,939	12,939	6,720
Trade and other receivables – related party	750	750	2,263
Inventories	6,360	6,360	2,860
<b>Total current assets</b>	<b>20,080</b>	<b>20,080</b>	<b>11,409</b>
Property, plant & equipment	28,058	28,058	25,348
Construction in progress	-	-	774
Intangible assets	36	36	8
Long-term receivables	-	-	2,205
Goodwill on acquisition	3,782	-	-
<b>Total non-current assets</b>	<b>31,876</b>	<b>28,094</b>	<b>28,335</b>

<b>Total assets</b>	<b>51,956</b>	<b>48,174</b>	<b>39,744</b>
<b>Current liabilities</b>			
Trade and other payables	7,503	7,503	5,916
Loans and borrowings	11,722	11,722	26,593
Loans and borrowings – related parties	972	972	1,608
Employee payables	744	744	379
ZKP on acquisition of shares	3,305	-	-
<b>Total current liabilities</b>	<b>24,246</b>	<b>20,941</b>	<b>34,496</b>
<b>Non-current liabilities</b>			
Loans and borrowings	14,573	14,573	-
Loans and borrowings – related parties	9,885	9,885	2,364
<b>Total non-current liabilities</b>	<b>24,458</b>	<b>24,458</b>	<b>2,364</b>
<b>Total liabilities</b>	<b>48,704</b>	<b>45,399</b>	<b>36,860</b>
<b>Net assets</b>	<b>3,252</b>	<b>2,774</b>	<b>2,883</b>
<b>Equity</b>			
Share capital	2,042	10,770	10,770
Foreign translation reserves	46	1,030	(357)
Accumulated losses	1,164	(9,026)	(7,530)
<b>Total equity</b>	<b>3,252</b>	<b>2,774</b>	<b>2,883</b>

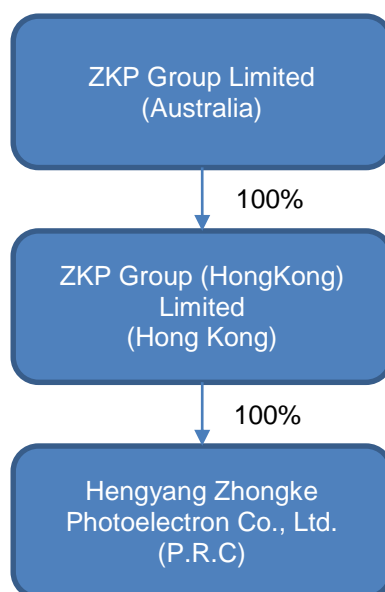
Who are the Directors of the Company?	Mr. Lijian Lu is the Chairman and CEO of the Company. Mr. Jian Lu is an executive director. Mr. Kao Chien-Chih, Mr. Brendan Connell and Mr. Andrew Martin are non-executive directors.	Chapter 4																								
Do the Directors have any interests in the issued share capital of ZKP?	Mr. Lijian Lu holds 1,127,796 Shares representing 55.23% of issued shares. Mr. Jian Lu holds 100,058 Shares representing 4.9% of issued shares. Mr. Kao Chien-Chih holds 100,058 Shares representing 4.9% of issued shares. Brendan Connell does not hold any shares in the Company. Andrew Martin does not hold any shares in the Company.	Chapter 4																								
What are ZKP's material contracts?	<p>The Company has the following outstanding loan arrangements:</p> <table border="1"> <thead> <tr> <th>Lender (Bank)</th><th>Amount (AUD)</th><th>Annual interest rate</th></tr> </thead> <tbody> <tr> <td>Postal Savings Bank of China, Hengyang Branch</td><td>1,054,000</td><td>6.31%</td></tr> <tr> <td>Ping An Bank, Ningbo Beilun Sub-branch</td><td>175,000</td><td>6.88%</td></tr> <tr> <td>China Development Bank</td><td>2,234,000</td><td>6.00%</td></tr> <tr> <td>Hunan Rural Credit Cooperative</td><td>1,349,000</td><td>11.16%</td></tr> <tr> <td>Hengyang SME Guarantee Fund Co., Ltd</td><td>1,054,000</td><td>0.00%</td></tr> <tr> <td>Hengyang SME Guarantee Fund Co., Ltd</td><td>11,193,000</td><td>6.00%</td></tr> <tr> <td>Related Party Loans</td><td>10,786,000</td><td>0.00%</td></tr> </tbody> </table> <p>Related Party Loans are fully described in the ZKP Group Limited Notional Consolidated Financial Statements for the Financial Years ended 31 December 2015, 31 December 2014 and 31 December 2013 which are attached to this Information Memorandum.</p> <p>ZKP has entered into an agreement with Beijing Zhanteng Borun Investment Management Co., Ltd. (BZB) (Capital Agreement) under the terms of which ZKP has appointed BZB on an exclusive basis for capital raising, project management and corporate advisory services.</p>	Lender (Bank)	Amount (AUD)	Annual interest rate	Postal Savings Bank of China, Hengyang Branch	1,054,000	6.31%	Ping An Bank, Ningbo Beilun Sub-branch	175,000	6.88%	China Development Bank	2,234,000	6.00%	Hunan Rural Credit Cooperative	1,349,000	11.16%	Hengyang SME Guarantee Fund Co., Ltd	1,054,000	0.00%	Hengyang SME Guarantee Fund Co., Ltd	11,193,000	6.00%	Related Party Loans	10,786,000	0.00%	Chapter 8
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What is the capital structure of ZKA	ZKA is an Australian registered holding company. It is the ultimate holding company for ZKP Group (HongKong) Limited (ZKHK) which in turn owns Hengyang Zhongke Photoelectron Company Limited (ZKP) which is the operating company of the Group. See Chapter 3.1 for a graphical illustration of the Group structure.	Chapter 3
Purpose of Listing on NSX	ZKA is seeking admission to the official list of the NSX: <ul style="list-style-type: none"> <li>• to provide a liquid market for shareholders of the Company;</li> <li>• to strengthen corporate governance and improve transparency to clients and key stakeholders; and</li> <li>• to provide the company ongoing access to capital markets through a respected stock exchange in a similar time zone to pursue growth opportunities.</li> </ul>	Chapter 3
Restricted shares	<p>Lijian Lu has entered into a voluntary contract to escrow all of his shares for a period of 24 months. Mr Lu holds 55.23% of the shares on issue.</p> <p>Kao Chien-Chih has entered into a voluntary contract to escrow all of his shares for a period of 24 months. Mr Kao holds 4.9% of the shares on issue.</p> <p>Eagle IG Limited has entered into a voluntary contract to escrow all of its shares for a period of 24 months. Eagle IG Limited holds 4.3% of the shares on issue.</p> <p>Jian Lu has entered into a voluntary contract to escrow all of his shares for a period of 24 months. Mr Lu holds 4.90% of the shares on issue.</p> <p>Sun Haiyan has entered into a voluntary contract to escrow all of their shares for a period of 24 months. Mr Sun holds 0.10% of the shares on issue.</p> <p>Lu Pinsu has entered into a voluntary contract to escrow all of their shares for a period of 24 months. Ms Lu holds 0.75% of the shares on issue.</p> <p>Cai Yuanfei has entered into a voluntary contract to escrow all of their shares for a period of 24 months. Mr Cai holds 2.20% of the shares on issue.</p> <p>Ye Lifang has entered into a voluntary contract to escrow all of their shares for a period of 24 months. Mr Ye holds 0.10% of the shares on issue.</p>	See Chapter 9 below for a full explanation of the restricted securities.
How can I obtain further information?	By speaking to your accountant, lawyer, stockbroker or other professional advisor. If you require assistance or require additional copies of the Information Memorandum, you should contact the Company via the Share Registry Automic Registry Services on 1300 288 664 (within Australia) or +61 2 9698 5414 (outside Australia) or via email at <a href="mailto:info@automic.com.au">info@automic.com.au</a>	
Contact details	For further contact details, see the Corporate Directory at the start of this Information Memorandum	Corporate Directory

## Chapter 3 Company and Business Overview

### 3.1 Corporate Structure

The corporate structure of ZKA as at the date of this Information Memorandum is as follows:



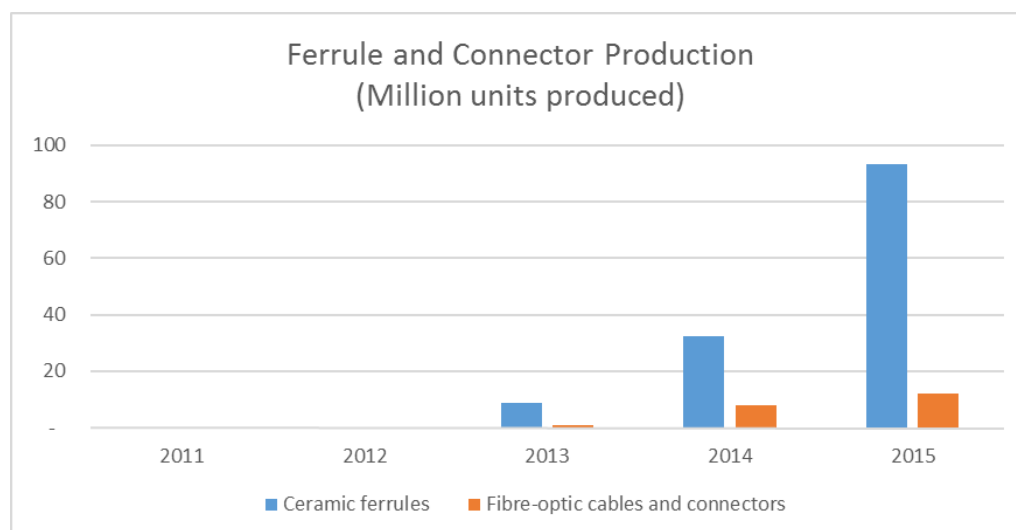
### 3.2 Business

ZKP design, manufacture and sell optical communication products. ZKP's extrusion and machining processes create ceramic ferrules with excellent concentricity at both ends, and highly precise inner and outer diameters. Ferrules are used for applications including optical connectors, attenuators and fibre stubs. Ceramic sleeves are used for optical adapters and receptacles.

### 3.3 Production

Production in 2015 was 93,400,000 ferrules and 12,000,000 cables and connectors. In early 2015 the Company installed 6 new production lines to increase production capacity.

The Company's historical production is set out in the chart below:



### **ISO 14001:2004 Standard**

ZKP has been assessed and approved by China Quality Mark Certification Group to the GB/T 24001-2004/ISO 14001:2004 standard which recognises the Company's establishment, implementation, maintenance and improvement of its environmental management system.

### **ISO 9001:2008 Standard**

ZKP has been assessed and approved by China Quality Mark Certification Group to the GB/T 19001:2008/ISO 9001:2008 standard which recognises the Company has demonstrated its ability to consistently provide products that meet customer and applicable statutory and regulatory requirements, and aims to enhance customer satisfaction through the effective application of the system, including processes for continual improvement of the system and the assurance of conformity to customer and applicable statutory and regulatory requirements.

### **GB/T 26572-2011 Certification**

ZKP has been assessed and approved by China Quality Mark Certification Group to the GB/T 26572-2011 standard which relates to concentration limits for certain restricted substances in electrical and electronic products.

The Connector types that have received approval are:

1. FC/PC,
2. SC/PC, and
3. ST/PC.

### **YD/T 1272.4 2007 Certification**

ZKP's Optical Fibre Connector Type FC/PC has been assessed and approved by TL Certification Centre to the YD/T 1272.4 2007 standard.

This standard relates to the size, optical performance, gluing material, test methods, quality assessment and inspection, labelling, packaging, transportation and storage of FC-type optical fibre connector products.

TL Certification Centre is an accredited body of the China National Accreditation Services for Conformity Assessment.

### **CNAS**

China National Accreditation Service for Conformity Assessment (CNAS) is the national accreditation body of China responsible for the accreditation of certification bodies, laboratories and inspection bodies, which is established under the approval of the Certification and Accreditation Administration of the PRC (CNCA) and authorized by CNCA in accordance with the Regulations of the PRC on Certification and Accreditation.

CNAS was the accreditation body member of International Accreditation Forum (IAF) and International Laboratory Accreditation Cooperation (ILAC) as well as the member of Asia Pacific Laboratory Accreditation Cooperation (APLAC) and Pacific Accreditation Cooperation (PAC). Up to now, 59 accreditation bodies have signed IAF MLA. Meanwhile, 85 laboratory accreditation bodies from 70 economies have signed ILAC MRA.

The IAF is the world association of Conformity Assessment Accreditation Bodies and other bodies interested in conformity assessment in the fields of management systems, products, services, personnel and other similar programmes of conformity assessment. Its primary function is to develop a single worldwide program of conformity assessment which reduces risk for business and its customers by assuring them that accredited certificates may be relied upon. Accreditation assures users of the competence and impartiality of the body accredited.

### 3.4 Products

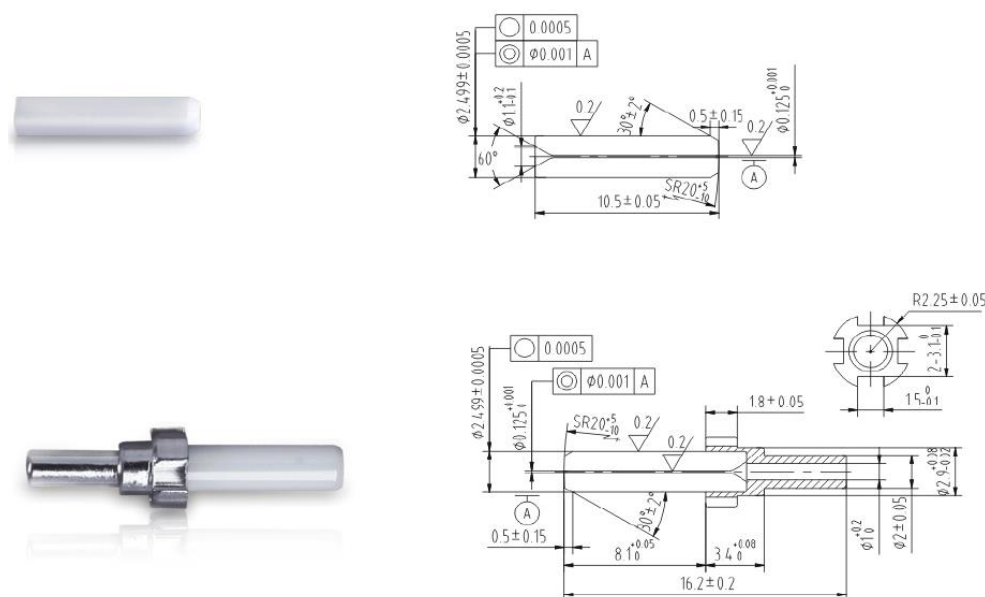
Ceramic ferrules are the central cylinders in the plug of optical fibre connectors. ZKP manufactures ferrules that are made from zirconia. The fibre-optic connectors made by the Company can be dismantled and reassembled allowing for simple maintenance and reconnection in fibre-optic systems. The quality of the optical transmission of a fibre-optic connector is dependent upon the quality of the ceramic ferrule. As such, a highly precise ferrule allows for a high quality connection.

The fibre-optic connector (also called a fibre-optic patch cord) has a fibre-optic connection plug at both ends of the cable. The centre of a fibre-optic connector is a glass core which transmits the light from end to end. The diameter of a multimode fibre core is 50µm~65µm which is approximately the same thickness as that of a human hair.

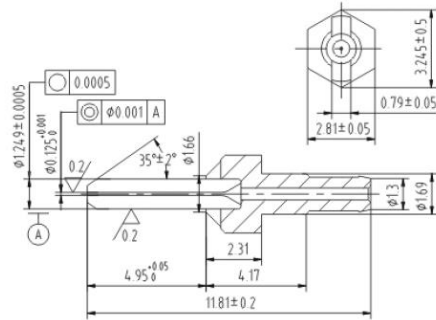
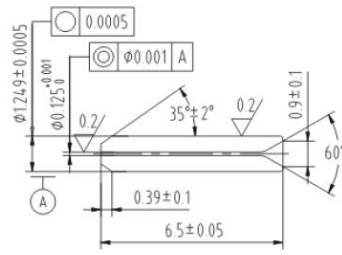
ZKP produces three main types of products – partially completed ceramic ferrules which comprise approximately 10% of our revenue; completed ceramic ferrules which comprise approximately 70% of our revenue; and optical fibre connectors which comprise around 20% of our revenue.

The Company makes the ceramic ferrules depicted below:

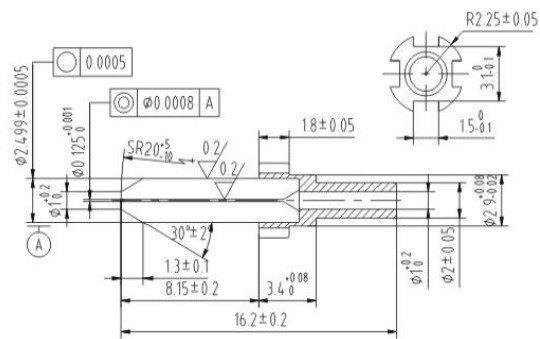
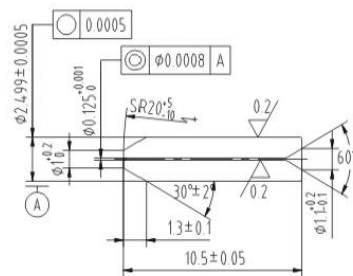
SC-SM ferrule

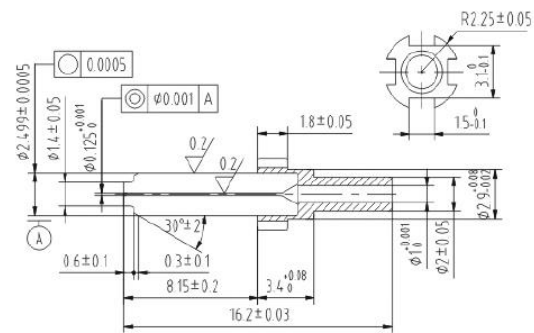
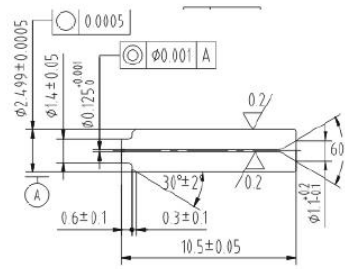


## LC-SM ferrule



## APC ferrule

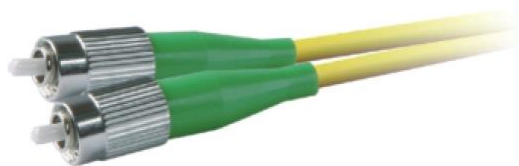




### FC/PC connector



**FC/APC connector**



**SC/APC connector**



**Multi-fibre ribbon connector**



**Waterproof pigtail connector**



**Armoured connector**



### 3.5 Customers

ZKP's 10 largest customers in 2015 accounted for 30.3% of our total sales revenue.

The Company's largest customer in 2015 accounted for 9.1% of total sales revenue in 2015 but was not a customer in 2014. The Company's largest customer in 2014 accounted for 29.1% of total sales revenue in 2014 but was not a customer in 2015. This level of fluctuation is typical of many of the Company's customers.

### 3.6 R&D

ZKA undertakes its own research and development and last year spent over RMB 6 million on development of new products and improvement of manufacturing processes.




### 3.7 Intellectual Property

ZKP holds 10 registered patents, three registered trademarks and five trademarks pending registration approval.






The patents and trademarks are summarised in the table below:

#### Trademarks - Registered

Image	Certificate No.	Certificate code	Registration Date	Expiry Date	Registrant	Category
-------	-----------------	------------------	-------------------	-------------	------------	----------

	12260655	BHFS12260655 D01T150526	7 May 2015	6 May 2025	ZKP	1
	12266692	TMZC12266692 D01T150103	21 Aug 2014	20 Aug 2024	ZKP	7
	12647661	TMZC12264766 1D01T150106	21 Oct 2014	20 Oct 2024	ZKP	8

#### Trademarks - Pending

Image	Application No.	Publication No.	Publication Date	Applicant	Category
	12260592	ZC12260592SL	19 Mar 2013	ZKP	9
	15820212	TMZC15820212ZCSL01	28 Nov 2014	ZKP	1
	15820274	TMZC15820274ZCSL01	28 Nov 2014	ZKP	9
	15820356	TMZC15820356ZCSL01	28 Nov 2014	ZKP	35
	15353319	TMZC15353319ZCSL01	16 Sep 2014	ZKP	35

#### Registered Patents

Patent No.	Certificate No.	Registration Date	Transfer Date	Registrant
ZL 2011201733961	2050498	28 Dec 2011	20 Mar 2014	ZKP
ZL 2011201733849	2048532	28 Dec 2011	26 Mar 2014	ZKP
ZL 2011201733976	2068444	11 Jan 2012	21 Mar 2014	ZKP
ZL 2011201733980	2049775	28 Dec 2011	20 Mar 2014	ZKP
ZL 2011201733637	2048495	28 Dec 2011	24 Mar 2014	ZKP
ZL 2011201733618	2048547	28 Dec 2011	20 Mar 2014	ZKP
ZL 2010205822014	1867600	27 Jul 2011	01 Apr 2014	ZKP
ZL 2010205822090	1871967	27 Jul 2011	29 Apr 2014	ZKP
ZL 2013204821431	3444892	12 Mar 2014	N/A	ZKP
ZL 2013204822877	3499021	9 Apr 2014	N/A	ZKP

### 3.8 Employees

ZKP has approximately 900 employees. The vast majority of ZKP's employees work on the Company's production lines. The company operates 24 hours per day utilising 3 x 8 hour shifts.

### 3.9 Competitive Strengths

ZKP has identified the following as its competitive strengths in the industry:

1. Good reputation for high quality;
2. Growth industry;
3. Registered Patents;
4. Unique type, style and function of the Company's ferrules;
5. Products are sold at a very competitive price.

ZKP has been assessed and approved by China Quality Mark Certification Group to the GB/T 24001-2004/ISO 14001:2004 standard which recognises the Company's establishment, implementation, maintenance and improvement of its environmental management system.

ZKP has been assessed and approved by China Quality Mark Certification Group to the GB/T 19001:2008/ISO 9001:2008 standard which recognises the Company has demonstrated its ability to consistently provide products that meet customer and applicable statutory and regulatory requirements, and aims to enhance customer satisfaction through the effective application of the system, including processes for continual improvement of the system and the assurance of conformity to customer and applicable statutory and regulatory requirements.

### **3.10 Business Strategies and Future Plans**

The Company has identified three core objectives for future growth:

1. Increase vertical integration via a joint venture or acquisition to further establish the ZKP group in the fibre-optics industry;
2. Update the Company's manufacturing equipment and introduce further automation to reduce labour costs;
3. Headhunt the industry's top-level talent thereby increasing the Company's R&D capabilities for dedicated devices and advancing the Company's manufacturing equipment.

### **3.11 Regulation and Licencing**

China RoHS (Restriction of Hazardous Substances), officially known as Administrative Measure on the Control of Pollution Caused by Electronic Information Products is a Chinese government regulation to control certain materials, including lead. The Company has achieved China RoHS International Management System certification.

The RoHS directive aims to restrict certain dangerous substances commonly used in electronic and electronic equipment. Any RoHS compliant component is tested for the presence of Lead (Pb), Cadmium (Cd), Mercury (Hg), Hexavalent chromium (Hex-Cr), Polybrominated biphenyls (PBB), and Polybrominated diphenyl ethers (PBDE).

China RoHS requires all components and products that meet RoHS compliance regulations to carry a logo – a green “e” in a circle. Products and components which fail to meet RoHS compliance regulations will carry a different logo and are required to clearly list all the hazardous substances in the product. Each product not meeting RoHS compliance definitions also needs to list its Environmental Protection Use Period (EPUP), or the number of years that the hazardous substances will not leak or cause any damage or injury (under normal use of the product).

## Chapter 4 Directors and Senior Management

### 4.1 Board of Directors

The Company's Board of Directors is entrusted with the responsibility of the overall management and governance of the Company.

Name	Age	Position
Lijian Lu	45	Chairman and Chief Executive Officer (ZKA & ZKP)
Jian Lu	33	General Manager (ZKP)
Kao Chien-Chih	48	Non-Executive Director
Brendan Connell	56	Non-Executive Director
Andrew Martin	48	Non-Executive Director

#### Lijian Lu - Chairman and Chief Executive Officer (ZKA & ZKP)

An ex-soldier of the South China Sea Fleet, Mr Lu now acts as the CEO of Hengyang Zhongke Photoelectron Co., Ltd. and also the Senior Vice Chairman of Wenzhou Chamber of Commerce in Hengyang City.

In 2001 Mr Lu established Guangzhou Leidun Lubricating Oil Co., Ltd., where he held the position of General Manager. Within one year of its establishment, Guangzhou Leidun Lubricating Oil Co., Ltd., had developed markets in Southern China, Eastern China and Southwestern China.

In 2008 Mr Lu established Hengyang Huahui Real Estate Development Co., Ltd., the first real estate company to develop high-level residential property in Yunji Town of Hengnan County.

In 2011 Mr Lu established Hengyang Zhongke Photoelectron Co. Ltd., which will have China's third largest production capacity of ceramic ferrules in 2016.

#### Jian Lu - General Manager (ZKP)

Mr Jian Lu was employed by Huai'an Xinhua Real Estate Development Co., Ltd. In 2004 Mr Jian Lu was promoted to Sales Director of Huai'an Xinhua Real Estate Development Co., Ltd. and then in 2007 Mr Jian Lu moved to Italy to operate Italy Wuzhou Trading Co., Ltd, an international trading company.

In October 2011, Mr Jian Lu established Hengyang Zhongke Photoelectron Co., Ltd. with Lijian Lu and now acts as the Company's General Manager.

#### Kao Chien-Chih – Non-Executive Director

Mr Kao Chien-Chih was Chairman of Qushichuangye Investment Group Limited, Nuoya Management Consulting Co., Ltd and Caituanfaren Earth Ecological Environment Protection Foundation, and was the Executive Director of Juguochuangye Management Consulting Co., Ltd.

Mr Kao has over 20 years of professional experience in investment banking, mutual funds and financial consulting, including; financial management, accounting systems, internal audit control, IPO planning, venture capital investment and corporate finance.

#### Brendan Connell - Non-Executive Director

Brendan is a lawyer and was formerly the Managing Partner of one of the largest law firms in South Australia.

Having qualified in 1982 he has acted for numerous Chinese SOE's in relation to mining transactions and is a Director of a number of mining and mining services companies in Australia.

Brendan was the Partner responsible for the first Chinese IPO in the Australian market – TWT in 2007, and the first Indonesian IPO in Australia in 2006, and continues his strong association with offshore companies.

Brendan provides legal advice to listed and unlisted companies on all aspects of governance and has extensive experience with Chinese companies in IPO's, RTO's and Private Placements on all Australian stock exchanges.

Brendan is the Chair of the Nomination and Remuneration Committee and a member of the Audit and Risk Management Committee and was appointed as a Non-Executive Director in January 2016.

He is a resident of Adelaide, South Australia.

#### **Andrew Martin - Non-Executive Director**

Andrew was appointed to the Board in March 2016 as a Non-Executive Director.

Andrew trained as a Chartered Accountant and has worked in senior roles at a number of large accounting firms including most recently as a Director of KPMG. During that period Andrew has worked in a number of different disciplines including audit, restructuring and ultimately corporate advisory.

In 2010 Andrew established his own boutique corporate advisory firm, Augur Primacy and now works closely with clients on corporate strategy and financial management. Andrew acts as a Non-Executive Director or Advisory Board member for a number of his Clients many of whom have strong exposure to investment and trade between Australia and China.

Andrew is the Chair of the Audit and Risk Management Committee and a member of the Nomination and Remuneration Committee.

He is a resident of Adelaide, South Australia.

## **4.2 Interest of Directors and Remuneration**

Except as disclosed in this Information Memorandum, no Director (whether individually or in consequence of a Director's association with any company or firm or in any material contract entered into by the Company) has now, or has had, in the 2-year period ending on the date of this Information Memorandum, any interest in:

- the formation or promotion of the Company; or
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion.

Except as disclosed in this Information Memorandum, no amounts of any kind (whether in cash, Shares, options or otherwise) have been paid or given or agreed to be paid or given to any Director or to any company or firm with which a Director is associated to induce him or her to become, or to qualify as, a Director, or otherwise for services rendered by him or her or any company or firm with which the Director is associated in connection with the formation or promotion of the Company.

#### **Directors' interests in securities**

<b>Director Name</b>	<b>Number of Shares</b>	<b>Number of Shares</b>
	<b>held directly</b>	<b>held indirectly</b>
Lijian Lu	1,127,796	0

Jian Lu	100,058	0
Kao Chien-Chih	100,058	0
Brendan Connell	0	0
Andrew Martin	0	0

### Executive and Non-Executive Directors' fees and remuneration

Below is a table detailing the amount of remuneration each Director of ZKA is entitled to receive per annum at the date of this Information Memorandum.

Name	Position	Annual Remuneration	Other compensation
Lijian Lu	Chairman and Chief Executive Officer (ZKA & ZKP)	A\$40,000	Nil
Jian Lu	General Manager (ZKP)	A\$40,000	Nil
Kao Chien-Chih	Non-Executive Director (ZKA)	A\$40,000	Nil
Brendan Connell	Non-Executive Director (ZKA)	A\$40,000	Nil
Andrew Martin	Non-Executive Director (ZKA)	A\$40,000	Nil

### 4.3 Senior Management

Name	Age	Position
Zhou Jingjue	45	Assistant to the Chairman (ZKP)
Wang Hui	39	Deputy General Manager of Production Department (ZKP)
Wu Jianheng	37	Financial Deputy General Manager (ZKP)
James Church	31	Company Secretary

#### Zhou Jingjue - Assistant to the Chairman (ZKP)

After graduating from Hebei Normal University with a Bachelor degree in 1997, Mr Zhou worked for Hebei Tianwang Electric (Group) Co., Ltd. where he was promoted to the manager of advertising department.

In 2001 Mr Zhou took the position of planning manager at Leidun Lubricants Co., Ltd before establishing Guangzhou Blue Sword Lubricants Co., Ltd. in 2003. In 2006 Mr Zhou took the position of development director at Guangdong Dasheng Group Company specialising in electric power engineering, environmental engineering.

In 2010, Mr Zhou established and acted as General Manager of Guangzhou Burnley Chemical Industry

Co., Ltd. specialising in production and sales of defoaming agents, stabilizer and waterborne polyurethane for papermaking.

In 2012, Mr Zhou joined Hengyang Zhongke Photoelectron Co., Ltd. as the Assistant to the President.

#### **Wang Hui - Deputy General Manager of Production Department (ZKP)**

In 1996 Mr Wang started work at Heilongjiang China Resources Beijing Jinyu Industrial Co., Ltd., a chemical fertilizer manufacturer and the largest producer of edible alcohol in Asia, Europe and Africa. Mr Wang worked his way up to purchasing manager while also completing a course in Chinese Language and Literature at Jilin University.

In 2001 Mr Wang took the position of Sales Manager at Heilongjiang Jinyu Group Fertilizer Corporation before moving in 2005 to Ningbo Yunsheng Optical Communication Technology Co., Ltd. as a Section Chief.

In 2010 Mr Wang assisted in the setup of the zirconia Ferrule production lines at Wenzhou Zhongguang Technology Co., Ltd. and held the position of Workshop Director.

In 2012 Mr Wang took the position of Deputy General Manager of the Production Department at Hengyang Zhongke Photoelectron Co., Ltd.

#### **Wu Jianheng - Financial Deputy General Manager (ZKP)**

After graduating from Hunan University with a bachelor degree in accounting in 2003, Mr Wu acted as the Financial Manager at Ningbo Chuangyu Garment Making Co., Ltd.

In 2007 Mr Wu established Hengyang Jiahe Property Management Co., Ltd. where he managed a portfolio for over 2000 clients before joining Hengyang Zhongtuo Automobile sales & service Co., Ltd., a subsidiary of Zhejiang Materials Development Co., Ltd. in 2009 as a Finance Manager.

In 2013 Mr Wang took the position of Audit Manager at Daohe Global Investment Holding Limited before taking a position at Hunan Apple Decoration Design Engineering Co., Ltd. as Financial Director in 2014. In 2015 Mr Wu took the position of Financial Deputy General Manager at Hengyang Zhongke Photoelectron Co., Ltd.

#### **James Church – Company Secretary**

##### **LLB LP, BSc(Hons), BTech**

James is a corporate and commercial lawyer, specialising in corporate finance. James' legal experience includes initial public offerings, reverse take-overs, company acquisitions, restructures, due diligence and consumer credit law. His consulting and legal experience extends throughout Australia and across international borders. James has previously held roles as the company secretary for a number of ASX and NSX listed companies.

## Chapter 5 Corporate Governance

### Statement of compliance with ASX Corporate Governance Principles (3rd Edition)

1. This Statement describes the corporate governance practices of ZKP Group Limited (**Company**) as at the date of applying for admission to the official list of the National Stock Exchange (**NSX**).
2. The Company has provided a statement disclosing the extent to which it will follow, as at the date of its admission to the official list, the recommendations set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition) (**Recommendations**).
3. The Company's position in relation to each of the Recommendations is set out in the table below.

Copies of the Company's corporate governance documents are available on its website at [www.zkpgroup.com](http://www.zkpgroup.com).

Recommendation	Description
<b>Principle 1:</b> <b>Lay solid foundations for management and oversight</b> <b>A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.</b>	
<b>Recommendation 1.1</b> A listed entity should disclose: <ol style="list-style-type: none"> <li>a) the respective roles and responsibilities of its board and management; and</li> <li>b) those matters expressly reserved to the board and those delegated to management.</li> </ol>	<div style="text-align: center;">✓</div> <p>The Board operates under a Board Charter (a copy of which is available on the Company's website at <a href="http://www.zkpgroup.com">www.zkpgroup.com</a>). The Board Charter sets out the functions and responsibilities of the Board and management, which is governed by the Company's Constitution.</p> <p>The Board is accountable to the Company's shareholders for the Company's performance. The Board's responsibilities include, but are not limited to:</p> <ol style="list-style-type: none"> <li>(a) reviewing and approving strategic direction developed by management;</li> <li>(b) appraising budgetary and general financial performance;</li> <li>(c) taking a proactive approach to risk management and to monitor the Company's risk management programmes;</li> <li>(d) reviewing the Board's performance and assessing the need for new members and sub committees and disclosing such information on a timely basis;</li> <li>(e) monitoring the Corporate Social Responsibility and the Environmental Responsibility of the Company, having regard to the Company's practices and impact on stakeholders and environment;</li> <li>(f) giving careful consideration to the external and internal audit reviews and recommendations;</li> <li>(g) assess that major capital and other expenditure, and assessing proposed expenditure when the amount is in excess of management delegation; and</li> <li>(h) actively reviewing the Company's corporate governance and assessing policies and procedures.</li> </ol> <p>The Board delegates the day-to-day management of the Company to the CEO and senior management. However, overall responsibility of the direction, and financial wellbeing of the Company rests with the Board. The Board may request information from the CEO, or other executive/manager, on any issue relevant to the management of the Company.</p> <p>The CEO is charged with the day-to-day management of the operations of the Company and reports to the Board. The overall duties of the CEO include, but are not limited to:</p>

		<ul style="list-style-type: none"> <li>a) implementing business practices not in opposition with the strategic direction of the Company;</li> <li>b) operating the Company in an ethical and sustainable manner and always acting within the delegated authority;</li> <li>c) maintaining effective risk management programmes;</li> <li>d) appointing senior management and monitoring their performance; and</li> <li>e) preparing a clear presentation of relevant financial and analytical information for the Board's appraisal.</li> </ul>
<p>Recommendation 1.2</p> <p>A listed entity should:</p> <ul style="list-style-type: none"> <li>a) Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</li> <li>b) Provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</li> </ul>	✓	<p>The Board ensures that appropriate checks are undertaken before it appoints a person, or puts forward to security holders a new candidate for election, as a director. This includes checks as to the person's character, experience, education, criminal record and bankruptcy history.</p> <p>The Company provides the following information about a candidate standing for election or re-election as a director to security holders to enable them to make an informed decision on whether or not to elect or re-elect the candidate:</p> <ul style="list-style-type: none"> <li>• biographical details, including their relevant qualifications and experience and the skills they bring to the board;</li> <li>• details of any other material directorships currently held by the candidate;</li> </ul> <p>The Company provides the following information about a candidate standing for election as a director for the first time:</p> <ul style="list-style-type: none"> <li>• any material adverse information revealed by the checks the entity has performed about the director;</li> <li>• details of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the entity and its security holders generally; and</li> <li>• if the board considers that the candidate will, if elected, qualify as an independent director, a statement to that effect;</li> </ul> <p>The Company provides the following information about a candidate standing for re-election as a director:</p> <ul style="list-style-type: none"> <li>• the term of office currently served by the director; and</li> <li>• if the board considers the director to be an independent director, a statement to that effect; and</li> <li>• a statement by the board as to whether it supports the election or re-election of the candidate.</li> </ul>
<p>Recommendation 1.3</p> <p>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	✓	<p>Each of the Company's directors and senior executives have entered into service contract or, where appropriate, a letter of appointment.</p> <p>These documents provide the roles and responsibilities of the individual, giving them a clear understanding of the Company's expectations of them.</p> <p>The Company regularly discloses the material terms of, and subsequent variations to, any employment, service or consultancy agreement it or a child entity enters into with its directors and senior executives, and any other person or entity who is a related party of its directors and senior executives.</p>
<p>Recommendation 1.4</p> <p>The company secretary of a listed entity should be accountable directly to the board, through the chair, on all</p>	✓	<p>The company secretary is accountable directly to the board. Each director is able to communicate directly with the company secretary and vice versa.</p> <p>The role of the company secretary includes, but is not limited to:</p>

<p>matters to do with the proper functioning of the board.</p>		<ul style="list-style-type: none"> <li>• advising the board and its committees on governance matters;</li> <li>• monitoring that board and committee policy and procedures are followed;</li> <li>• coordinating the timely completion and despatch of board and committee papers;</li> <li>• ensuring that the business at board and committee meetings is accurately captured in the minutes; and</li> <li>• helping to organise and facilitate the induction and professional development of directors.</li> </ul>
<p>Recommendation 1.5</p> <p>A listed entity should:</p> <p>a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>b) disclose that policy or a summary of it; and</p> <p>c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:</p> <p>1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	✗	<p>As described in the Company's Diversity Policy (a copy of which is available on the Company's website at <a href="http://www.zkpgroup.com">www.zkpgroup.com</a>) the company respects and values the competitive advantage of diversity (which includes, but is not limited to gender, age, ethnicity and cultural background).</p> <p>The Board, at all times, seeks to deploy the best people it can in whatever role. The Board calls this the Company's 'Merit and Ability' philosophy. The 'Merit and Ability' philosophy is used to employ, promote and contract on the basis of merit, ability, performance, responsibility, integrity, attitude and work ethic.</p> <p>Central to the successful operation of the Company's 'Merit and Ability' philosophy is that considerations of age, race, religion, creed or gender have no positive or negative bias in employment or contracting decisions. This is termed the 'No Bias Employment' principle. The Board encourages transparent and contestable employment processes. It strives to keep the workplace environment open and diverse, with no bias involved in any employment process.</p> <p>In light of the Board's 'Merit and Ability' philosophy, the Company has not created a formal diversity policy. The Board does not consider that the creation and implementation of a formal diversity policy will provide any measurable benefit to the Company which would not be otherwise be achieved by the 'Merit and Ability' philosophy and 'No Bias Employment' principle. The Company views that the combination of the 'Merit and Ability' philosophy and the 'No Bias' principle leaves open the widest possible recruitment pool. In turn, this leads to the greatest potential for diversity to enrich the Company.</p> <p>As the Company does not have a formal diversity policy, it has not implemented measurable objectives for gender diversity. The Company does not see such a policy as appropriate. The Board views that setting quantitative gender or other measurable targets is entirely inconsistent with the Company's 'Merit and Ability' philosophy and 'No Bias Employment' principle.</p> <p>The Company is not a "relevant employer" under the Workplace Gender Equality Act.</p>
<p>Recommendation 1.6 and 1.7:</p> <p>A listed entity should:</p> <p>a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting</p>	✓	<p>The Nomination and Remuneration Committee, chaired by a non-executive director, is responsible for ensuring there is a rigorous, formal process for the review of the performance of the Board, Board Committees, individual directors and senior executives and addressing any issues that may emerge from that review.</p> <p>An alternative non-executive director is responsible for the performance evaluation of the chair.</p> <p>The Company's annual report will include whether a performance evaluation was undertaken and, where appropriate, disclose any insights it has gained from the evaluation and any governance changes it has made as a result.</p>

<p>period in accordance with that process.</p> <p>c) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>d) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>		
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**Principle 2: Structure the board to add value**

**A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.**

<p>Recommendation 2.1</p> <p>The board of a listed entity should:</p> <p>a) have a nomination committee which:</p> <p>1) has at least three members, a majority of whom are independent directors; and</p> <p>2) is chaired by an independent director,</p> <p>and disclose:</p> <p>3) the charter of the committee;</p> <p>4) the members of the committee; and</p> <p>5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively</p>	<p>✓</p>	<p>The Board has established a Nomination and Remuneration Committee which is responsible for assisting the Board to fulfilling its corporate governance responsibilities in regard to nomination and remuneration matters. The Committee has at least three members, a majority of whom are independent directors and is chaired by an independent director.</p> <p>The Nomination and Remuneration Committee Charter outlines the Committee's authority, duties, responsibility and relationship with the Board and is available on the Company's website (<a href="http://www.zkpgroup.com">www.zkpgroup.com</a>).</p> <p>The Annual Report will provide the members of the Committee, the number of times the committee met throughout the relevant period and the individual attendances of the members at those meetings.</p>												
<p>Recommendation 2.2</p> <p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>✓</p>	<table><tr><th>Skills and Experience</th><th>Board</th></tr><tr><td>Executive leadership</td><td>80%</td></tr><tr><td>Global experience</td><td>40%</td></tr><tr><td>Governance</td><td>80%</td></tr><tr><td>Strategy</td><td>100%</td></tr><tr><td>Financial acumen</td><td>80%</td></tr></table>	Skills and Experience	Board	Executive leadership	80%	Global experience	40%	Governance	80%	Strategy	100%	Financial acumen	80%
Skills and Experience	Board													
Executive leadership	80%													
Global experience	40%													
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		<table><tr><td>Health, safety and environment</td><td>100%</td></tr><tr><td>Remuneration</td><td>100%</td></tr><tr><td>Marketing</td><td>100%</td></tr><tr><td>Public policy</td><td>80%</td></tr></table>	Health, safety and environment	100%	Remuneration	100%	Marketing	100%	Public policy	80%										
Health, safety and environment	100%																			
Remuneration	100%																			
Marketing	100%																			
Public policy	80%																			
<p>Recommendation 2.3</p> <p>A listed entity should disclose:</p> <p>a) the names of the directors considered by the board to be independent directors;</p> <p>b) if a director has an interest, position, association or relationship of the type described in Box 2.3 in the <i>ASX Corporate Governance Principles and Recommendations: 3<sup>rd</sup> Edition</i> but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>c) the length of service of each director.</p>	✓	<table><tr><th>Director</th><th>Length of Service</th><th>Independence status</th></tr><tr><td>Lijian Lu</td><td>Since incorporation on 21 January 2016</td><td>Not independent</td></tr><tr><td>Jian Lu</td><td>Since incorporation on 21 January 2016</td><td>Not Independent</td></tr><tr><td>Kao Chien-Chih</td><td>Since March 2016</td><td>Not Independent</td></tr><tr><td>Brendan Connell</td><td>Since incorporation on 21 January 2016</td><td>Independent</td></tr><tr><td>Andrew Martin</td><td>Appointed 6 March 2016</td><td>Independent</td></tr></table>	Director	Length of Service	Independence status	Lijian Lu	Since incorporation on 21 January 2016	Not independent	Jian Lu	Since incorporation on 21 January 2016	Not Independent	Kao Chien-Chih	Since March 2016	Not Independent	Brendan Connell	Since incorporation on 21 January 2016	Independent	Andrew Martin	Appointed 6 March 2016	Independent
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Brendan Connell	Since incorporation on 21 January 2016	Independent																		
Andrew Martin	Appointed 6 March 2016	Independent																		
<p>Recommendation 2.4</p> <p>A majority of the board of a listed entity should be independent directors.</p>	✗	<p>The Board consists of five directors, two of whom are considered independent as defined by the ASX Corporate Governance Principles and Recommendations (3<sup>rd</sup> Edition).</p> <p>The independent directors are Brendan Connell and Andrew Martin.</p> <p>The Board considers that its current composition is appropriate and that the decisions of the board will reflect the best interests of the entity and its security holders generally and not be biased towards the interests of management or any other person or group with whom a non-independent director may be associated.</p>																		
<p>Recommendation 2.5</p> <p>The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p>	✗	<p>Mr Lijian Lu, an executive director, is the current chair of the board. The board therefore believes there is not an appropriate separation between those charged with managing the Company and those responsible for overseeing its managers but considers Mr Lijian Lu is the appropriate person for the position because of his experience in the establishment and development of the Company</p>																		
<p>Recommendation 2.6</p> <p>A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to</p>	✓	<p>The nomination committee regularly reviews whether the board has the appropriate skills, knowledge and familiarity with the Company and its operating environment. If and when gaps are identified the Company will provide suitable training or development to fill those gaps.</p>																		

perform their role as directors effectively.		
<b>Principle 3: Act ethically and responsibly</b> <b>A listed entity should act ethically and responsibly</b>		
<b>Recommendation 3.1</b> A listed entity should: <ul style="list-style-type: none"> <li>a) have a code of conduct for its directors, senior executives and employees; and</li> <li>b) disclose that code or a summary of it.</li> </ul>	✓	<p>The Company has a Code of Conduct which is available on the Company's website (<a href="http://www.zkpgroup.com">www.zkpgroup.com</a>).</p> <p>The Code of Conduct outlines the Company's philosophy and corporate values and provides the framework for dealing with conflicts of interest to protect and promote the interests of the shareholders. The Code of Conduct is applicable to all employees and Directors in the Company and its subsidiaries.</p> <p>The Code of Conduct covers conflicts of interest, receipt of gifts and entertainment, bribes, media, social and environmental awareness and compliance with laws and policies.</p> <p>The Code of Conduct also details the procedure for reporting actual or suspected violations of the code.</p>
<b>Principle 4: Safeguard integrity in corporate reporting</b> <b>A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.</b>		
<b>Recommendation 4.1</b> The board of a listed entity should: <ul style="list-style-type: none"> <li>a) have an audit committee which: <ul style="list-style-type: none"> <li>1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</li> <li>2) is chaired by an independent director, who is not the chair of the board;</li> </ul> and disclose: <ul style="list-style-type: none"> <li>3) the charter of the committee;</li> <li>4) the relevant qualifications and experience of the members of the committee; and</li> <li>5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul> </li> <li>b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner</li> </ul>	✓	<p>The Company has established an Audit Risk and Compliance Committee. The Audit Risk and Compliance Committee comprises of three non-executive directors, two of whom are independent directors. The chair of the Audit Risk and Compliance Committee is an independent non-executive director.</p> <p>The Company has an Audit Risk and Compliance Committee Charter which is available on the Company's website (<a href="http://www.zkpgroup.com">www.zkpgroup.com</a>). The Primary objective of the Committee is to ensure:</p> <ul style="list-style-type: none"> <li>• effective management of financial and other material business risks;</li> <li>• reliable management and financial reporting, including half and full year accounts;</li> <li>• compliance with laws and regulations; and</li> <li>• maintenance of an independent, effective and efficient audit.</li> </ul> <p>The Annual Report will provide:</p> <ul style="list-style-type: none"> <li>• the members of the Committee;</li> <li>• the relevant qualifications and experience of the members of the committee;</li> <li>• the number of times the committee met throughout the relevant period; and</li> <li>• the individual attendances of the members at those meetings.</li> </ul>

<p>Recommendation 4.2</p> <p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	✓	<p>Before the Board approves the consolidated financial statements for each financial period, the group's CEO and CFO provide a declaration that, in their opinion, the financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>
<p>Recommendation 4.3</p> <p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	✓	<p>The Company will make every effort to ensure its external auditor attends the AGM and is available to answer questions from security holders relevant to the audit.</p>
<p><b>Principle 5: Make timely and balanced disclosure</b></p> <p><b>A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.</b></p>		
<p>Recommendation 5.1</p> <p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	✓	<p>The Company has a Continuous Disclosure Document which is available on the Company's website (<a href="http://www.zkpgroup.com">www.zkpgroup.com</a>).</p> <p>The purpose of this continuous disclosure policy is to outline the requirements under Corporations Act 2001 (Cth) and NSX Listing Rules for the Company to ensure that the market is fully informed about the Company's strategy, financial performance and outlook and business operations.</p>
<p><b>Principle 6: Respect the rights of security holders</b></p> <p><b>A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively</b></p>		
<p>Recommendation 6.1</p> <p>A listed entity should provide information about itself and its governance to investors via its website.</p>	✓	<p>The Company has a website with a 'Statements and Policies' landing page which contains all of the Company's corporate governance information.</p> <p>The website contains pages with other relevant information including, but not limited to:</p> <ul style="list-style-type: none"> <li>the names, photographs and brief biographical information for each of its directors and senior executives;</li> <li>its board charter and the charters of each of its board committees;</li> <li>the corporate governance policies and other corporate governance materials referred to in these recommendations.</li> <li>copies of its annual reports and financial statements;</li> <li>copies of its announcements to NSX;</li> <li>copies of notices of meetings of security holders and any accompanying documents;</li> <li>an overview of the entity's current business; and</li> </ul>

		<ul style="list-style-type: none"> <li>a summary of the entity's history.</li> </ul>
<p><b>Recommendation 6.2</b></p> <p>A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	✓	<p>The Company has a Shareholder Communication Policy which is available on the Company's website (<a href="http://www.zkpgroup.com">www.zkpgroup.com</a>).</p> <p>The Shareholder Communication Policy describes information that is circulated to the Company's shareholders and extends beyond the mandatory requirements which are outlined in the Company's Continuous Disclosure Policy. Information is provided in accordance with this Policy for the purpose of enabling investors to have a greater understanding of the Company's financial position and direction, including the Company's business, governance, financial performance and prospects.</p> <p>The Company is in the process of developing its investor relations program. The Company already actively engages with security holders at the AGM, meets with investors upon request and responds to any enquiries they may make from time to time. The Company intends to soon develop its interactions with institutional investors, private investors, sell-side and buy-side analysts and the financial media.</p>
<p><b>Recommendation 6.3</b></p> <p>A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p>	✓	<p>The Company has security holders from around the globe on its register and therefore utilises appropriate technology at its General Meetings to facilitate the participation of security holders in meetings. For each general meeting of the Company, management organise the meetings to be held at multiple venues which are linked by live telecommunications.</p> <p>The Company also encourages security holders who are not able to attend the meeting to provide questions or comments ahead of the meeting. Where appropriate, these questions are then answered at the meeting.</p>
<p><b>Recommendation 6.4</b></p> <p>A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p>	✓	<p>As described in the Shareholder Communication Policy, the Company actively encourages shareholders to provide their e-mail address to the Company to facilitate increased effective communication.</p> <p>The Company's share registry also has e-communication capabilities that allow it to communicate electronically with security holders when appropriate.</p>
<p><b>Principle 7: Recognise and manage risk</b></p> <p><b>A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.</b></p>		
<p><b>Recommendation 7.1</b></p> <p>The board of a listed entity should:</p> <p>a) have a committee or committees to oversee risk, each of which:</p> <ol style="list-style-type: none"> <li>1) has at least three members, a majority of whom are independent directors; and</li> <li>2) is chaired by an independent director,</li> </ol> <p>and disclose:</p> <ol style="list-style-type: none"> <li>3) the charter of the committee;</li> <li>4) the members of the committee; and</li> <li>5) as at the end of each reporting period, the number</li> </ol>	✓	<p>The Company has established an Audit Risk and Compliance Committee. The Audit Risk and Compliance Committee comprises of three non-executive directors, two of whom are independent directors. The chair of the Audit Risk and Compliance Committee is an independent non-executive director.</p> <p>The Company has an Audit Risk and Compliance Committee Charter which is available on the Company's website (<a href="http://www.zkpgroup.com">www.zkpgroup.com</a>). The Primary objective of the Committee is to ensure:</p> <ul style="list-style-type: none"> <li>• effective management of financial and other material business risks;</li> <li>• reliable management and financial reporting, including half and full year accounts;</li> <li>• compliance with laws and regulations; and</li> </ul>

<p>of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>		<ul style="list-style-type: none"> <li>• maintenance of an independent, effective and efficient audit.</li> </ul> <p>The Annual Report will provide:</p> <ul style="list-style-type: none"> <li>• the members of the Committee;</li> <li>• the relevant qualifications and experience of the members of the committee;</li> <li>• the number of times the committee met throughout the relevant period; and</li> <li>• the individual attendances of the members at those meetings.</li> </ul>
<p>Recommendation 7.2</p> <p>The board or a committee of the board should:</p> <p>a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	✓	<p>The Audit Risk and Compliance Committee periodically reviews the Company's risk management framework to satisfy itself that it continues to be sound and that the Company is operating appropriately.</p>
<p>Recommendation 7.3</p> <p>A listed entity should disclose:</p> <p>a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	✓	<p>The Company does not have a formal internal audit function however it employs appropriate processes for evaluating and continually improving the effectiveness of its risk management and internal control processes as set out in the Audit Risk and Compliance Committee Charter.</p>
<p>Recommendation 7.4</p> <p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	✓	<p>The Audit Risk and Compliance Committee evaluates, reports and provides assurance to the board in respect of any identified material exposure to economic, environmental and social sustainability risks.</p> <p>In particular, the Audit Risk and Compliance Committee:</p> <ul style="list-style-type: none"> <li>• identifies and manages relevant risks that are material to the Company;</li> <li>• complies with legal and regulatory requirements;</li> <li>• reports to the Board on the effectiveness any response to incidents, risks and hazards; and</li> <li>• reports to the Board regarding the independent assurance and audit process and the outcomes of that process.</li> </ul> <p>The Company will ensure that its Annual Report provides all information that shareholders would reasonably require to assess any material exposure to economic, environmental and social sustainability risks that could adversely affect the Company.</p>
<p><b>Principle 8: Remunerate fairly and responsibly</b></p> <p><b>A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.</b></p>		

<p>Recommendation 8.1</p> <p>The board of a listed entity should:</p> <p>a) have a remuneration committee which:</p> <ol style="list-style-type: none"> <li>1) has at least three members, a majority of whom are independent directors; and</li> <li>2) is chaired by an independent director,</li> </ol> <p>and disclose:</p> <ol style="list-style-type: none"> <li>3) the charter of the committee;</li> <li>4) the members of the committee; and</li> <li>5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ol> <p>b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	✓	<p>The Company has established a Nomination and Remuneration Committee. The Committee has at least three members, a majority of whom are independent directors and is chaired by an independent director.</p> <p>The Nomination and Remuneration Committee is responsible for assisting the Board to fulfil its corporate governance responsibilities in regard to nomination and remuneration matters.</p> <p>The Nomination and Remuneration Committee Charter outlines the Committee's authority, duties, responsibility and relationship with the Board and is available on the Company's website (<a href="http://www.zkpgroup.com">www.zkpgroup.com</a>).</p> <p>The Annual Report will provide the members of the Committee, the number of times the committee met throughout the relevant period and the individual attendances of the members at those meetings.</p>
<p>Recommendation 8.2</p> <p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	✓	<p>The Nomination and Remuneration Committee Charter discloses a summary of the entity's policies and practices regarding the remuneration of executive directors, non-executive directors and other senior executives and includes penalties in the event of misconduct. The Charter is available on the Company's website (<a href="http://www.zkpgroup.com">www.zkpgroup.com</a>).</p>
<p>Recommendation 8.3</p> <p>A listed entity which has an equity-based remuneration scheme should:</p> <p>a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>b) disclose that policy or a summary of it.</p>	✓	<p>The Nomination and Remuneration Committee Charter discloses a summary of the entity's policies and practices regarding an equity-based remuneration scheme. Participants in any equity-based remuneration scheme relating to the Company are not permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.</p>

## Chapter 6 Risk Factors

The following summary of Risks relating to the Group is not intended to be a summary of all risks to which the Group is or may be subject. The Board recommends that investors consider the risks described below and information contained elsewhere in this Information Memorandum as well as consulting with their professional advisers.

If any of the risks described below materialise, individually or together, they may have a material adverse effect on the Group's business, financial condition, operating results and/or cash flow, which, in turn, cause a decline in the value and trading price of the Shares.

### (a) Foreign currency risks

The Company's costs and expenses are denominated in Renminbi. Accordingly, the depreciation and/or appreciation of Renminbi relative to Australian Dollars would result in a translation loss and/or gain on consolidation which is taken directly to shareholder equity. In addition, the reporting currency of the Company's financial reports is denominated in Australian Dollars. Any depreciation of Renminbi relative to Australian Dollars may result in lower than anticipated revenue, profit and earnings.

### (b) Operating risks

The Company's overall operations may be adversely affected by various factors, including but not limited to:

- failure to sell its products;
- failure to achieve production;
- unexpected shortages or increases in the cost of consumables, labour, plant and equipment;
- unanticipated sourcing problems, including delays, disruptions or quality control problems;
- industrial and environmental accidents;
- industrial disputes;
- delays due to government actions;
- Weather or disease causing unanticipated production problems.

### (c) Country risks

The Company's business is conducted and located in China, such that its operations will be subject to:

- Risk of political and economic instability in China;
- The possible imposition of restrictive trade regulations and tariffs;
- Reduced legal protection and remedies under Chinese commercial laws;
- Risks of foreign exchange currency fluctuations;
- Potential unexpected changes in regulatory requirements (such as those relating to taxation, import and export tariffs, environmental obligations and other matters).

### (d) Tax risks

The Company is subject to the tax regimes of China and Australia. However, more generally, changes in the tax laws and regulations or their interpretation and application could adversely affect the tax liabilities of the Company. There is also no assurance that current concessions or incentives or exemptions of the Company will be reviewed upon their expiry date. Industry profitability can be affected by changes in government taxation policies or in the interpretation or application of those policies.

### (e) China legal risk

As the Company's operation is located in China, Chinese laws and the Chinese legal system in general may have a significant impact on our business operations. Although China's legal system has developed rapidly over the last several decades, Chinese laws, regulations and legal requirements remain underdeveloped relative to Australia. Moreover, Chinese laws and regulations change frequently and their interpretation and enforcement involve uncertainties. For example, the interpretation or enforcement of Chinese laws and regulations may be subject to unpublished government rules or policies. These uncertainties could limit our ability to enforce our legal or contractual rights or otherwise adversely affect our business and operations. Furthermore, due to the existence of unpublished rules

and policies, and since newly issued Chinese laws and regulations may have a retroactive effect, we may not be aware of our violation of certain Chinese laws, regulations, policies or rules until after the fact. Accordingly, we cannot predict the effect of future developments in the Chinese legal system. These uncertainties could limit the legal protections available to you and us.

(f) Strategic investment risks and management of growth

The growth of the Company through either acquisitions or organic growth initiatives carries with it a number of risks. Acquisitions could result in losses for the Company based on the assessment of acquisition opportunities, the retention of staff and the integration of new businesses. Organic growth initiatives could result in losses for the Company if operating expenditure or capital expenditure does not result in the anticipated increase in sales or profits for the Company. There can be no assurance that acquisitions and other growth initiatives will achieve required returns on investment.

(g) Fluctuation in market prices for our products

Prices for our products, like those of other commodities, have historically been cyclical and subject to domestic changes in supply and demand and can be expected to fluctuate significantly. We have not engaged in any hedging activities. A decline in the prices of our products below their current levels for a sustained period of time could significantly reduce the value of our land holdings and adversely affect our financial condition and results of operation.

(h) Risks of natural disasters, adverse weather conditions or other factors beyond our control which may adversely affect our business, results of operations and financial condition

Natural disasters, such as earthquakes, floods, severe weather conditions or other catastrophic events may severely affect our operation. Such natural disasters could cause a material economic downturn in the affected area as well. Although we have had very limited exposure to any catastrophic event, any future disasters in the regions in which we operate or in our main markets could have an adverse effect on our business prospects, financial condition and results of operations.

(i) Risks of increase labour costs in China

Our business is labour intensive by nature. There has been a general trend of increasing labour costs in China. There can no assurance that labour costs will not increase significantly in the future. If that happens, our business prospects, financial condition and results of operations may be adversely affected.

(j) Our continued growth and success are largely dependent on our experienced management team

The success of our Group is attributable to, amongst other things, the expertise and experience of the key management personnel of our Group, in particular our Executive Directors and Executive Officers, there is a risk that changes could occur that adversely affect our ability to retain key personnel or impede its ability to recruit or retain replacement or additional personnel, which could materially impact our business, operational results and financial performance.

(k) We may fail to successfully implement our expansion strategies

As set out in the section “Business Strategies and Future Plans” in this Information Memorandum, our Directors intend to carry out the expansion strategies contained therein. Our growth and future success will be dependent on, among others, the successful completion of such expansion projects proposed to be undertaken by us and the sufficiency of demand for our products. The execution of our expansion strategy may also place a strain on our managerial, operational and financial reserves. Should we fail to implement our expansion plans or should there be insufficient demand for our products, our business operations, financial performance and prospects may be adversely affected.

(l) Counterparty risk

The Company is subject to certain business risks with respect to its contractual counterparties, and failure of such counterparties to meet their obligations could cause the Company to suffer losses or otherwise adversely affect its business.

(m) Share market conditions

Share market conditions may be affected by many international and domestic factors, including, but not limited to:

- economic conditions and general economic outlook, including inflation rates and interest rates;
- changes in Australian and international stock markets;
- government policy changes, including taxation, monetary policies and legislation;
- interest rates and inflation rates;
- currency fluctuations;
- perception of investors towards particular market sectors;
- the demand for and supply of capital; and
- War, terrorism or other hostilities.

These factors may cause fluctuations in the prices of listed securities quoted on the NSX, including the Company. Regardless of the Company's performance, share market fluctuations may materially and adversely affect the market price of the Shares.

No guarantee can be given that trading prices and volumes of any securities will be sustained. Neither the Company, nor the Directors nor any other person guarantees the market performance of the Company.

(n) Economic risk

Changes in the general economic climate in which the Company operates may adversely affect the operating and financial performance of the Company.

Factors such as inflation, currency fluctuations, interest rates, industrial disruption and economic growth may impact on future operations and earnings. These factors are beyond the control of the Company. No assurance can be given that general economic factors will not affect the company. Indeed, these factors may affect the Company's future profitability and the market price of its Shares.

No assurances can be given as to the growth experienced by the Chinese economy. A future economic downturn in China or in other regions where the Company operates may materially and adversely affect the operating and financial performance of the Company.

(o) Government policy, legislation and regulation

The introduction of new legislation or amendments to existing legislation and regulations by governments, and the decisions of courts and tribunals, may adversely impact on the assets, operations and the financial performance of the Company and its securities.

Political changes or change to monetary and fiscal policies, import regulations and tariffs, taxation, methods of taxation and currency exchange could affect the profitability of the Company and adversely affect the return to Shareholders.

Any adverse changes in political and regulatory conditions in China could affect the Company's prospects.

(p) Dilution risk

The Company may raise additional funds in future to take advantage of growth and expansion opportunities. Any equity offerings to new investors could result in dilution for existing shareholders.

## **Chapter 7      Financial Information**

### **Introduction**

ZKP Group Limited (“the Company”) is a public limited company which was incorporated in Australia on 21 January 2016. The Company is the parent company of ZKP Group (Hong Kong) Limited, a company incorporated in Hong Kong on 27 January 2016, which in turn has a wholly owned subsidiary, Hengyang Zhongke Photoelectron Company Limited (“ZKP”). ZKP, incorporated in the PRC in November 2011, is the operating entity in the group.

The financial information detailed in this Section consists of:

- a) the historical notional consolidated statement of comprehensive income for the years ended 31 December 2015, 31 December 2014 and 31 December 2013; and
- b) the historical notional consolidated statement of financial position of the Company and its controlled entities as at 31 December 2015, 31 December 2014 and 31 December 2013;

(collectively, the Financial Information).

All amounts disclosed in the tables are presented in Australian dollars. The translation of the Chinese Yuan to AUD for purposes of presenting this Financial Information is explained in the sub-section on Basis of Preparation of the Historical Financial Information.

### **Preparation and Presentation of the Financial Statements**

The Financial Information was prepared by management and was adopted by the Directors. The Directors are responsible for the inclusion of all Financial Information in this Information Memorandum.

The Financial Information has been derived from the audited financial statements of the operating company, ZKP for the years ended 31 December 2015, 31 December 2014 and 31 December 2013. The applicable audits were performed by Shanghai WSP Certified Public Accountants. The financial statements have been prepared and presented in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board (IASB), which are consistent with Australia Accounting Standards and interpretations issued by the Australian Accounting Standards Board.

The Financial Information is presented in an abbreviated format and does not contain all of the disclosures and other mandatory reporting requirements required by the AASB and the Corporations Act. The complete set of the notional consolidated financial statements together with the Investigating Accountant’s Report as prepared by the Hall Consulting Group, is attached as Appendix 1 of this Information Memorandum.

### **Notional Consolidated Statement of Comprehensive Income**

Summarised below is the Company’s Notional Consolidated Statement of Profit or Loss and Other Comprehensive Income for the years ended 31 December 2015, 31 December 2014 and 31 December 2013. The Notional Consolidated Statement of Comprehensive Income is derived from the audited financial statements of ZKP and illustrates what the financial performance of the Company would have been if it had owned this entity since its incorporation.

## ZKP GROUP LIMITED

	31 Dec 2015	31 Dec 2014	31 Dec 2013
	A\$'000	A\$'000	A\$'000
Revenue	18,979	6,811	1,091
Cost of sales	14,299	6,061	3,536
<b>Gross profit</b>	<b>4,680</b>	<b>750</b>	<b>(2,445)</b>
Other income	41	37	2
Sales, service and marketing expenses	121	22	25
Administrative expenses	1,892	1,021	890
Other expenses	18	2	-
<b>Results from operating activities</b>	<b>2,691</b>	<b>(257)</b>	<b>(3,357)</b>
Finance income	609	362	24
Finance costs	(3,631)	(1,430)	(884)
<b>Net finance costs</b>	<b>(3,023)</b>	<b>(1,068)</b>	<b>(861)</b>
<b>Profit/(loss) before income tax</b>	<b>(332)</b>	<b>(1,325)</b>	<b>(4,218)</b>
Income tax expenses	-	-	-
<b>Profit/(loss) for the year</b>	<b>(332)</b>	<b>(1,325)</b>	<b>(4,218)</b>
Exchange differences on translation of foreign operations	1,387	138	(495)
<b>Total comprehensive income, net of tax</b>	<b>1,055</b>	<b>(1,187)</b>	<b>(4,713)</b>

## Notional Consolidated Statement of Financial Position

The Notional Consolidated Statement of Financial Position detailed below is derived from the audited financial statements of ZKP and has been prepared to illustrate what the financial position of the Company would have been if it had owned this entity since its incorporation.

## ZKP GROUP LIMITED

	Group 31 Dec 2015	ZKP 31 Dec 2015	ZKP 31 Dec 2014	ZKP 31 Dec 2013
	A\$'000	A\$'000	A\$'000	A\$'000
<b>Assets</b>				
Cash and cash equivalents	30	30	16	1,891
Trade and other receivables	12,939	12,939	6,720	3,792
Trade and other receivables – related party	750	750	2,263	1,663
Inventories	6,360	6,360	2,860	1,037
<b>Total current assets</b>	<b>20,080</b>	<b>20,080</b>	<b>11,409</b>	<b>8,384</b>
Property, plant & equipment	28,058	28,058	25,348	25,070
Construction in progress	-	-	774	35
Intangible assets	36	36	8	7
Long-term receivables	-	-	2,205	3,694
Goodwill on acquisition	3,782	-	-	-
<b>Total non-current assets</b>	<b>31,876</b>	<b>28,094</b>	<b>28,335</b>	<b>28,806</b>

<b>Total assets</b>	<b>51,956</b>	<b>48,174</b>	<b>39,744</b>	<b>37,190</b>
<b>Current liabilities</b>				
Trade and other payables	7,503	7,503	5,916	6,565
Loans and borrowings	11,722	11,722	26,593	18,869
Loans and borrowings – related parties	972	972	1,608	1,521
Employee payables	744	744	379	177
ZKP on acquisition of shares	3,305	-	-	-
<b>Total current liabilities</b>	<b>24,246</b>	<b>20,941</b>	<b>34,496</b>	<b>27,132</b>
<b>Non-current liabilities</b>				
Loans and borrowings	14,573	14,573	-	-
Loans and borrowings – related parties	9,885	9,885	2,364	5,988
<b>Total non-current liabilities</b>	<b>24,458</b>	<b>24,458</b>	<b>2,364</b>	<b>5,988</b>
<b>Total liabilities</b>	<b>48,704</b>	<b>45,399</b>	<b>36,860</b>	<b>33,120</b>
<b>Net assets</b>	<b>3,252</b>	<b>2,774</b>	<b>2,883</b>	<b>4,070</b>
<b>Equity</b>				
Share capital	2,042	10,770	10,770	10,770
Foreign translation reserves	46	1,030	(357)	(495)
Accumulated losses	1,164	(9,026)	(7,530)	(6,205)
<b>Total equity</b>	<b>3,252</b>	<b>2,774</b>	<b>2,883</b>	<b>4,070</b>

## Basis of Preparation of Historical Financial Information

### a. Basis of accounting

The notional consolidated financial statements have been drawn up in accordance with the provisions of the Corporations Act and IFRS including interpretation of IFRS and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

The individual financial statements of each ZKP group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The notional consolidated financial statements of the ZKP Group are presented in Australian Dollars which is the functional currency of the group and the presentation currency of the notional consolidated financial statements.

The operating company in the PRC maintains its books and prepares its statutory financial statements in accordance with the relevant accounting principles and financial regulations promulgated by the Ministry of Finance of the People's Republic of China. The accounting policies and bases adopted in the preparation of the statutory financial statements differ in certain material respects from Australian Accounting Standards ('AAS'). Appropriate adjustments have been made to the statutory financial statements to make them conform to AAS. These financial statements have been prepared and audited by Shanghai WSP Certified Public Accountants who issued a qualified opinion (qualification on opening balance of the inventories) in respect of the year ended 31 December 2013.

The preparation of financial statements in conformity with AAS requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgments in the process of applying the accounting policies. Whilst the directors believe that the estimates and assumptions used in the preparation of the financial statements are reasonable, the actual results could differ from those estimates. The areas involving critical judgments and areas where assumptions and estimates are significant to these financial statements, are disclosed in the notes to the financial statements below.

The financial statements have been prepared on an historical cost basis, except for investment properties, land and buildings classified as property, plant and equipment, derivative financial instruments, available-for-sale (AFS) financial assets, contingent considerations and non-cash distribution liabilities that have been measured at fair value. The carrying values of recognized assets and liabilities that are designed as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationship.

**b. Basis of consolidation**

The notional consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the ZPK Group has control.

**c. Functional and presentation currency**

These financial statements are presented in Australia Dollar (AUD), while the Company's functional currency is Chinese Yuan (CNY).

**d. Significant accounting estimates and judgments**

Estimates, assumptions concerning the future and judgments are made in the preparation of the financial statements. They affect the application of the Company's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on historical experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation or uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

**i) Foreign currency conversion**

The currency conversions from CNY to AUD in the Financial Information have been converted using CNY to AUD exchange rates as outlined in the table below:

<b>CNY to AUD exchange rate</b>	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
Average exchange rate for the financial year (used for the Notional Consolidated Statement of Profit and Loss and other Comprehensive Income)	4.7275	5.5634	5.9531
Spot exchange rate for the financial year as at 31 December (used for the Notional Consolidated Statements of Financial Position)	4.7442	5.0859	5.4147

(Exchange rates were obtained with reference to the rates published by Reserve Bank of Australia.)

**ii) Depreciation of property, plant and equipment**

The costs of property, plant and equipment of the Company are depreciated on a straight-line basis over the useful lives of the assets. Management estimates the useful lives of the plant and equipment as disclosed in Note (c) (iii) of the notional consolidated financial statements. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

### **iii) Impairment of assets**

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Company considers factors such as the probability of significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

### **iv) Income taxes**

The Company recognizes liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

### **Working Capital**

As of the date of this Information Memorandum, the Directors are of the opinion that its operating entity, ZKP has sufficient working capital to support its existing business. In the first five months of 2016, ZKP has seen a tremendous growth in its revenue resulting in a significant improvement to its cash flows and gross profit margin. The Directors are seeking to expand the operating company's business and such expansion plans require the deployment of significant additional capital. It is the intention of the Directors to raise new equity capital through a new issue of shares in the future.

### **Subsequent Events**

On 29 April 2016, the Company acquired 100% of the registered equity of ZKP Group (Hong Kong) Limited for a value of AUD2,041,900. ZKP Group (Hong Kong) Limited has on 1 April 2016 acquired 100% of the registered capital of Hengyang Zhongke Photoelectron Company Limited for a total consideration of CNY15,681,300. The People's Government of Henan Province approved the conversion of the Company from a PRC owned company to a HK owned company on 15 April 2016.

## Chapter 8      Material Contracts

Set out below is a summary of the contracts to which the company is a party which may be material in terms of this Information Memorandum.

To fully understand all rights and obligations of a material contract it will be necessary to review each contract in full and the summaries below should be read in that light.

### 8.1 Directors and officer's agreements

#### Summary of Executive Director Service Agreements

Under an Executive Employment Agreement dated 6 April 2016 between Mr Lijian Lu and the Company, Mr Lijian Lu was appointed as Chief Executive Officer of the Company, with effect from 6 April 2016. The Agreement has a term of three years from the Commencement Date, unless terminated earlier in accordance with the agreement. Mr Lijian Lu's base remuneration will be A\$40,000 for the first year and will be reviewed by the Board on an annual basis thereafter.

Under an Executive Employment Agreement dated 6 April 2016 between Mr Jian Lu and the Company, Mr Jian Lu was appointed as Executive Director of the Company, with effect from 6 April 2016. The Agreement has a term of three years from the Commencement Date, unless terminated earlier in accordance with the agreement. Mr Jian Lu's base remuneration will be A\$40,000 for the first year and will be reviewed by the Board on an annual basis thereafter.

#### Non-Executive Directors Letters of engagement

The aggregate remuneration of the Non-Executive Directors has been fixed at a maximum of A\$200,000 per annum (allowing the appointment of future directors) to be apportioned among the Non-Executive Directors in such manner as they determine. Each Non-Executive Director will receive the Director's fee pursuant to their respective Engagement Letters. But the remuneration of the Non-Executive Directors may not exceed in any year the amount fixed by the Company in a general meeting for that purpose.

Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in consequence of their attendance at Board meetings and otherwise in the execution of their duties as Directors.

### 8.2 Capital Raising, Project Management and Corporate Advisory

ZKP has entered into an agreement with Beijing Zhanteng Borun Investment Management Co., Ltd. (BZB) (Capital Agreement) under the terms of which ZKP has appointed BZB on an exclusive basis for capital raising, project management and corporate advisory services.

Mr Kao Chien-Chih is the legal representative of Beijing Zhanteng Borun Investment Management Co., Ltd.

Set out below is a summary of the material terms of the Capital Agreement:

1. BZB will ensure ZKP is listed by 8 August 2015.
2. The term of the Capital Agreement is from 8 April 2015 to 7 April 2016.
3. ZKP has agreed to pay BZB:
  - a. a fee of 6% per cent of any capital raise completed during the contract term;
  - b. a General Consulting fee of RMB 10,000,000 payable in four instalments:
    - i. 20% payable within seven business days of signing the Capital Agreement;
    - ii. 20% within seven business days of signing agreements with lawyers and accountants introduced by BZB;

- iii. 40% within three business days of signing preparatory listing documents and submitting the application for listing; and
    - iv. 20% within three business days of listing on the NSX.
  - c. If the Company is listed on the NSX:
    - i. One month early, the General Consulting fee will be increased by RMB 2,000,000 (General Consulting fee therefore totalling RMB 12,000,000);
    - ii. Two months early, the General Consulting fee will be increased by RMB 5,000,000 (General Consulting fee therefore totalling RMB 15,000,000);
    - iii. One month late, the General Consulting fee will be reduced by RMB 2,000,000 (General Consulting fee therefore totalling RMB 8,000,000); or
    - iv. Two months late, the General Consulting fee will be reduced by RMB 4,000,000 (General Consulting fee therefore totalling RMB 6,000,000);
- 4. The Capital Agreement may be terminated:
  - a. by mutual consent, or
  - b. by BZB if ZKP fails to pay the General Consulting fee in accordance with the Capital Agreement.
- 5. If either party terminate the agreement arbitrarily, the terminating party shall pay liquidated damages of 20% of the General Consulting fee.
- 6. If ZKP fails to pay the General Consulting fee in accordance with the Capital Agreement, ZKP is liable to pay a penalty of 0.1% per overdue day.
- 7. The Capital Agreement is governed by the laws of the People's Republic of China

### **8.3 Equipment Procurement Agreements**

In mid-2015 ZKP entered into a series of agreements with Ningbo Hi-tech Zone Hongjie Precision Machinery Technology Co., Ltd. (HPM) (Equipment Procurement Contracts) as part of the Company's recent expansion of its production capacity. Under the Equipment Procurement Contracts HPM supplied production line equipment, technical data, special tools, spare parts, installation, commissioning of the equipment and technical training and services totalling RMB 4,110,012.

The equipment is guaranteed for 1 year from date of commissioning.

### **8.4 Raw Materials Supply Agreements**

Throughout 2015 ZKP has entered into a number of agreements with Hubei Jinggui Zirconium Co., Ltd. (HJZ) for the supply of raw materials for the production of its ceramic ferrules (Raw Materials Supply Agreements). The value of supplies from HJZ in 2015 was RMB 6,982,500.

While ZKP sources its raw materials from a variety of suppliers, HJZ was ZKP's largest supplier of raw materials in 2015.

### **8.5 Finance Agreements**

See the attached ZKP Group Notional Consolidated Financial Statements for the Financial Years ended 31 December 2013, 2014 and 2015.

## **8.6 Related Party Loans**

See the attached ZKP Group Notional Consolidated Financial Statements for the Financial Years ended 31 December 2013, 2014 and 2015.

## **8.7 Deeds of Access, Indemnity and Insurance**

The Company has entered into a deed of indemnity and access with each Director under which the Company agrees to:

1. indemnify the Directors against certain liabilities incurred while acting as a Director;
2. insure the Directors against certain risks to which the Directors are exposed as a Director; and
3. grant to the Directors a right of access to certain records of the Company,

for a period of up to 7 years after the Director ceases to be a director of the Company. These deeds of access, indemnity and insurance are in a usual form for documents of this nature.

## **Chapter 9      Additional Information**

### **9.1 Incorporation**

ZKA was incorporated as a public company in Australia on 21 January 2016.

### **9.2 Tax Status and Financial Year**

The Group's Australian income (if any) will be taxed in Australia as a public company at the prevailing corporate tax rate of 30%. The corporate rate of tax in the PRC is 25%. However, as a high-tech enterprise the company is entitled to a tax rate at 15%. The company have a tax certificate for 3 years from 15 October 2014 at that reduced rate of tax and then need to reapply. The financial year of the Company will end on 31 December annually.

### **9.3 Litigation**

The Directors are not aware of any legal proceedings which have been threatened or commenced against the Company.

### **9.4 Rights Attaching to Shares**

The Company currently has 2,042,000 fully paid ordinary shares on issue. There are no other classes of shares on issue. The rights and liabilities attaching to ownership of the Shares are set out in the Company's Constitution, and, in certain circumstances, are regulated by the Corporations Act, the NSX Listing Rules, the ASTC Settlement Rules and general law.

The following is a summary of the more significant rights of the holders of Ordinary Shares of the Company. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Company's Members. The summary assumes that the Company is admitted to the Official List of the NSX.

#### **General Meeting**

Each member is entitled to receive notice of and to attend and vote at general meetings of the Company and to receive all financial statements, notices, and other documents required to be sent to members under the Company's Constitution, the Corporations Act or the Listing Rules.

#### **Voting**

Subject to any rights or restrictions for the time being attached to any class or classes of shares whether by the terms of their issue, the Constitution, the Corporations Act or the NSX Listing Rules, at a general meeting of the Company every holder of fully paid ordinary shares present in person or by proxy, lawyer or representative has one vote on a show of hands and on a poll has one vote for each fully paid share held. A person who holds an ordinary share which is not fully paid is entitled, on a poll, to a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the share.

Where there are two or more joint holders of the share and more than one of them is present at a meeting and tenders a vote in respect of the share (whether in person or by proxy or lawyer), the Company will count only the vote cast by the member whose name appears before the other in the Company's register of members.

#### **Issues of Further Shares**

The Directors may, on behalf of the Company, issue shares or other securities to any person on the terms, with such preferred or deferred or other special rights, obligations or restrictions, and at the times that the Directors may determine. However, the Directors must act in accordance with the restrictions

imposed by the Company's Constitution, the NSX Listing Rules, the Corporations Law and any rights for the time being attached to the Shares in special classes of shares.

### **Variation of Rights**

At present, the Company has on issue one class of shares only, namely ordinary Shares. The rights attached to the Shares in any class may be altered only by a special resolution of the Company and a special resolution passed at a separate meeting of the holders of the issued Shares of the affected class, or with the written consent of the holders of at least three quarters of the issued Shares of the affected class.

### **Transfer of Shares**

Subject to the Company's Constitution, the Corporations Act, the ASTC Settlement Rules and the NSX Listing Rules, ordinary Shares are freely transferable.

The Shares may be transferred by a proper transfer effected in accordance with ASTC Settlement Rules, by any other method of transferring or dealing introduced by the NSX and as otherwise permitted by the Corporations Act or by a written instrument of transfer in any usual form or in any other form approved by the Directors that is permitted by the Corporations Act. The Company may decline to register a transfer of Shares in the circumstances described in the Company's Constitution and where permitted to do so under the NSX Listing Rules. The Directors must decline to register a transfer of Shares when required by law by the NSX Listing Rules or by the ASTC Settlement Rules.

### **Partly Paid Shares**

The Directors may, subject to compliance with the Company's Constitution, the Corporations Act and the NSX Listing Rules, issue partly paid Shares upon which amounts are or may become payable at a future time in satisfaction of all or part of the unpaid issue price.

### **Dividends**

Subject to any special terms and conditions of issue of Shares, the profits of the Company which the Board from time to time determines to distribute by way of dividend are divisible amongst the members in proportion to the amounts paid up on the Shares held by them. The Directors may authorise the payment to the members of such interim dividends as appear to the Directors to be justified by the Company's profits and for that purpose may declare such interim dividends.

The Directors favour a strong dividends policy for its shareholders. However, it is the current intention of the Company to pay an annual, unfranked dividend to shareholders when it is prudent to do so. Initially however any excess funds will go towards carrying out the Company's intended expansion into the Beijing market and throughout China.

### **Dividends Plan**

The Directors may establish, maintain, suspend or terminate dividend plans under which (among other things) a member may elect that dividends payable by the Company be reinvested by way of subscription for Shares in the Company or a member may elect to forego any dividends that may be payable on all or some of the Shares held by that member and to receive instead some other entitlement, including the issue of Shares.

### **Winding Up**

If the Company is wound up at any time, the liquidator may divide, among all or any of the contributories (as defined by the Corporations Act) as the liquidator thinks fit, any part of the assets of the Company.

In so dividing, the liquidator may give any class of Shares special or preferential treatment or exclude any class altogether or in part.

If the Company has issued preference shares, those Shares carry a right in a winding up to payment in cash in priority to all other classes of Shares of the amount paid (or agreed to be considered as paid) on each of the preference Shares and the amount (if any) equal to any accrued but unpaid dividends referable to those Shares.

## **Directors**

The Company's Constitution states that the minimum number of Directors is three.

## **Powers of the Board**

The Directors have power to manage the business of the Company and may exercise that power to the exclusion of the members, except as otherwise required by the Corporations Act, any other law, the NSX Listing Rules or the Company's Constitution.

## **9.5 Working Capital Adequacy**

The Directors are satisfied that the Company will have sufficient working capital to carry out its stated objectives.

## **9.6 CHESS**

The Company will apply to participate in the Clearing House Electronic Sub-register System ("CHESS"), operated by NSX Settlement and Transfer Corporation Pty Ltd ("ASTC") a wholly owned subsidiary of the NSX, in accordance with the NSX Listing Rules and the ASTC Settlement Rules. Under this system, the Company will not issue certificates to investors. Instead, Shareholders will receive a statement of their holdings in the Company.

If an investor is broker sponsored, ASTC will send them a CHESS statement. The CHESS statement will set out the number of Shares allotted to the investor under the Information Memorandum, give details of the Shareholder's Holder Identification Number ("HIN") and give the participant identification number of the sponsor.

Alternatively, if an investor is registered on the issuer sponsored sub-register, the statement will be dispatched by the Share Registrar and will contain the number of Shares allotted under the Information Memorandum and the Shareholder's Security Holder Reference Number ("SRN").

A CHESS statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their holding changes. A Shareholder may request a statement at any other time. However, a charge may be made for additional statements.

## **9.7 Restricted Securities**

As a condition of admitting the Company to the Official List, certain Shares held prior to the date of this Information Memorandum may be classified by NSX as restricted securities. The effect of this is that the restricted securities cannot be dealt with for a period specified by the NSX in the agreements which these Shareholders will have to enter into. Details of such restricted securities will be released to the market prior to commencement of trading in the Shares.

The following shareholders have entered into Voluntary Escrow Agreements with the Company whereby they have agreed not to sell their Shares for the periods set out in the table below.

Shareholder	Escrow period	Shares held	Shareholding
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<b>Lijian Lu*</b>	24 months	1,127,796	55.23%
<b>Kao Chien-Chih*</b>	24 months	100,058	4.90%
<b>Eagle IG Limited</b>	24 months	87,806	4.30%
<b>Jian Lu*</b>	24 months	100,058	4.90%
<b>Cai Yuan Fei**</b>	24 months	44,924	2.20%
<b>Lu Pin Su***</b>	24 months	15,315	0.75%
<b>Sun Hai Yan***</b>	24 months	2,042	0.10%
<b>Ye Li Fang***</b>	24 months	2,042	0.10%

\* Director

\*\* Retired director

\*\*\* Relatives of Jian Lu

## 9.8 Interests of Named Persons

Except as disclosed in this Information Memorandum, no expert, promoter or any other person named in this Information Memorandum as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Information Memorandum, nor any firm in which any of those persons is or was a partner, nor any company in which any of those persons is or was associated with, has now, or has had, in the 2 year period ending on the date of this Information Memorandum, any interest in:

- the formation or promotion of the Company; or
- Property acquired or proposed to be acquired by the Company in connection with its formation or promotion.

Except as disclosed in this Information Memorandum, no amounts of any kind (whether in cash, Shares, options or otherwise) have been paid or given or agreed to be paid or given to any expert, promoter or any other person named in this Information Memorandum as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Information Memorandum, or to any firm in which any of those persons is or was a partner or to any company in which any of those persons is or was associated with, for services rendered by that person in connection with the formation or promotion of the Company.

Connell Lawyers (CL) has acted as the Australian Legal Adviser and Nominated Adviser to the Company in relation to the listing. CL has been involved in undertaking certain due diligence enquiries in relation to legal matters and providing legal advice to the Company in relation to the listing. In respect of this work, the Company agreed to pay Connell Lawyers a total of \$75,000 (plus GST plus disbursements) for these services up to the date of this Information Memorandum.

Hall Consulting Group Pty Ltd has acted as the Auditors in relation to the listing. In respect of this work Beijing Zhanteng Borun Investment Management Co., Ltd. has agreed to pay Asia Invest Partners A\$85,000 who then sub-contracted the audit services to Hall Consulting Group Pty Ltd.

Automic Pty Ltd trading as Automic Registry Services has agreed to provide share registry services to the Company in accordance with the Engagement Letter dated 22 April 2016.

Beijing Zhanteng Borun Investment Management Co., Ltd. (BZB) has provided services as corporate and financial advisers to the Company. See Chapter 8 for details of the contract with BZB.

## 9.9 Consents

Connell Lawyers has given and has not withdrawn its written consent to be named in this Information Memorandum in the form and context in which it is named.

Hall Consulting Group Pty Ltd has given and has not withdrawn its written consent to be named in this Information Memorandum in the form and context in which it is named.

Automic Pty Ltd trading as Automic Registry Services has given and has not withdrawn its written consent to be named in this Information Memorandum in the form and context in which it is named.

Beijing Zhanteng Borun Investment Management Co., Ltd. has given and has not withdrawn its written consent to be named in this Information Memorandum in the form and context in which it is named.

Hunan Hangzhou Law Offices has given and has not withdrawn its written consent to be named in this Information Memorandum in the form and context in which it is named.

## **Chapter 10 Directors' Responsibility Statement and Consent**

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements by the Directors in this Information Memorandum are not misleading or deceptive and that with respect to any other statements made in this Information Memorandum by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making those other statements were competent to make such statements and each of those persons have given their consent to the issue of this Information Memorandum and have not withdrawn that consent, before lodgement of this Information Memorandum with NSX , or to the Directors' knowledge, before any issue of Shares pursuant to this Information Memorandum. The Information Memorandum is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisors.

Each Director of the Company has consented in writing to the lodgement of the Information Memorandum with NSX and has not withdrawn that consent.

Signed for and on behalf of ZKP Group Limited

A handwritten signature in black ink, appearing to be 'Lijian Lu', written over a horizontal line.

**Mr Lijian Lu**

Chairman and Chief Executive Officer

## Chapter 11      Glossary and Definitions

The following terms used in this Information Memorandum have the following meanings unless the context otherwise requires:

<b>TERM</b>	<b>MEANING</b>
<i>\$, A\$ or AUD</i>	Australian dollars, unless otherwise stated
<i>ASIC</i>	Australian Securities and Investments Commission
<i>ASTC</i>	ASX Settlement and Transfer Corporation Pty Ltd (ACN 008 504 532)
<i>Board of Directors and Board</i>	Board of Directors of ZKP Group Limited unless the context indicates otherwise
<i>Business Day</i>	Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, and any other day that NSX declares is not a business day
<i>Chapter</i>	a Chapter in this Information Memorandum
<i>CHESS</i>	ASX Clearing House Electronic Sub-registry System
<i>Company or ZKA</i>	ZKP Group Limited, a limited company incorporated in Australia on the 21 January 2016 with Australian Company Number (ACN) 610 299 271 and where applicable includes its subsidiaries
<i>Constitution</i>	the constitution of the Company
<i>Corporations Act</i>	the Corporations Act 2001 of Australia
<i>Directors</i>	mean directors of ZKA unless the context indicates otherwise
<i>EBIT</i>	Earnings before Interest and Tax
<i>EBITDA</i>	Earnings before Interest, Tax, Depreciation and Amortisation
<i>Shares</i>	The 2,042,000 Shares in the Company on issue at the date of the listing
<i>FY</i>	Financial Year ending on 31 December on the year stated
<i>Group or we or our or us</i>	ZKP Group Limited and Hengyang Zhongke Photoelectron Company Limited and ZKP Group (HongKong) Limited
<i>GST</i>	has the meaning given to it in A New Tax System (Goods and Services Tax) Act 1999 (Cth)
<i>Hall Consulting</i>	Hall Consulting Group Pty Ltd (ABN 39 001 918 814) the auditor of the Company
<i>HIN</i>	the holder identification number (for CHESS)
<i>HY</i>	half year ending on 30 June on the year stated
<i>Listing</i>	the listing of the Shares of the Company on the NSX
<i>Listing Rules</i>	listing rules of the NSX
<i>NSX</i>	National Stock Exchange of Australia ACN 000 902 063
<i>Official List</i>	the Official List of the NSX

<i>% or percent</i>	percentage
<i>Information Memorandum</i>	this disclosure document
<i>Quotation</i>	quotation of the Shares on the Official List
<i>Renminbi or RMB</i>	the legal currency of China
<i>R &amp; D</i>	Research and Development
<i>SCH Business Rules</i>	the SCH Business Rules issued by ASX Settlement and Transfer Corporation Pty Ltd (ACN 008 504 532)
<i>Share</i>	a fully paid ordinary share of ZKP Group Limited
<i>Shareholders</i>	mean the holder of Shares in ZKP Group Limited
<i>Share Registry</i>	Automic Pty Ltd trading as Automic Registry Services that the Company appoints to maintain the register of Shares
<i>SRN</i>	Security Holder Reference Number
<i>Subsidiaries</i>	the same as that term is defined under Chapter 1 of the Corporations Act
<i>ZKA</i>	ZKP Group Limited (ACN 610 299 271)
<i>ZKHK</i>	ZKP Group (HongKong) Limited (CR No. 2335823)
<i>ZKP</i>	Hengyang Zhongke Photoelectron Company Limited a wholly owned subsidiary of ZKA