

9 March 2017

ZKP Group Limited Expansion Plans

ZKP Group Limited (ZKP) have been investigating options to expand their existing production capacity to meet anticipated future demand for its products. This has involved an evaluation of the potential for expanding the existing operations in Hengyang and the potential acquisitions of Jiangsu ZKP and Wenzhou ZKP.

The expansion of the company's existing operation in Hengyang has involved detailed negotiations with the Hengnan County People's Government to gain their support.

Having successfully completed the negotiations the company has decided to expand its existing operations in Hengyang. The support has been provided through a purchase of land from the Government at a discount to the current market price. The Government will also provide the major infrastructure to support the site.

To this end, a land purchase agreement was signed on the 25th of February in Hengyang at the Hengnan County Peoples Government offices. The purchase price for the land is 13,750,000 RMB or approximately A\$2,600,000. Under the agreement, the company will significantly expand its operations in Hengyang to drive its future growth and plans to raise further capital to fund the expansion.

ZKP has also completed investigations into the potential acquisitions of Jiangsu ZKP and Wenzhou ZKP. While ZKP believes both businesses would be a good strategic fit with the existing operations, the Board have decided not to proceed with the planned acquisitions at this stage and focus the available capital on the Hengyang expansion.

The Board plans to raise further capital in the near future, consistent with ZKP's recent share placement to help fund the planned expansion. To assist with this, ZKP has also commenced a process to transfer ZKP Group Limited from the National Stock Exchange to the Australian Securities Exchange which it expects will improve its ability to raise capital in both Australia and China. The transfer will be subject to the necessary regulatory approval processes.

On behalf of the board:

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