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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 TRANSACTION

The Board wishes to announce that on 31 May 2019 (after trading hours), Ningbo Shenggu Energy Reservation Technology Co., Ltd. (寧波升谷節能科技有限公司) (“**NSERT**”), a wholly-owned subsidiary of the Company, as the Lessor, entered into the Lease Agreement with Magna Seating (Taizhou) Co., Ltd* (麥格納座椅(台州)有限公司) (“**Magna Seating**”), as the Lessee and Sino-Italy Ningbo Ecological Park Management Committee* (中意寧波生態園管理委員會) (“**SINEPMC**”), as the Committee, pursuant to which the Lessee shall rent from the Lessor the Leased Property for a lease period of fifty-two months, commencing from 1 June 2019 to 30 September 2023.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Lease Agreement are more than 5% but less than 25%, the Lease Agreement constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements set out in Rule 14.33 of the Listing Rules.

BACKGROUND

With reference to the circular of Zhong Fa Zhan Holdings Limited (the “**Company**”) dated 24 August 2018 and the announcement of the Company dated 30 November 2018 in relation to a major and connected transaction relating to the acquisition of the Land Parcel and the Factory, the Lessor, being a wholly-owned subsidiary of the Company, owns the Land Parcel and the Factory after completion of the Acquisition on 30 November 2018.

Pursuant to the Lease Agreement, the Lessor agreed to lease out part of the Factory to the Lessee.

THE LEASE AGREEMENT

- Date: 31 May 2019
- Lessor: NSERT
- Lessee: Magna Seating, is principally engaged in the production and processing of vehicle components business.
- The Committee: SINEPMC, is an administrative committee managing the Sino-Italy Ningbo Ecological Park.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Lessee and the Committee and their respective ultimate beneficial owners are Independent Third Parties.

- Leased Property: Factory No. 2 and the second floor of the staff dormitory (including the stairs on the west side and the caretaker room on the first floor) located in No. 61, Haichao Road, Sino-Italy Ningbo Ecological Park, Yuyao, Zhejiang Province, the PRC.
- Gross floor area: approximately 7,962.87 square meters.
- Term: 52 months commencing from the date of the Lease Agreement. The lease period shall be from 1 June 2019 to 30 September 2023.

- Renewal: In the event that the Lessee intends to renew the Lease Agreement prior to the expiry of the lease term of the Lease Agreement, the Lessee shall serve a written notice to the Lessor not less than 6 months before the expiry of the lease term. In the circumstances where the Lessor receives any offers on the same terms and conditions from parties other than the Lessee, the Lessee shall have priority in renewing the Lease Agreement over such other offers.
- Use of the Leased Property: production and processing of vehicle components.
- Deposit: RMB379,200 is payable by the Lessee to the Lessor.
- Rental:
- (i) monthly rental of RMB127,405.92 (inclusive of tax) (equivalent to approximately HK\$146,444), for the first to the sixteenth months of the lease term of the Lease Agreement;
 - (ii) monthly rental of RMB143,331.66 (inclusive of tax) (equivalent to approximately HK\$164,749), for the seventeenth to the fifty-two months of the lease term of the Lease Agreement; and
 - (iii) Rental is payable quarterly in advance on the twentieth day of each quarter by the Lessee to the Lessor.
- Security service: The Lessor and the Lessee agreed that the Lessee shall hire a security service company to be responsible for the security work and guarding of the Factory and the costs on the security services shall be shared equally between the Lessor and the Lessee. The Lessor shall pay the Lessee for the security services on a quarterly basis.
- Termination: The Lease Agreement may be terminated:
- (i) by the Lessor of the Lease Agreement without any liability to the Lessee of the Lease Agreement upon the occurrence of the below:
 - (a) the Lessee uses the Leased Property to conduct activities that are illegal or for any purposes other than those agreed in the Lease Agreement without the prior consent of the Lessor; and/or

- (b) the Lessee fails to fulfill its obligation to pay the rental and/or default payment (or the Lessee actual breaches or fails to comply with any terms and conditions of the Lease Agreement), and fails to remedy the breach within 60 days after receiving the Lessor's written notice.
- (ii) by the Lessee of the Lease Agreement without any liability to the Lessor of the Lease Agreement upon the occurrence of the below:
- (a) the Lessor fails to deliver the Leased Property to the Lessee within 60 days after the execution of the Lease Agreement;
 - (b) except for the fault of the Lessee, the Lessee is unable to operate its business within the rent period due to the failure in the supply of public utilities for a continuous period of 7 days or more within any period of 30 days;
 - (c) the Lessor actually breaches or fails to comply with any terms and conditions of the Lease Agreement, and fails to remedy the breach within 60 days after receiving the Lessee's written notice; and/or
 - (d) the Lessor has no full right to sign the Lease Agreement and the authority to cause the Lessee to be unable to use the Leased Property, e.g. the Leased Property that has not been approved and authorized by the relevant authorities, or has not been rented to the Lessee by reasonable authorization.

The Lessor and Lessee may terminate the Lease Agreement by negotiation, if:

- (1) the Lessee is unable to use the Leased Property for thirty (30) days due to the occurrence of any force majeure events as stated in this Lease Agreement; or
- (2) the Lessee notifies the Lessor in writing six (6) months in advance when occurrence of any force majeure events as stated in this Lease Agreement is foreseeable.

REASONS FOR ENTERING INTO THE LEASE AGREEMENT

The Group is principally engaged in jewelry business in the PRC and Hong Kong and solar energy business in the PRC, Hong Kong and other countries, including research and development, production and sales of patented thermal solar energy collectors for solar energy saving and environmental protection solutions, patented solar energy system's components and solar photovoltaic modules.

The Factory in Sino-Italy Ningbo Ecological Park in Yuyao, the PRC, where the Leased Property is located, is used for the production of the solar energy products of the Group. In view of the fact that the Leased Property is currently unused and the production capacity of the remaining Leased Property of the Factory is capable to fulfil the expected production in the future, the Directors consider that entering into the Lease Agreement will allow the Group to have a steady rental income from the Leased Property and at the same time increase the utilisation rate of the Factory. The receipt of the rental income will enhance the working capital of the Group and return to the Shareholders, which is in the best interests of the Company and its shareholders as a whole.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Lessee and the Committee and their respective ultimate beneficial owners are Independent Third Parties.

The Board is of the view that the Lease Agreement was entered into at arm's length at the prevailing market rent and on normal commercial terms. The Directors believe and consider that the terms of the Lease Agreement are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Lease Agreement are more than 5% but less than 25%, the Lease Agreement constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements set out in Rule 14.33 of the Listing Rules.

DEFINITIONS

“Acquisition”	the acquisition of the Factory and the Land Parcel pursuant to the conditional sale and purchase agreement entered into between the Company, the Lessor and 綠能(余姚)低碳技術開發有限公司 (Green Energy (Yuyao) Low Carbon Technology Development Co., Ltd.*, formerly known as “中節能(余姚)低碳技術開發有限公司”) on 24 April 2018 in relation to the sale and purchase of the Factory and the Land Parcel
“Board”	the board of Directors
“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
“Director(s)”	the director(s) of the Company
“Factory”	the factory constructed on the Land Parcel
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Parties”	Any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Land Parcel”	No. 61, Haichao Road, Sino-Italy Ningbo Ecological Park, Yuyao, located in the Binhai New Area, Economic Development Zone, Yuyao, Zhejiang Province, the PRC
“Lease Agreement”	the lease agreement entered into by the Lessor, the Lessee and the Committee on 31 May 2019 (after trading hours), pursuant to which the Lessee rent from the Lessor the Leased Property for a lease period of fifty-two months, commencing from 1 June 2019 to 30 September 2023
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“%”	per cent

By order of the Board
ZHONG FA ZHAN HOLDINGS LIMITED
Chan Wing Yuen, Hubert
Chief Executive and Executive Director

Hong Kong, 31 May 2019

As at the date of this announcement, the Board consists of three executive Directors, namely Mr. Wu Hao, Mr. Hu Yangjun and Mr. Chan Wing Yuen, Hubert; a non-executive Director, namely Mr. Li Wei Qi, Jacky; and three independent non-executive Directors, namely Mr. Wu Chi Keung, Mr. Jin Qingjun and Ms. Sun, Ivy Connie.

* *For identification only*

For the purpose of this announcement, conversion of RMB to HK\$ is based on the approximate exchange rate of HK\$1.00 to RMB0.87.