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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION
AND
EXPIRY OF THE FRAMEWORK TENANCY AGREEMENT**

THE ACQUISITION

The Board is pleased to announce that after trading hours on 30 August 2017, the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor (being a company owned as to (i) 90% by Mr. Hu, a controlling Shareholder and an executive Director; and (ii) 10% by Ms. Zhang, his spouse) entered into the Sale and Purchase Agreement pursuant to which the Purchaser agreed to purchase, and the Vendor agreed to sell, the Property at the aggregate consideration of RMB3,950,000 (equivalent to approximately HK\$4,645,000).

Based on the information available to the Company, the Property is situated at 中國浙江省杭州市上城區館驛後10號607室 (Room 607, 10 Guan Yi Hou, Shangcheng District, Hangzhou, Zhejiang Province, the PRC) and is designated for office use.

The Acquisition is not subject to any condition. The Purchaser shall inspect the Property within seven business days upon the issue of the new ownership certificate under the name of the Purchaser by the Real Estate Trading Centre. Delivery of the Property is to take place after the Purchaser's inspection of the Property.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratio as defined under Rule 14.04 of the Listing Rules for the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the Listing Rules. The Vendor is owned as to (i) 90% by Mr. Hu, a controlling Shareholder and an executive Director; and (ii) 10% by Ms. Zhang, his spouse. Accordingly, the Acquisition also constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. The Acquisition is only subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

EXPIRY OF THE FRAMEWORK TENANCY AGREEMENT

Reference is also made to the Announcement, which was published by the Company on 18 December 2015. As set out in the Announcement, the Company and CECEP Yuyao entered into the Framework Tenancy Agreement, which shall expire on 31 August 2017. As at the date of this announcement, no rent has been paid to CECEP Yuyao by the Group as the construction of the Factory has not yet completed. The Group is currently under negotiations with CECEP Yuyao for the renewal of the Framework Tenancy Agreement and/or possible acquisition of the Factory from CECEP Yuyao. As at the date of this announcement, no such agreement has been entered into between the Group and CECEP Yuyao. Further announcement will be made and/or independent shareholders' approval (if applicable) will be sought by the Company as and when appropriate in accordance with the applicable Listing Rules.

INTRODUCTION

The Board is pleased to announce that after trading hours on 30 August 2017, the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor (being a company owned as to (i) 90% by Mr. Hu, a controlling Shareholder and an executive Director; and (ii) 10% by Ms. Zhang, his spouse) entered into the Sale and Purchase Agreement pursuant to which the Purchaser agreed to purchase, and the Vendor agreed to sell, the Property at the aggregate consideration of RMB3,950,000 (equivalent to approximately HK\$4,645,000).

THE ACQUISITION

Set out below is a summary of the material terms of the Sale and Purchase Agreement:

Date

30 August 2017

Parties

Vendor: the Vendor, being 海南凱興科技開發有限公司 (Hainan Kay Hing Technology Development Company Limited*)

As at the date of this announcement, the Vendor is owned as to (i) 90% by Mr. Hu, a controlling Shareholder and an executive Director; and (ii) 10% by Ms. Zhang, his spouse. According to the Vendor, it is principally engaged in property investment business.

Purchaser: the Purchaser, being 余姚市億恆太陽能科技有限公司 (Yuyao Yiheng Solar Technology Company Limited*), which is a wholly-owned subsidiary of the Company.

Asset to be acquired

The Property, being 中國浙江省杭州市上城區館驛後10號607室 (Room 607, 10 Guan Yi Hou, Shangcheng District, Hangzhou, Zhejiang Province, the PRC), which is designated for office use.

Consideration

RMB3,950,000 (equivalent to approximately HK\$4,645,000) (the “**Consideration**”).

The Consideration was arrived at after arm’s length negotiations between the Vendor and the Purchaser with reference to the valuation of the Property at RMB4,500,000 (equivalent to approximately HK\$5,292,000, the “**Valuation Amount**”) as at 15 August 2017, prepared by Asset Appraisal Limited, a firm of independent professional valuers, adopting the comparison method. The Consideration represents an approximately 12% discount to the Valuation Amount.

The Consideration is payable within one month from the date of signing of the Sale and Purchase Agreement (the “**Payment Date**”).

If the Purchaser fails to settle the Consideration in accordance with the terms set out above, the Purchaser shall pay a penalty calculated at 0.05% of any unpaid Consideration, accruing on a daily basis from the day next following the Payment Date until the actual payment date. In the event the Purchaser fails to settle the Consideration for more than 20 days, in addition to payment of a 20-day penalty, the Vendor shall be entitled to terminate the Sale and Purchase Agreement by giving a written notice to the Purchaser. In the event the Sale and Purchase Agreement is terminated by the Vendor in accordance with the above, the Purchaser shall pay an indemnity amount calculated at 20% of the Consideration to the Vendor. The Purchaser shall pay both the 20-day penalty and indemnity amount to the Vendor within seven days after receiving the written notice of termination.

If the Vendor fails to deliver the Property to the Purchaser in accordance with the terms of the Sale and Purchase Agreement, the Vendor shall pay a penalty calculated at 0.05% of the Consideration, accruing on a daily basis from the day next following the Delivery Date until the actual delivery date. In the event the Vendor fails to deliver the Property for more than 20 days, in addition to payment of a 20-day penalty, the Purchaser shall be entitled to terminate the Sale and Purchase Agreement by giving a written notice to the Vendor. In the event the Sale and Purchase Agreement is terminated by the Purchaser in accordance with the above, the Vendor shall pay an indemnity amount calculated at 20% of the Consideration to the Purchaser. The Vendor shall refund to the Purchaser all Consideration paid by the Purchaser and shall pay the 20-day penalty and indemnity amount within seven days after receiving the written notice of termination.

The Group intends to fund the Acquisition by a shareholder's loan from Mr. Hu.

Condition precedent and delivery

The Acquisition is not subject to any condition.

The Vendor and the Purchaser shall apply for registration of change of Property ownership with the Real Estate Trading Centre on or before 30 September 2017. The Purchaser shall inspect the Property within seven business days upon the issue of the new ownership certificate under the name of the Purchaser by the Real Estate Trading Centre. Delivery of the Property is to take place after the Purchaser's inspection of the Property (the "**Delivery Date**").

INFORMATION OF THE PROPERTY

The Property is located at 中國浙江省杭州市上城區館驛後10號607室 (Room 607, 10 Guan Yi Hou, Shangcheng District, Hangzhou, Zhejiang Province, the PRC).

The Property is an office unit on 6th floor of a 25-storey office building completed in 2007 situated at Shangcheng District, Hangzhou, Zhejiang Province, the PRC. The Property has a gross floor area of approximately 223.53 sq.m. The land use rights of the Property have been granted for a term expiring on 28 September 2053 for office use. As at the date of this announcement, the Property is vacant.

The Property is designated for office use. The original acquisition cost of the Property was RMB3,800,000 (equivalent to approximately HK\$4,470,000).

REASONS FOR AND THE BENEFITS OF THE ACQUISITION

The Group is principally engaged in jewelry business and solar energy business in the PRC. The Group has currently commenced the trading of non-ferrous metals in the PRC.

The Group intends to use the Property as the sales office of the solar energy business upon completion of the Acquisition. The Property is located in central business district of Hangzhou city, which is the capital of Zhejiang Province, it would be desirable and ideal for such purpose in terms of its convenient location to receive the potential customers come from different regions over the nations. Underground stations, banks and hotel are nearby, and the Property is not far from the present production hubs in Yuyao city in Zhejiang Province as well. The establishment of sales office in Hangzhou will mark the Group's dedication in committing more resources and efforts towards development of the solar energy business. This will strengthen the Group's national network for long term sustainable growth.

The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Sale and Purchase Agreement have been negotiated between the Purchaser and the Vendor on an arm's length basis and on normal commercial terms. The Directors (including the independent non-executive Directors) are also of the view that the terms of all of the Sale and Purchase Agreement are fair and reasonable and the entering into of the Acquisition is in the interests of the Group and the Independent Shareholders as a whole.

As at the date of this announcement, (i) Mr. Hu is beneficially interested in 0.83% of the issued Shares; and (ii) Resources Rich Capital Limited is interested in approximately 62.03% of the issued Shares. Resources Rich Capital Limited is owned as to 50% by Mr. Hu and 50% by Mr. Hu Yishi, both being executive Directors and are cousins to each other. As at the date of this announcement, the Vendor is owned as to (i) 90% by Mr. Hu; and (ii) 10% by Ms. Zhang, his spouse. Accordingly, Mr. Hu and Mr. Hu Yishi are considered to have a material interest in the Acquisition and have abstained from voting at the board meeting approving the Acquisition. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed above, no other Director has a material interest in the Acquisition and therefore no other Director is required to abstain from voting on the board resolution in relation to the Acquisition.

IMPLICATIONS OF THE LISTING RULES

As the applicable percentage ratio as defined under Rule 14.04 of the Listing Rules for the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the Listing Rules. The Vendor is owned as to (i) 90% by Mr. Hu, a controlling Shareholder and an executive Director; and (ii) 10% by Ms. Zhang, his spouse. Accordingly, the Acquisition also constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. The Acquisition is only subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

EXPIRY OF THE FRAMEWORK TENANCY AGREEMENT

Reference is also made to the Announcement, which was published by the Company on 18 December 2015.

As set out in the Announcement, the Company and CECEP Yuyao entered into the Framework Tenancy Agreement, which shall expire on 31 August 2017. Pursuant to the Framework Tenancy Agreement, CECEP Yuyao as landlord shall construct the Factory for the Group to use as production plant of the CoolStore cooling-stored pipes. It was intended that a subsidiary of the Company would enter into the Tenancy with CECEP Yuyao after execution of the Framework Tenancy Agreement. Also, pursuant to the Framework Tenancy Agreement, the Group as tenant shall be liable to pay rent only upon the Factory construction has completed and delivery thereof to the Group. As at the date of this announcement, no rent has been paid to CECEP Yuyao by the Group as the construction of the Factory has not yet completed. Based on the information available to the Company, construction of the production buildings and the employees' dormitory is substantially completed, and fitting-out of the buildings, as well as the building of minor works such as the roadway, are being finalised. As at the date of this announcement, the Group is under negotiations with CECEP Yuyao for the renewal of the Framework Tenancy Agreement and/or possible acquisition of the Factory from CECEP Yuyao. As at the date of this announcement, no such agreement has been entered into between the Group and CECEP Yuyao. Further announcement will be made and/or independent shareholders' approval (if applicable) will be sought by the Company as and when appropriate in accordance with the applicable Listing Rules.

DEFINITIONS

In this announcement, unless the content otherwise requires, the following expressions have the following meanings:

“Acquisition”	the sale and purchase of the Property pursuant to the Sale and Purchase Agreement
“Announcement”	the announcement of the Company dated 18 December 2015
“Board”	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)
“Company”	Zhong Fa Zhan Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it in the Listing Rules

“Directors”	the directors of the Company
“Factory”	the factory constructed by CECEP Yuyao at the location of North of Binhai Avenue, Binhai New Area, Yuyao, Zhejiang Province, the PRC
“Framework Tenancy Agreement”	the agreement dated 18 December 2015 entered into between the Company as tenant and CECEP Yuyao as landlord
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than Mr. Hu and his associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Hu”	Mr. Hu Yangjun, a controlling Shareholder and an executive Director
“Ms. Zhang”	Ms. Zhang Qi, the spouse of Mr. Hu
“Property”	the property located at 中國浙江省杭州市上城區館驛後10號607室 (Room 607, 10 Guan Yi Hou, Shangcheng District, Hangzhou, Zhejiang Province, the PRC)
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Purchaser”	余姚市億恆太陽能科技有限公司 (Yuyao Yiheng Solar Technology Company Limited*), a wholly-owned subsidiary of the Company
“Real Estate Trading Centre”	房地產交易中心 (the Real Estate Trading Centre*)
“Sale and Purchase Agreement”	the sale and purchase agreement dated 30 August 2017 entered into between the Purchaser and the Vendor
“Shareholders”	holder(s) of the Share(s)

“Shares”	the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy”	the tenancy to be entered into between the Company or any of its subsidiary as tenant and CECEP Yuyao as landlord pursuant to and contemplated under the Framework Tenancy Agreement
“Vendor”	海南凱興科技開發有限公司 (Hainan Kay Hing Technology Development Company Limited*)
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the official currency of the PRC
“sq.m”	square metre

For the purpose of this announcement, the conversion rate of RMB to HK\$ is set at the rate of RMB1.00 for HK\$1.176.

** for identification purpose only*

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

Hong Kong, 30 August 2017

As at the date of this announcement, the Company has 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.