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**ZHONG FA ZHAN HOLDINGS LIMITED**

**中發展控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 475)**

**DISCLOSABLE AND CONTINUING CONNECTED TRANSACTION  
IN RELATION TO THE FRAMEWORK TENANCY AGREEMENT**

**FRAMEWORK TENANCY AGREEMENT**

The Board is pleased to announce that on 18 December 2015 (after trading hours), the Company as tenant, entered into the Framework Tenancy Agreement with CECEP Yuyao as landlord, whereby the Company or any subsidiary of the Company, may enter into a tenancy in relation to the Factory with CECEP Yuyao as the landlord from time to time during the period commenced from 18 December 2015 and ending on 31 August 2017.

Upon signing of the Framework Tenancy Agreement, the landlord will begin construction of the Factory which is expected to be completed in or around September 2016 for the Company to use as the production plant of the CoolStore (as defined in the Circular) cooling-stored pipes. It is intended that a subsidiary of the Company will enter into a tenancy with CECEP Yuyao after the execution of the Framework Tenancy Agreement.

## **LISTING RULES IMPLICATIONS**

As Mr. Hu Yishi, a Controlling Shareholder and an executive Director of the Company, is the indirect beneficial owner of approximately 34.2% in the share capital of CECEP Yuyao, under rule 14A.12(1)(c) of the Listing Rules, CECEP Yuyao is an associate of Mr. Hu Yishi and therefore under rule 14A.07(4) of the Listing Rules becomes a connected person of the Company. The transaction contemplated under the Tenancy Agreement constitutes a continuing connected transaction of the Company.

As at least one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Framework Tenancy Agreement is more than 5% but all the percentage ratios are less than 25%, the transaction contemplated under the Framework Tenancy Agreement constitutes a disclosable transaction under Chapter 14 of the Listing Rules. In addition, as the total consideration of the transaction contemplated under the Framework Tenancy Agreement, namely the total estimated rent under the Framework Tenancy Agreement, is less than HK\$10 million, under rule 14A.76(2), such transactions are only subject to the reporting, announcement and annual review requirements but are exempted from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **FRAMEWORK TENANCY AGREEMENT**

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The principal terms of the Framework Tenancy Agreement are as follows:

Date:	18 December 2015.
Parties:	The Company as tenant; and CECEP Yuyao as landlord.
Premises:	The Factory with an estimated gross floor area of 27,500 square meters.

**Construction of Factory:** The landlord shall, upon entering into the Framework Tenancy Agreement, begin construction of the Factory, and it is currently expected the construction shall be completed in or around September 2016 for the Group to use as the production plant of the CoolStore (as defined in the Circular) cooling-stored pipes.

**Term:** Commenced from 18 December 2015 and ending on 31 August 2017. Any tenancy entered into pursuant to the Framework Tenancy Agreement (including options to renew the relevant tenancy) shall expire on or before the expiry date of the Framework Tenancy Agreement.

**Rent:** RMB632,500 (equivalent to approximately HK\$759,000) per month on the basis of RMB23 (equivalent to approximately HK\$27.6) per month per square meter payable in advance on quarterly basis upon completion of the construction of the Factory and delivery of vacant possession of the same to the Group.

**Deposit:** RMB3,795,000 (equivalent to approximately HK\$4,554,000) representing 6 months of rent payable within thirty (30) days from the date of signing of the Framework Tenancy Agreement. The deposit shall be used to set off the rent payable in the first two quarters upon commencement of the term of the Tenancy. The deposit is refundable at no interest if the Tenancy is not entered into throughout the term of the Framework Tenancy Agreement.

**Termination:** Each party may terminate the Framework Tenancy Agreement by tendering three (3) months' written notice to the other party.

## **ANNUAL CAPS**

The annual caps are calculated with reference to the aggregate amount of the estimated rent payable to CECEP Yuyao under the Framework Tenancy Agreement during the whole term of the Tenancy on the assumption that the construction of the Factory will be completed by September 2016 and rent will be payable since September 2016. The annual caps in respect of the Tenancy are set out below:–

<b>Financial Year/Period</b>	<b>Annual Caps</b>
1 September 2016 – 31 March 2017	RMB4,427,500 (equivalent to approximately HK\$5,313,000)
1 April 2017 – 31 August 2017	RMB3,162,500 (equivalent to approximately HK\$3,795,000)

## **REASONS FOR ENTERING INTO THE FRAMEWORK TENANCY AGREEMENT**

The Group is principally engaged in the design, manufacture and wholesale of fine jewelry products in the PRC, and CECEP Yuyao is principally engaged in the property development and rental services in the PRC.

As there is a continuing decrease in demand for fine jewelry due to the economic slowdown and poor consumption sentiment in the PRC, the Group tapped into the solar energy business in the PRC in the second half of 2015.

As disclosed in the Circular, the Directors intended to establish the wholly-foreign owned enterprise in the PRC to operate the new business segment of the manufacturing and distribution of CoolStore (as defined in the Circular) cooling-stored pipes based on the intellectual property rights of CoolStore (as defined in the Circular) and the Licensed Technology (as defined in the Circular) granted by Suncool AB under the Licence Agreement (as defined in the Circular).

In view of the imminent need of factory premises for the operation of the new business segment and that no similar premises are located at the desired area, the Directors consider that it is in the interests of the Group and the Shareholders as a whole to enter into an agreement with CECEP Yuyao for the use of a factory to be constructed in Yuyao. The Directors plan that after the completion of construction of the Factory, the Factory will become the production plants to manufacture the CoolStore (as defined in the Circular) cooling-stored pipes.

With reference to the referential rental value as assessed in the Valuation Report, the Directors (including the independent non-executive Directors) are of the view that the terms of the Framework Tenancy Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable, and the entering into of the Framework Tenancy Agreement is in the interests of the Group and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As Mr. Hu Yishi, a Controlling Shareholder and an executive Director of the Company, is the indirect beneficial owner of approximately 34.2% in the share capital of CECEP Yuyao, under rule 14A.12(1)(c) of the Listing Rules, CECEP Yuyao is an associate of Mr. Hu Yishi and therefore under rule 14A.07(4) of the Listing Rules becomes a connected person of the Company. The transaction contemplated under the Framework Tenancy Agreement constitutes a continuing connected transaction of the Company.

As at least one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Framework Tenancy Agreement is more than 5% but all the percentage ratios are less than 25%, the transaction contemplated under the Framework Tenancy Agreement constitutes a disclosable transaction under Chapter 14 of the Listing Rules. In addition, as the total consideration of the transaction contemplated under the Framework Tenancy Agreement, is less than HK\$10 million, under rule 14A.76(2), such transactions are only subject to the reporting, announcement and annual review requirements but are exempted from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Save and except for Mr. Hu Yishi, a Controlling Shareholder and an executive Director of the Company, and Mr. Wu Hao, also an executive Director of the Company, in his capacity as the legal representative director, and general manager (but not the shareholder) of CECEP Yuyao, none of the other Directors has a material interest in the Framework Tenancy Agreement and the transactions contemplated thereunder or is required to abstain from voting on the Board resolution.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Board”	means the board of Directors
“CECEP Yuyao”	CECEP (Yuyao) Low Carbon Technology Development Co., Ltd.* (中節能(余姚)低碳技術開發有限公司), a private limited liability company incorporated under the laws of the PRC
“Company”	means Zhong Fa Zhan Holdings Limited (中發展控股有限公司), a company incorporated in Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 475)
“Controlling Shareholder”	has the meaning ascribed thereto in the Listing Rules
“Circular”	means the circular of the Company dated 13 August 2015
“Director(s)”	means director(s) of the Company
“Factory”	means the factory to be constructed by CECEP Yuyao at the location of North of Binhai Avenue, Binhai New Area, Yuyao, Zhejiang Province, PRC
“Framework Tenancy Agreement”	the tenancy agreement dated 18 December 2015 entered into between the Company as tenant and CECEP Yuyao as landlord in respect of the Factory
“Group”	means the Company and its subsidiaries
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China

\* *For identification only*

“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	means ordinary issued share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	means holder(s) of the Shares
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Tenancy”	means the tenancy entered into between the Company or any subsidiary of the Company as tenant and CECEP Yuyao as landlord pursuant to and contemplated under the Framework Tenancy Agreement
“Valuation Report”	means the Valuation Report dated 11 December 2015 issued by Shanghai Zhirui Assets Appraisal Limited Company in respect of the referential rental value of the Factory
“%”	means per cent.

By Order of the Board  
**Zhong Fa Zhan Holdings Limited**  
**Chan Wing Yuen, Hubert**  
*Chief Executive & Executive Director*

Hong Kong, 18 December 2015

*As at the date of this Announcement, the Board consists of five executive Directors, namely Mr. Wu Hao, Mr. Hu Yangjun, Mr. Hu Yishi, Mr. Chan Wing Yuen, Hubert and Ms. Kwong Wai Man, Karina; a non-executive Director, namely Mr. Li Wei Qi, Jacky; and three independent non-executive Directors, namely Mr. Wu Chi Keung, Mr. Heung Chee Hang, Eric and Ms. Kwok Pui Ha.*

*For illustrative purposes, the exchange rate of RMB1.00 = HK\$1.2 is adopted in this announcement.*

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