THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action should be taken, you should consult your stockbroker or other licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Zhong Fa Zhan Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other registered dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET LAND PARCEL AND THE FACTORY AND NOTICE OF EGM

Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A notice convening the EGM to be held at B2 Boardroom, the Wharney Guang Dong Hotel Hong Kong, 57-73 Lockhart Road, Wanchai, Hong Kong on Thursday, 20 September 2018 at 10:00 a.m. or any adjournment thereof is set out on pages EGM-1 to EGM-3 of this circular.

Whether or not you are able to attend the EGM or any adjourned meeting, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return as soon as practicable to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjourned meeting. Such form of proxy is also published on the websites of the Stock Exchange (*www.hkexnews.hk*) and the Company (*www.475hk.com*). Completion and the delivery of form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting should you so wish.

24 August 2018

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In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the acquisition of the Target Assets pursuant to the SPA
"Actual Construction Cost"	the actual construction cost of the Factory to be concluded with reference to the Confirmation
"Aggregate Consideration"	the aggregate of the Factory Consideration and the Target Land Parcel Consideration
"associate(s)"	has the same meaning as ascribed to it under the Listing Rules
"Bank"	the bank as the pledgee under the Pledge Agreement
"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
"Confirmation"	the confirmation on the completion cost of construction of the Factory to be issued by Shanghai Haida Engineering Construction Consulting Co., Ltd, an engineering construction consulting company which is independent of both of the Purchaser and the Vendor, as an engineering audit unit
"connected person(s)"	has the meaning ascribed thereto in the Listing Rules
"Controlling Shareholder"	has the meaning ascribed thereto in the Listing Rules
"CoolStore"	Suncool AB's CoolStore concept for solar heating and cooling collectors, based on proprietary triple-state absorption technology of ClimateWell AB (publ)
"Directors"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held for the purposes of considering and, if thought fit, approving the SPA and the transactions contemplated thereunder

"Factory"	the factory constructed by the Vendor on the Target Land Parcel located on the north side of Binhai Avenue, Binhai New Area, Yuyao, Zhejiang Province, the PRC
"Factory Consideration"	the consideration for the Factory pursuant to the SPA
"Framework Tenancy Agreement"	the framework agreement dated 18 December 2015 entered into between the Company, as tenant, and the Vendor, as landlord, in respect of the Factory, details of which are set out in the announcement of the Company dated 18 December 2015
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent committee of the Board (comprising all independent non-executive Directors) established to advise the Independent Shareholders in respect of the entering into of the SPA and the transactions contemplated thereunder
"Independent Financial Adviser"	Astrum Capital Management Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the entering into of the SPA and the transactions contemplated thereunder
"Independent Shareholders"	all Shareholders other than Mr. Hu Yishi and Mr. Li Wei Qi, Jacky and their respective associates, and those who have a material interest in the SPA and the transactions contemplated thereunder
"Land Parcel"	a piece of land with a total site area of 145,472 square metres located in the Binhai New Area, Economic Development Zone, Yuyao, Zhejiang Province, the PRC

"Latest Practicable Date"	22 August 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Leasing Deposit"	the refundable deposit of RMB3,795,000 (equivalent to approximately HK$4,413,000) paid by the Company to the Vendor pursuant to the terms of the Framework Tenancy Agreement and which has subsequently been applied as security deposit to secure the Purchaser's obligations under the MOU
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MOU"	the memorandum of understanding dated 13 November 2017 entered into between the Company, the Purchaser and the Vendor in relation to the proposed acquisition of the Factory, as well as the interim use of the Factory, details of which are set out in the announcement of the Company dated 13 November 2017
"Pledge"	the pledge of the land use right of the Land Parcel and the Factory by the Vendor to the Bank as a security (up to the amount of RMB110,000,000 (equivalent to approximately HK$127,907,000)) for a loan facility pursuant to the Pledge Agreement
"Pledge Agreement"	the pledge agreement dated 26 December 2016 entered into between the Vendor and the Bank in relation to the Pledge
"PRC"	the People's Republic of China, which for the purpose of this circular, shall exclude Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC
"Previous Announcements"	the announcements of the Company dated 18 December 2015, 30 August 2017 and 13 November 2017

"Purchaser"	寧波升谷節能科技有限公司 (Ningbo Shenggu Energy Reservation Technology Co., Ltd.*), a limited liability company established under the laws of the PRC
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of Shares
"SPA"	the conditional sale and purchase agreement entered into between the Company, the Purchaser and the Vendor on 24 April 2018 in relation to the sale and purchase of the Target Assets
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Assets"	the Factory and the Target Land Parcel
"Target Land Parcel"	the parcel of land of a site area of approximately 49,000 square metres located in the Binhai New Area, Yuyao, Zhejiang Province, the PRC
"Target Land Parcel Consideration"	the consideration for the Target Land Parcel pursuant to the SPA
"Tenancy"	the tenancy proposed to be entered into between the Company or any subsidiary of the Company as tenant and the Vendor as landlord pursuant to and contemplated under the Framework Tenancy Agreement
"Vendor"	中節能(余姚)低碳技術開發有限公司 (CECEP (Yuyao) Low Carbon Technology Development Co., Ltd.*), a limited liability company established under the laws of the PRC
"%"	per cent

For the purpose of this circular, the conversion rate of RMB to HK$ is set at the rate of RMB0.86 for HK$1.00.

* *For identification purpose only*

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)

Executive Directors:
Mr. Wu Hao *(Chairman)*
Mr. Hu Yangjun
Mr. Chan Wing Yuen, Hubert *(Chief Executive)*

Non-executive Director:
Mr. Li Wei Qi, Jacky

Independent non-executive Directors:
Mr. Wu Chi Keung
Ms. Kwok Pui Ha
Mr. Jin Qingjun

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Room 2202, 22/F
Chinachem Century Tower
178 Gloucester Road
Wanchai
Hong Kong

24 August 2018

To the Shareholders, and for information only, option holders and warrant holders of the Company

Dear Sir and Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET LAND PARCEL AND THE FACTORY AND NOTICE OF EGM

INTRODUCTION

References are made to the Previous Announcements and the announcement of the Company dated 24 April 2018.

On 18 December 2015, the Company entered into the Framework Tenancy Agreement with the Vendor in relation to the Group's proposed lease of the Factory upon its construction by the Vendor, and the Leasing Deposit was paid by the Company to the Vendor. However, no Tenancy was signed between the Group and the Vendor because construction of the Factory had yet been completed, and no rent was paid to the Vendor. As set out in the announcement of the Company dated 30 August 2017, among other things, the Group was then under negotiations with the Vendor for the proposed acquisition of the Factory and/or renewal of the Framework Tenancy Agreement. On 13 November 2017, the Company, the Purchaser and the Vendor entered into the MOU in relation to the proposed acquisition as well as the interim use of the Factory.

On 24 April 2018 (after the Stock Exchange trading hours), the Company, the Purchaser, being a wholly-owned subsidiary of the Company, and the Vendor entered into the SPA, pursuant to which the Purchaser has conditionally agreed to purchase by itself or any wholly-owned subsidiary of the Company established in the PRC, and the Vendor has conditionally agreed to sell the Target Assets, at the Aggregate Consideration of RMB59,212,000 (equivalent to approximately HK$68,851,000), subject to adjustment.

The purposes of this circular are to provide the Shareholders with, among other things, (i) further information on the SPA; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the entering into of the SPA and the transactions contemplated thereunder; (iv) the valuation report of the Target Assets; and (v) a notice convening the EGM.

THE SPA

Date: 24 April 2018 (after the Stock Exchange trading hours)

Parties:

(i) the Company;

(ii) the Purchaser, being a wholly-owned subsidiary of the Company; and

(iii) the Vendor.

Assets to be acquired

The Target Assets to be acquired by the Purchaser or any wholly-owned subsidiary of the Company established in the PRC comprise (i) the Target Land Parcel; and (ii) the Factory.

The original acquisition cost of the Target Land Parcel amounted to RMB10,207,000 (equivalent to approximately HK$11,869,000). The original acquisition cost of the Factory based on the estimated construction cost as at the date of the SPA amounted to RMB49,000,000 (equivalent to approximately HK$56,977,000).

Consideration

The Factory Consideration is RMB49,000,000 (equivalent to approximately HK$56,977,000), subject to adjustment, and the Target Land Parcel Consideration is RMB10,212,000 (equivalent to approximately HK$11,874,000). The Aggregate Consideration is RMB59,212,000 (equivalent to approximately HK$68,851,000), subject to adjustment set out below, which shall be paid to the Vendor and settled by the Purchaser in the following manner:

(i) as to RMB10,000,000 (equivalent to approximately HK$11,628,000) shall be payable by the Purchaser within 30 days upon signing of the SPA;

(ii) as to RMB11,000,000 (equivalent to approximately HK$12,791,000) (the "**Second Instalment**") shall be payable by the Purchaser within seven days upon the passing of the necessary resolution(s) by the Independent Shareholders at the EGM to approve the SPA and the transactions contemplated thereunder;

(iii) as to RMB20,000,000 (equivalent to approximately HK$23,255,000) shall be payable by the Purchaser on the date of completion of registration of transfer and obtaining of the land use right certificate and the property ownership certificate or the fixed assets certificate of the Target Assets under the name of the Purchaser, whereupon the Purchaser and the Vendor shall enter into a pledge agreement to pledge the land use rights of the Target Land Parcel and the Factory to the Vendor in order to secure the Purchaser's payment obligation of the Outstanding Balance (as defined in (iv) below), which shall be released by the Vendor upon receipt of the Aggregate Consideration (subject to adjustment) in full; and

(iv) as to the outstanding balance (the "**Outstanding Balance**") of RMB18,212,000 (equivalent to approximately HK$21,177,000), subject to adjustment below, shall be payable by the Purchaser (a) as to RMB3,795,000 (equivalent to approximately HK$4,413,000) by set off against the Leasing Deposit; and (b) as to RMB14,417,000 (equivalent to approximately HK$16,764,000) in cash, upon the later of:

    (x) the date falling on the first anniversary of the date of the SPA; and

    (y) completion of registration of transfer and the obtaining of the land use right certificate and the property ownership certificate or the fixed assets certificate of the Target Assets under the name of the Purchaser.

The Vendor represents and warrants that the construction cost of the Factory as shown in the Confirmation shall not exceed RMB49,000,000 (equivalent to approximately HK$56,977,000). In the event the Actual Construction Cost is less than RMB49,000,000 (equivalent to approximately HK$56,977,000), the Aggregate Consideration and the Outstanding Balance shall be reduced by such difference.

In the event the Actual Construction Cost is higher than the Factory Consideration, no adjustment shall be made to the Aggregate Consideration.

The Aggregate Consideration was determined after arm's length negotiations between the Company, the Purchaser and the Vendor with reference to the aggregate preliminary appraised value of the Target Assets of RMB63,995,000 (equivalent to approximately HK$74,413,000) as at 28 February 2018 as assessed by an independent valuer. As at 30 June 2018, the aggregate appraised value of the Target Assets amounted to RMB64,190,000 (equivalent to approximately HK$74,640,000). Further details of the valuation report of the Target Assets are set out in Appendix II to this circular.

The Aggregate Consideration will be funded by the Group's internal cash resources.

Conditions precedent

Completion of the SPA is conditional upon:

(a) the Vendor having obtained the stand-alone land use right certificate in relation to the Target Land Parcel (with a total site area of not less than 49,000 square metres, the usage shall be for industrial use and the term expiring not earlier than 1 September 2064);

(b) the Vendor having obtained the property ownership certificate of the Factory (with the total gross floor area of not less than 27,000 square metres);

(c) the Vendor having obtained and provided the Purchaser with the Confirmation;

(d) the Vendor having paid in full any penalty payable under the relevant land transfer contract entered between the Vendor and the Yuyao Bureau of Land and Resources on 2 September 2014 or such penalty having been waived by the Yuyao Bureau of Land and Resources;

(e) the Company and the Purchaser being satisfied with the results of the due diligence review regarding the Target Assets;

(f) the Purchaser being satisfied with the inspection results of the Target Assets including procedures in relation to, among other matters, environmental inspection, fire control inspection and completion inspection;

(g) the passing of the necessary resolution(s) by the Independent Shareholders at the EGM to approve the SPA and the transactions contemplated thereunder;

(h) the Company and/or the Purchaser having received a PRC legal opinion in relation to, among other matters, the legal position of the Target Assets, in form and substance satisfactory to the Company or the Purchaser;

(i) the release of any pledge against the Target Assets, including the Pledge, having been obtained;

(j) no occurrence of any event that would result in any material breach of the Vendor's representations, warranties or undertaking under the SPA;

(k) all other necessary consents, approvals and permits for the transactions contemplated under the SPA having been obtained, and there being no material legal impediments in relation to the transfer of the Target Assets; and

(l) the Purchaser or the Company having obtained from an independent valuer the valuation of the Target Land Parcel and the Factory (conforming to the standard required under the Listing Rules) upon the Vendor's fulfilment of conditions (a) and (b) above in the appraised value of not less than RMB13,710,000 (equivalent to approximately HK$15,942,000) and not less than RMB50,285,000 (equivalent to approximately HK$58,471,000), respectively.

None of the conditions set out above can be waived. In the event the conditions set out above shall not have been fulfilled by 30 September 2018 (or such other date as may be agreed in writing by the parties to the SPA), or that the Purchaser or the Company notified the Vendor in writing that it is not satisfied with the results of the due diligence review pursuant to the condition above, the Vendor shall refund all consideration paid within 10 business days to the Purchaser; in the event the Purchaser and/or the Company fail to fulfill the conditions precedent that they are responsible for, the Purchaser shall pay the Vendor an amount of RMB3,795,000 (equivalent to approximately HK$4,413,000) as compensation (the "**Compensation**"), and the MOU shall then be terminated. The Compensation shall be offset by the Leasing Deposit, which in turn shall be refunded by the Vendor to the Purchaser upon termination of the MOU pursuant to the terms thereof. The SPA shall be terminated automatically after the Purchaser's receipt of the refunded consideration.

As at the Latest Practicable Date, none of the conditions precedent to the SPA had been fulfilled.

Release of the Pledge

Pursuant to the Pledge Agreement, the Vendor has pledged the land use right of the Land Parcel and the Factory to the Bank as security (up to the amount of RMB110,000,000 (equivalent to approximately HK$127,907,000)) for a loan facility to the Vendor. As at the Latest Practicable Date, the outstanding loan due to the Bank from the Vendor amounted to RMB21,000,000 (equivalent to approximately HK$24,419,000). It is expected that the Pledge shall be released within 30 days upon receipt of the Second Instalment by the Vendor.

Completion

Within 15 business days after the date on which all conditions precedent to the SPA having been fulfilled (or such other date as the Purchaser and the Vendor may agree in writing), the parties to the SPA shall make application for registration of the transfer of ownership of the Factory and the Target Land Parcel, the issuance of the new property ownership certificate of the Factory and the new land use right certificate of the Target Land Parcel under the name of the Purchaser.

INFORMATION ON THE TARGET LAND PARCEL AND THE FACTORY

The Target Assets consist of the Target Land Parcel and the Factory. The Target Land Parcel is a portion of the Land Parcel with a total site area of 145,472 square metres located in the Binhai New Area, Economic Development Zone, Yuyao, Zhejiang Province, the PRC. The premium for the Land Parcel has been duly paid in full and the land use right certificate of the Land Parcel is currently held by the Vendor. Based on the development documents, the Target Land Parcel has a total site area of 49,306.92 square metres, on which the Target Factory is built. Based on the development documents, the total gross floor area of the Factory is 27,292.79 square metres. As at the Latest Practicable Date, the construction of the Factory was completed.

It is a condition precedent to the Acquisition that the Vendor should have obtained a stand-alone land use right certificate in relation to the Target Land Parcel (with a total site area of not less than 49,000 square metres) and the property ownership certificate of the Factory (with the total gross floor area of not less than 27,000 square metres). According to the PRC legal adviser, as at the Latest Practicable Date, the Vendor had submitted the relevant information in relation to the Target Assets to 余姚市檔案局 (The Yuyao Municipal Archives Bureau*). Within 10 to 15 business days following the examination of such information by the Yuyao Municipal Archives Bureau*, the relevant local government authorities shall then commence processing the applications for the stand-alone land use right certificate of the Target Land Parcel and the property ownership certificate of the Factory. As advised by the PRC legal adviser, there should be no legal impediment for the Vendor to obtain each of the stand-alone land use right certificate of the Target Land Parcel and the property ownership certificate of the Factory, and it is expected that such certificates will be obtained by the Vendor before 30 September 2018. The Target Land Parcel shall be granted for a term expiring not earlier than 1 September 2064 for industrial use.

INFORMATION ON THE VENDOR

The Vendor is a company established under the laws of the PRC and is principally engaged in the property development and rental services in the PRC.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in jewelry business in Hong Kong and the PRC, as well as solar energy business in the PRC.

The Group has been expanding its solar energy business since the end of 2015. In view of the imminent need of factory premises for its business operation, the Company entered into the Framework Tenancy Agreement with the Vendor in 2015 for the Group's proposed lease of the Factory upon its construction by the Vendor. The Company intended to use the Factory as the production plant of the Coolstore cooling-stored pipes.

Having undergone the testing stage for solar-powered interior climate products, the Group commenced sales of solar photovoltaic products in 2016. With the established international sales channels by making use of the network of Suncool AB, a leading energy conservation technologies development company in Sweden, and the optimistic prospects under favourable policy environment in the PRC, the Company expected the demand for such products would increase gradually. To facilitate the production capacity in order to meet the growing demand of solar photovoltaic products, the Company, the Purchaser and the Vendor entered into the MOU in 2017 in relation to the proposed acquisition of the Factory, as well as the interim use of the Factory. The entering into of the SPA could therefore conclude the Acquisition which would enable the Group to cope with its future development while at the same time saving rental cost of the Factory in the long run.

Considering the above, the Directors (excluding Mr. Li Wei Qi, Jacky and all independent non-executive Directors) are of the view that the terms of the SPA and the transactions contemplated thereunder are on normal commercial terms after arm's length negotiations, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FUTURE PLANS FOR THE EXISTING BUSINESSES

The jewelry business

According to the annual report of the Company for the year ended 31 March 2018, segment revenue of the Group's jewelry business for the reporting year was approximately HK$27.68 million, representing a significant increase of approximately 175.8% as compared to that for the year ended 31 March 2017. Such increase in the segment revenue was primarily attributable to, among other things, the recovery of the overall PRC jewelry industry since 2017, the change in the Group's customer portfolio with a significant increase in the number of new customers, the re-establishment of the Group's sales and procurement network for its jewelry business in Hong Kong as well as the Group's engagement with additional business consultants during the year ended 31 March 2018.

The demand for jewelry depends on the national economy, market environment and consumers' purchasing power. During the several years before the year ended 31 March 2017, the overall jewelry business environment in the PRC was adversely affected by the generally weak consumer confidence as a result of the then economic stagnation. Yet, according to the statistics from the National Bureau of Statistics of the PRC, the PRC recorded an annual growth in its gross domestic product of 6.9% in 2017, which was significantly higher than the official target of 6.5% and 2016's figure of 6.7%. In the first quarter of 2018, the PRC's gross domestic product continued to grow and increased significantly by 6.8% as compared to that for the same period in 2017. On the other hand, it appears that customers have been gradually regaining confidence. In the first quarter of 2018, retail sales in the PRC increased by 9.8%, with the retail sales of jewelry having achieved an even faster growth of 20.4% as compared with the same period in 2017. In addition, during the year ended 31 March 2018, Hong Kong's economy flourished with its thriving property and stock markets, causing the purchasing power and ultimately the demand of jewelry to increase. Having recognised a robust demand in Hong Kong's jewelry market, the sales team has, in addition to the customers in the PRC, begun to build up a customer network in Hong Kong in the year ended 31 March 2018 with an aim to enhance market share. As the jewelry merchandisers in Hong Kong actively expanded their procurement network to meet the increasing demand, the Group's sales team started to contact them through the networks of business consultants, and subsequently began the procurement process after effective communications with the customers. Following the official re-establishment of sales and purchasing network, one-third of the customers of the Group's jewelry business were from Hong Kong while the remaining were from the PRC, and segment sales of the Group's jewelry business in Hong Kong accounted for approximately 28.7% of the overall annual segment sales in the year ended 31 March 2018. Taking into account the above, the Group remains positive about the future prospect of the jewelry business.

The Group currently does not have any intention to downsize its operation of the jewelry business. Upon completion of the Acquisition, the jewelry business shall continue to be one of the principal businesses of the Group. The Group has operated jewelry business in the PRC for over 10 years, during which the Group has maintained many business relationships for 5 years or above, and established a long-term network of suppliers to maintain supply stability and control procurement costs, therefore fulfilling customers' various needs. In addition, the Group has built its elite team of sales staff and business consultants who have rich knowledge and experience in sales and procurement of jewelry as well as sourcing for new customers. The Group considers its long-lasting business relationships with customers, robust supply network, extensive sourcing for new customers as well as the elite sales team and business consultants as its major competitive advantages in growing its jewelry business in the future. In the year ended 31 March 2017, the Group recruited an experienced business consultant with the aim to expand its business network and develop effective marketing strategies. In the year ended 31 March 2018, the Group has employed three more business consultants who provide services on consultation, administration, accounting and cashier, and help the Group reach out to more potential customers and suppliers. Also, the Group's sales team went to a number of jewelry shows during the year including the International Jewelry Shows in Hong Kong and Shenzhen to explore business opportunities with new customers and suppliers. During the year ended 31 March 2018, half of the customers of the Group's jewelry business were new, who in aggregate accounted for up to approximately 30% of sales for the year. The aggregated recorded income from the Group's jewelry business in April and May 2018 amounted to approximately HK$6.42 million. Going forward, having seen the success in the year ended 31 March 2018, the Group shall continue to expand its sales network and implement effective marketing strategies by, among other things, attending more jewelry trade fairs and expositions in various regions and employing more business consultants. Further, the Group plans to double the budget of sales and distribution cost to approximately HK$650,000 for the year ending 31 March 2019 in order to recruit more sales staff and develop a more flexible and successful sales strategy. Considering the above and with the effort of the Group's business team and business consultants, it is expected that the sales performance of the Group's jewelry business in both the PRC and Hong Kong will improve in the future.

In addition to the offline sales, the Group may consider to engage into electronic commerce and establish strategic partnership with other electronic commerce operation solutions providers. As at the Latest Practicable Date, the Group had entered into negotiations with a provider of electronic commerce operation solutions which provides services to a number of well-known jewelry brands. Under the potential cooperation, it is expected that the Group will, with the potential business partner's assistance and consultation, establish its online fashion jewelry shop and negotiate on procurement with wholesalers with various fashion jewelry brands of different countries, whereas the potential business partner will be responsible for the online marketing for the Group's jewelry products. Amid the generally positive prospect of the jewelry business, the Group believes the potential expansion of sales channels will help promote the brand recognition and stimulate its sales and promote brand recognition in the long run.

The solar energy business

The Group recorded segment revenue from its solar energy business since the end of 2016. According to the annual report of the Company for the year ended 31 March 2018, segment revenue of the Group's solar energy business for the reporting year was approximately HK$0.43 million, representing a significant increase of approximately 128.2% as compared to that for the year ended 31 March 2017. Such increase in the segment revenue was primarily attributable to the revenue derived from the pilot project of the solar cooling proprietary technology products and solutions launched during the year ended 31 March 2018.

In light of the increasing environmental awareness and global demand for renewable energy, it is expected that the solar energy industry will have a positive prospect in the future. In response to the Paris Agreement's target to achieve global transition to clean and renewable energy by 2050, the PRC has implemented the "13th Five-Year Plan (2016 to 2020) on Renewable Energy Development" with the aims to, among other things, promote the application of solar thermal utilisation in both urban and rural areas, and to enhance the nationwide installed capacity of solar power grids to more than 110 kilowatts by 2020. Further, it is expected that the central government will introduce various incentive policies and benefits targeting at solar energy enterprises in order to promote the development of solar energy industry.

The Group has been proactively developing its solar energy business since its engagement in such area. In late 2015, the Group obtained a 15-year patent on CoolStore cooling pipes, a solar cooling technology which consists of a unique internal structure specially processed through reversible chemical reaction of salt solution as well as realising cooling and heating function. With a high energy output and energy conversion coefficient, CoolStore cooling pipe is an epoch-making photovoltaic product which realises heating, cooling and energy storage at the same time. The CoolStore cooling pipes gained huge success in its first installation and demonstration in Europe in 2014. With the strong market position and extensive network of the patent owner, which is a pioneering Swedish clean technology enterprise and a strategic shareholder of the Company, as well as a founder in the field of solar energy and energy conservation and environmental protection, the Group has made contacts with a number of practitioners and potential partners in the field. After obtaining the licence to use the patent, in December 2015, the Company and the Vendor entered into the Framework Tenancy Agreement pursuant to which the Vendor was responsible for constructing the Factory according to the Company's requirements. In early 2017, the Group started the selling of photovoltaic components, which brought a first income of approximately HK$190,000 to the Group's solar energy business and marked a milestone of the Group's new business. In September 2017, with three years of technological support from the aforesaid Swedish patent owner, the Group completed the initial technological enhancement of localisation application and successfully launched a pilot project for introducing solar cooling proprietary technology products and solutions in Wuhu, Anhui Province, the PRC. The project recorded an income of HK$430,000. Moreover, a marketing office has been set up in Hangzhou, Zhejiang, the PRC for the Group's solar energy business to facilitate the sales team to conduct meetings with customers, thus strengthening the business network in the long run. In late 2017, after a deferral in construction by the Vendor, the construction of the Factory eventually completed and the MOU was signed in respect of the interim use of Factory. Since the beginning of 2018, the Group has produced 100 sets of collectors for Suncool AB's project in Africa, which has contributed to an income of approximately HK$420,000 in May 2018, with the remaining portion of income to be recorded next year. In April 2018, the Company, the Purchaser and the Vendor entered into the SPA in relation to the sale and purchase of the Target Assets. In the same month, the Group received a letter of intent to purchase 5,000 sets of collectors in the next two years, and subsequently received an actual order of 1,000 sets of collectors in May 2018. The production has begun and the recognition of the relevant income is expected to complete next year. In July 2018, the Group entered into an agreement with an independent customer in relation to the sale and purchase of photovoltaic components, completion of which is expected to take place in late 2018. Considering the above, the Group remains positive about the prospect of its solar energy business and expects a significant improvement in the segmental sales performance in the future.

In recent years, the Group's sales team has actively participated in exhibitions of the solar energy industry in various areas to promote the brand and locate potential customers and suppliers. Going forward, the Group will focus on strengthening its marketing in order to promote its brand and expand its customer base. In such regard, the Group plans to continue attending more trade fairs, expositions, public relations campaigns and promotional activities in various areas, as well as actively visit potential customers in the PRC including, among other things, local government bodies, educational institutions, hotel chains and hospitals. Further, as a strategic business partner with Suncool AB, the Group has been expanding its product coverage to the international market by making use of Suncool AB's strong market position and extensive network. Leveraging on Suncool AB's business expansion to the Middle East in the second half of 2018, the Group shall become Suncool AB's unique production base of Coolstore solar cooling pipes and other solar energy products. In addition, the Group has also taken part in business negotiations with customers in Africa, India and Southeast Asia, potentially enhancing the scale of the Group's overseas sales in the coming year. As set out in the section above headed "Reasons for and benefits of the Acquisition", the Acquisition will help facilitate the Group to expand its production capacity and save the rental cost in the long run. Particularly, it is expected that the number of cooling pipes to be produced by the Factory can reach up to 156,000 units annually, enabling the Group to handle orders more flexibly. As at the Latest Practicable Date, the Group had received an interest-free, unsecured loan from a Controlling Shareholder and an executive Director for the purchase of the Factory, affirming the Factory's importance as well as his confidence in the development of the Group's solar energy business. Following completion of the Acquisition, the Group plans to carry out renovation and install additional production equipment, as well as employ more procurement and production staff in order to prepare for a larger-scale production, the relevant expenditures of which are estimated to be approximately HK$1,000,000 and approximately HK$640,000 respectively for the year ending 31 March 2019. With the support of the Factory, the solar energy business team will continue to seek strategic business partners. Together with the strategic business partners, the Group wishes to develop, produce and sell more diversified products and solutions, including photovoltaic components and energy-saving household reverse cycle air-conditioners. In the future, the Group will continue to reinforce its products quality and portfolio by investing approximately HK$2,000,000 in research and development on solar heating and cooling technology, and explore other opportunities to expand its solar energy business in order to increase the return to the Shareholders.

FINANCIAL EFFECTS OF THE ACQUISITION

Effects on assets and liabilities

Upon completion of the Acquisition, it is expected that the total assets of the Group will remain unchanged as a result of the set-off between the increase in property, plant and equipment, and the decrease in bank balances and cash as well as other receivables, deposits and prepayments.

Given the Aggregate Consideration will be funded by the Group's internal cash resources, it is expected that the Acquisition will not have any immediate effect on the liabilities of the Group upon completion.

Effects on earnings

Considering the potential resulting increase of sales of solar photovoltaic products and saving in rental cost of factory, it is expected that the Acquisition will have positive impacts on the future earnings of the Group in the long run.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition is above 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules which is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

As Mr. Hu Yishi, a Controlling Shareholder, is effectively the indirect beneficial owner of approximately 34.5% in the registered capital of the Vendor, under Rule 14A.12(1)(c) of the Listing Rules, the Vendor 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 SPA constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules, which is subject to, among other things, the Independent Shareholders' approval at the EGM.

Save and except for Mr. Li Wei Qi, Jacky, a non-executive Director, in his capacity as a director of the Vendor and therefore is a connected person of the Company, none of the other Directors has a material interest in the SPA and the transactions contemplated thereunder or is required to abstain from voting on the Board resolution. Mr. Li Wei Qi, Jacky is not a shareholder of the Vendor. He abstained from voting at the Board meeting approving the SPA and the transactions contemplated thereunder.

Save for Mr. Hu Yishi and Mr. Li Wei Qi, Jacky (and their respective associates), who are respectively interested in 207,454,000 Shares and 2,736,000 Shares, representing approximately 62.85% and approximately 0.83% of the issued share capital of the Company as at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has a material interest in the Acquisition and is required to abstain from voting at the EGM to approve the SPA and the transactions contemplated thereunder.

EGM

The EGM will be convened at B2 Boardroom, the Wharney Guang Dong Hotel Hong Kong, 57-73 Lockhart Road, Wanchai, Hong Kong on Thursday, 20 September 2018 at 10:00 a.m. for the purposes of considering and, if thought fit, approving the SPA and the transactions contemplated thereunder. A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) if you so wish.

For the purpose of determining the Shareholders who are entitled to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 17 September 2018 to Thursday, 20 Septmber 2018, both dates inclusive, during which period no transfer of the Shares will be effected. In order to qualify for attending and voting at the EGM, all transfer documents should be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 14 September 2018.

RECOMMENDATIONS

The Directors (excluding Mr. Li Wei Qi, Jacky and all the independent non-executive Directors, whose views are set out in the letter from the Independent Board Committee set out on pages 18 to 19 of this circular) consider that the SPA and the transactions contemplated thereunder were entered into on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, Independent Shareholders are recommended to vote in favour of the resolution to be proposed at the EGM in respect of the entering into of the SPA and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from Independent Board Committee set out on pages 18 to 19 of this circular; (ii) the letter from Independent Financial Adviser set out on pages 20 to 37 of this circular; and (iii) the additional information set out in the appendices to this circular.

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

* *For identification purposes only*

The following is the full text of the letter from the Independent Board Committee setting out its recommendations to the Independent Shareholders in respect of the entering into the SPA and the transactions contemplated thereunder.

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)

24 August 2018

To the Independent Shareholders

Dear Sir and Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET LAND PARCEL AND THE FACTORY

We refer to the circular issued by the Company dated 24 August 2018 (the "**Circular**"), of which this letter forms part. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as the members of the Independent Board Committee to provide recommendations to the Independent Shareholders as to whether the terms of the SPA and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote after taking into account the advice of the Independent Financial Adviser.

Astrum Capital Management Limited has been appointed as the Independent Financial Adviser to advise us in relation to the entering into of the SPA and the transactions contemplated thereunder. Details of its advice, together with the principal factors and reasons taken into account in arriving at such advice, are set out in its letter on pages 20 to 37 of the Circular. Your attention is also drawn to the Letter from the Board set out on pages 5 to 17 of the Circular and additional information set out in the appendices to the Circular.

Having considered the advice of and recommendations from the Independent Financial Adviser as set out in its letter of advice, we consider that the terms of the SPA and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) to be proposed at the EGM.

Yours faithfully,
Independent Board Committee

Wu Chi Keung	**Kwok Pui Ha**	**Jin Qingjun**

Independent non-executive Directors

Room 2704, 27/F, Tower 1, Admiralty Centre,
18 Harcourt Road, Admiralty, Hong Kong

24 August 2018

To the Independent Board Committee and
the Independent Shareholders of
Zhong Fa Zhan Holdings Limited

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET LAND PARCEL AND THE FACTORY

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the independent board committee (the "**Independent Board Committee**") and the independent shareholders (the "**Independent Shareholders**") of Zhong Fa Zhan Holdings Limited (the "**Company**") in relation to the acquisition (the "**Acquisition**") of a parcel of land of a site area of approximately 49,000 square metres located in Binhai New Area, Economic Development Zone, Yuyao, Zhejiang Province, the PRC (the "**Target Land Parcel**") and the factory constructed on the Target Land Parcel (the "**Factory**"). The details of the Acquisition is disclosed in the announcement of the Company dated 24 April 2018 (the "**Announcement**") and in the letter from the Board (the "**Letter from the Board**") set out on pages 5 to 17 of the circular of the Company dated 24 August 2018 (the "**Circular**") to its shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise defined.

On 24 April 2018 (after the Stock Exchange trading hours), the Company, the Purchaser, being a wholly-owned subsidiary of the Company, and the Vendor entered into the SPA, pursuant to which the Purchaser has conditionally agreed to purchase by itself or any wholly-owned subsidiary of the Company established in the PRC, and the Vendor has conditionally agreed to sell the Target Assets (comprising the Factory and the Target Land Parcel), at the Aggregate Consideration of RMB59,212,000 (equivalent to approximately HK$68,851,000), subject to adjustment.

As the highest applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition is above 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules which is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

As Mr. Hu Yishi, a Controlling Shareholder, is effectively the indirect beneficial owner of approximately 34.5% in the registered capital of the Vendor, under Rule 14A.12(1)(c) of the Listing Rules, the Vendor 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 SPA constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules, which is subject to, among other things, the Independent Shareholders' approval at the EGM.

Save and except for Mr. Li Wei Qi, Jacky, a non-executive Director, in his capacity as a director of the Vendor and therefore is a connected person of the Company, none of the other Directors has a material interest in the SPA and the transactions contemplated thereunder or is required to abstain from voting on the Board resolution approving the SPA and the transactions contemplated thereunder. Mr. Li Wei Qi, Jacky is not a shareholder of the Vendor. He abstained from voting at the Board meeting approving the SPA and the transactions contemplated thereunder.

Save for Mr. Hu Yishi and Mr. Li Wei Qi, Jacky (and their respective associates), who were respectively interested in 207,454,000 Shares and 2,736,000 Shares, representing approximately 62.85% and approximately 0.83% of the issued share capital of the Company as at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has a material interest in the Acquisition and is required to abstain from voting at the EGM to approve the SPA and the transactions contemplated thereunder.

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Wu Chi Keung, Ms. Kwok Pui Ha and Mr. Jin Qingjun, has been established to advise the Independent Shareholders as to whether the terms of the SPA and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and as to voting in respect thereof at the EGM. We, Astrum Capital Management Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

INDEPENDENCE DECLARATION

As at the Latest Practicable Date, we were not aware of any relationships or interests between Astrum Capital Management Limited, the Company, the Purchaser, the Vendor and/or any of their respective substantial shareholders, directors or chief executive, or any of their respective associates. In the last two years, there was no other engagement between the Group and Astrum Capital Management Limited. Apart from the normal advisory fees payable to us for the relevant engagement in relation to the Acquisition, no other arrangement exists whereby we will receive any fees and/or benefits from the Group. Accordingly, Astrum Capital Management Limited is independent as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Acquisition.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have reviewed, inter alia, the Announcement, the Circular, the SPA, the Framework Tenancy Agreement, the MOU, the announcement of the Company dated 18 December 2015 in relation to the entering into of the Framework Tenancy Agreement (the "**December 2015 Announcement**"), the annual reports of the Company for the three years ended 31 March 2016, 31 March 2017 and 31 March 2018 (the "**2015/16 Annual Report**", the "**2016/17 Annual Report**" and the "**2017/18 Annual Report**", respectively). We have also reviewed certain information provided by the management of the Company (the "**Management**") relating to the operations and prospects of the Group. In addition, we have reviewed the valuation report (the "**Valuation Report**") prepared by an independent professional valuer, namely AVISTA Valuation Advisory Limited ("**Avista**"), in respect of the aggregate market value of the Target Assets as at 30 June 2018 (the "**Valuation**"), including the methodology of, and the bases and assumptions adopted for, the Valuation. Based on the foregoing steps, we consider that we have taken all the reasonable endeavors, which are applicable to the Acquisition, as referred to and required under Rule 13.80(2)(b) of the Listing Rules (including its annex notes) in forming our opinion. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussion with the Management regarding the terms of the SPA and the transactions contemplated thereunder (including the Acquisition), the businesses and future prospects of the Group. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion.

All Directors collectively and individually accept full responsibility for the purpose of giving information with regard to the Company in the Announcement and the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Announcement and the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters not contained in the Announcement and the Circular, the omission of which would make any statement herein or in the Announcement and the Circular misleading. We consider that we have performed all necessary steps to enable us to reach an informed view regarding the terms of, and the reasons for entering into, the SPA and the transactions contemplated thereunder (including the Acquisition) and to justify our reliance on the information provided so as to provide a reasonable basis of opinion. We have no reasons to suspect that any material information has been withheld by the Directors or the Management, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date. This letter is issued to provide the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the entering into of the SPA and the transactions contemplated thereunder (including the Acquisition). Except for the inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall it be used for any other purposes, without our prior written consent.

For illustration purposes, amounts in RMB in this letter have been converted into HK$ at an exchange rate of HK$1.00=RMB0.86.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinions and recommendations with regard to the Independent Board Committee and the Independent Shareholders with regard to the entering into of the SPA and the transactions contemplated thereunder (including the Acquisition), we have taken into account the following principal factors and reasons:

I. Information on the Group

According to the Letter from the Board, the Group is principally engaged in jewelry business in Hong Kong and the PRC, as well as solar energy business in the PRC.

The following table sets out the audited financial information of the Group for the four financial years ended 31 March 2015, 31 March 2016, 31 March 2017 and 31 March 2018 ("**FY2015**", "**FY2016**", "**FY2017**" and "**FY2018**", respectively) as extracted from the 2015/16 Annual Report, the 2016/17 Annual Report and the 2017/18 Annual Report:

Table 1: Financial information of the Group

	FY2015 (audited) *HK$'000*	**FY2016** (audited) *HK$'000*	**FY2017** (audited) *HK$'000*	**FY2018** (audited) *HK$'000*
Revenue	57,092	17,765	10,222	28,106
– Jewelry business	*57,092*	*17,765*	*10,034*	*27,677*
– Solar energy business	–	–	*188*	*429*
Gross profit	7,222	464	191	1,128
(Loss) for the year attributable to owners of the Company	(22,154)	(36,806)	(37,941)	(23,099)
	As at 31 March 2015 (audited) *HK$'000*	**As at 31 March 2016** (audited) *HK$'000*	**As at 31 March 2017** (audited) *HK$'000*	**As at 31 March 2018** (audited) *HK$'000*
Cash and cash equivalents *(Note)*	14,758	64,039	38,515	79,428
Total assets	37,841	73,879	45,980	103,477
Total (liabilities)	(12,351)	(2,610)	(1,850)	(76,546)
Net assets attributable to owners of the Company	25,490	71,269	44,130	26,931

Sources: *the 2015/16 Annual Report, the 2016/17 Annual Report and the 2017/18 Annual Report*

Note: Cash and cash equivalents comprise bank balances and cash as well as structured deposit.

(i) For the year ended 31 March 2016 (i.e. FY2016)

During FY2016, the Group scaled down the operation of jewelry business to wholesale only in view of the adverse business environment of the jewelry sector in the PRC domestic market, and in the meanwhile, tapped into the solar energy business in the PRC. During FY2016, the Group's newly established solar energy sector has not yet commenced business.

The Group recorded total revenue of approximately HK$17.8 million in FY2016, representing a significant decrease of approximately 68.9% as compared to approximately HK$57.1 million in FY2015. All the Group's revenue in FY2015 and FY2016 were generated from the Group's jewelry business. The decrease in revenue was mainly attributable to the poor consumer sentiment and decreasing demand for fine jewelry in the PRC. The Group's gross profit also decreased by approximately 93.6% from approximately HK$7.2 million in FY2015 to approximately HK$0.5 million in FY2016, and the gross profit margin decreased by approximately 10.0 percentage points from approximately 12.6% in FY2015 to approximately 2.6% in FY2016. We noted from the 2015/16 Annual Report that the decrease in gross profit margin was mainly attributable to the intense industry competition and the adverse business environment of the jewelry sector in the PRC domestic market. As a result of the significant decrease in gross profit, loss attributable to owners of the Company increased from approximately HK$22.2 million in FY2015 to approximately HK$36.8 million in FY2016.

In FY2016, the Company had allotted and issued 36,000,000 Shares to Suncool AB and various independent investors with gross proceeds of approximately HK$75.6 million (the "**Subscriptions**"). Therefore, the cash and cash equivalents of the Group increased significantly by approximately HK$49.3 million from approximately HK$14.8 million as at 31 March 2015 to approximately HK$64.0 million as at 31 March 2016. The total assets of the Group increased by approximately HK$36.0 million from approximately HK$37.8 million as at 31 March 2015 to approximately HK$73.9 million as at 31 March 2016.

The Group had no non-current liabilities as at 31 March 2015 and 31 March 2016. The current liabilities of the Group amounted to approximately HK$2.6 million as at 31 March 2016, representing a decrease of approximately HK$9.7 million as compared to approximately HK$12.4 million as at 31 March 2015. Such decrease was mainly attributable to the repayment of loan from a Controlling Shareholder (together with the accrued interest) of approximately HK$7.6 million.

The net assets attributable to owners of the Company increased to approximately HK$71.3 million as at 31 March 2016, representing an increase of approximately 179.6% as compared to approximately HK$25.5 million as at 31 March 2015. Such increase was mainly due to the proceeds from the Subscriptions, which was partial offset by the loss attributable to the owners of the Company for FY2016 of approximately HK$36.8 million.

(ii) For the year ended 31 March 2017 (i.e. FY2017)

In FY2017, the Group's jewelry business remained as the core operation of the Group and contributed approximately 98.2% of the Group's revenue. The Group has also undergone testing stage for its solar-powered interior climate products and commenced sales of solar photovoltaic products in FY2017. During FY2017, the solar energy segment contributed revenue of approximately HK$188,000 to the Group.

The Group recorded total revenue of approximately HK$10.2 million in FY2017, representing a significant decrease of approximately 42.5% as compared to approximately HK$17.8 million in FY2016. Such decrease was mainly attributable to the poor consumer sentiment and further decrease in demand for fine jewelry in the PRC. The Group's gross profit also decreased by approximately HK$273,000 from approximately HK$464,000 in FY2016 to approximately HK$191,000 in FY2017, and the gross profit margin further decreased by approximately 0.7 percentage point from approximately 2.6% in FY2016 to approximately 1.9% in FY2017. We noted from the 2016/17 Annual Report that the decrease in gross profit margin was mainly attributable to the keen and fierce industry competition and the further deterioration of the business environment of the jewelry sector in the PRC domestic market. As a result of the decrease in gross profit, loss attributable to owners of the Company further increased from approximately HK$36.8 million in FY2016 to approximately HK$37.9 million in FY2017.

Regarding the financial position of the Group, the total assets of the Group decreased significantly by approximately HK$27.9 million from approximately HK$73.9 million as at 31 March 2016 to approximately HK$46.0 million as at 31 March 2017. Such decrease was mainly attributable to the decrease in cash and cash equivalents of approximately HK$25.5 million. As at 31 March 2017, the Group did not have any non-current liabilities and the current liabilities of the Group only consisted of trade and other payables and accruals of approximately HK$1.9 million. The net assets attributable to owners of the Company decreased to approximately HK$44.1 million as at 31 March 2017, representing a decrease of approximately 38.1% as compared to approximately HK$71.3 million as at 31 March 2016.

(iii) For the year ended 31 March 2018 (i.e. FY2018)

During FY2018, the Group resumed the jewelry wholesale business in Hong Kong in view of the improved retail sentiment and continued to engage in the jewelry wholesale business in the PRC, and at the same time, proceeded with the development of the solar energy business. Revenue of the Group increased by approximately 175.0% from approximately HK$10.2 million in FY2017 to approximately HK$28.1 million in FY2018. Such increase was mainly attributable to the significant increase in revenue of the jewelry business. Gross profit margin of the Group increased from approximately 1.9% in FY2017 to approximately 4.0% in FY2018, which was mainly due to the contributions from new customers of jewelry business which have higher gross profit margins. However, due to the low gross profit margin, the Group's gross profit increased slightly by approximately HK$0.9 million from approximately HK$0.1 million in FY2017 to approximately HK$1.1 million in FY2018.

During FY2018, the Group maintained a strict cost control policy and the expenses incurred by the head office decreased significantly, which resulted in the decrease in administrative expenses from approximately HK$26.8 million in FY2017 to approximately HK$20.9 million in FY2018. As a result of the decrease in administrative expenses, coupled with the decrease in equity-settled share-based payment expenses of approximately HK$10.1 million, the Group's loss attributable to owners of the Company narrowed down from approximately HK$37.9 million in FY2017 to approximately HK$23.1 million in FY2018.

Regarding the financial position of the Group, the total assets of the Group increased significantly by approximately HK$57.5 million from approximately HK$46.0 million as at 31 March 2017 to approximately HK$103.5 million as at 31 March 2018. Such increase was mainly attributable to the increase in cash and cash equivalents of approximately HK$40.9 million. As at 31 March 2018, the Group did not have any non-current liabilities. In FY2018, Mr. Hu Yangjun, a controlling Shareholder, provided an interest-free loan for the amount of HK$64.6 million to the Company, and therefore the current liabilities of the Group increased significantly by approximately HK$74.7 million from approximately HK$1.9 million as at 31 March 2017 to approximately HK$76.5 million as at 31 March 2018. The net assets attributable to owners of the Company amounted to approximately HK$26.9 million as at 31 March 2018, representing a decrease of approximately 39.0% as compared to approximately HK$44.1 million as at 31 March 2017.

II. Information of the Target Land Parcel and the Factory

According to the Letter from the Board, the Target Assets consist of the Target Land Parcel and the Factory. The Target Land Parcel is a portion of the Land Parcel with a total site area of 145,472 square metres located in the Binhai New Area, Economic Development Zone, Yuyao, Zhejiang Province, the PRC. The premium for the Land Parcel has been duly paid in full and the land use right certificate of the Land Parcel is currently held by the Vendor. Based on the development documents, the Target Land Parcel has a total site area of 49,306.92 square metres, on which the Factory is built. Based on the development documents, the total gross floor area of the Factory is 27,292.79 square metres. As at the Latest Practicable Date, the construction of the Factory was completed.

It is a condition precedent to the Acquisition that the Vendor should have obtained a stand-alone land use right certificate in relation to the Target Land Parcel (with a total site area of not less than 49,000 square metres) and the property ownership certificate of the Factory (with the total gross floor area of not less than 27,000 square metres). According to the PRC legal adviser, as at the Latest Practicable Date, the Vendor had submitted the relevant information in relation to the Target Assets to 余姚市檔案局 (the Yuyao Municipal Archives Bureau*). Within 10 to 15 business days following the examination of such information by the Yuyao Municipal Archives Bureau*, the relevant local government authorities shall then commence processing the applications for the stand-alone land use right certificate of the Target Land Parcel and the property ownership certificate of the Factory. As advised by the PRC legal adviser, there should be no legal impediment for the Vendor to obtain each of the stand-alone land use right certificate of the Target Land Parcel and the property ownership certificate of the Factory, and it is expected that such certificates will be obtained by the Vendor before 30 September 2018. The Target Land Parcel shall be granted for a term expiring not earlier than 1 September 2064 for industrial use.

III. Background of, reasons for and benefits of the Acquisition

The Group is principally engaged in jewelry business in Hong Kong and the PRC, as well as solar energy business in the PRC.

In view of the continuing decrease in demand for fine jewelry due to the economic slowdown and poor consumption sentiment in the PRC, the Group determined to tap into the solar energy business in the PRC in 2015. On 1 July 2015, the Group entered into a licensing agreement with Suncool AB for the exclusive rights and permissions to use solar heating and cooling collector production technologies with CoolStore proprietary products at the core to promote solar-powered interior climate solutions and products in the Greater China region for a term of 15 years. As a return, the Group shall pay Suncool AB 5% of the relevant revenue generated from its solar energy business. According to the circular of the Company dated 13 August 2015, Suncool AB, a company incorporated under the laws of Sweden, is principally engaged in the business of exploiting solar-driven heating and cooling system. Suncool AB has over 10 years of establishment and possesses numerous patents for invention. Suncool AB is a wholly-owned subsidiary of ClimateWell AB (publ) ("**ClimateWell**"). ClimateWell, being a Swedish cleantech innovation leader, has more than 30 years of experience in developing business and products in the field of renewable energy and energy efficiency. ClimateWell's technology is currently applied in the fields of solar-powered heating and cooling in buildings, heat-driven air conditioning in heavy-duty vehicles and gas-fired water heaters for residential.

In view of the imminent need of factory premises for the commencement of its solar energy business and the production of the CoolStore cooling-stored pipes, the Group entered into the Framework Tenancy Agreement with the Vendor on 18 December 2015 pursuant to which, the Group (as tenant) may enter into a tenancy agreement with the Vendor (as landlord) in relation to the Factory to be constructed by the Vendor from time to time during the period commencing from 18 December 2015 and ending on 31 August 2017. Pursuant to the Framework Tenancy Agreement, the monthly rent of the Factory would be RMB632,500 (equivalent to approximately HK$735,000). For further details of the entering into of the Framework Tenancy Agreement, please refer to the December 2015 Announcement. During the construction of the Factory by the Vendor, the Group rent a temporary production line with maximum annual production capacity of 1,200 units of cooling-store pipes for the period commencing from July 2016 and up to September 2017 at a monthly rental rate of RMB9,166.7. After the testing stage for solar-powered interior climate products, the Group commenced sales of solar photovoltaic products in 2016. In FY2017 and FY2018, the Group's solar energy segment contributed revenue of approximately HK$188,000 and approximately HK$429,000, respectively, to the Group.

Following the expiry of the Framework Tenancy Agreement in August 2017, the Company, the Purchaser and the Vendor entered into the MOU on 13 November 2017 in relation to the proposed acquisition of the Factory (and the Target Land Parcel), as well as the interim use of the Factory. Pursuant to the MOU, the Group shall have the right to use the Factory free-of-charge until 31 March 2018. In the event no formal agreement has been entered into by the parties before 31 March 2018, the Group shall be entitled to extend its use of the Factory free-of-charge until 30 June 2018 or such other date as may be agreed between the Purchaser and the Vendor. We were given to understand by the Management that the Group moved into the Factory as its production plant of the CoolStore cooling-stored pipes in the fourth quarter of 2017 after completion of the construction of the Factory. The annual maximum capacity of the Factory reaches approximately 156,000 units of cooling-store pipes.

We have discussed with the Management in respect of the reasons for acquiring the Factory, rather than leasing the Factory as announced in December 2015. As advised by the Management, they have, from time to time, conducted regular review on the performance of the Group's solar energy business. As a strategic business partner with Suncool AB, the Group has been expanding its solar photovoltaic product coverage to the international market by making use of Suncool AB's strong market position and extensive network. Leveraging on Suncool AB's business expansion to the Middle East in the second half of 2018, the Group shall become Suncool AB's unique production base of Coolstore solar cooling pipes and other solar energy products. In recent years, the Group's sales team has actively participated in exhibitions of the solar energy industry in various areas to promote the brand and locate potential customers and suppliers and also taken part in business negotiations with customers in Africa, India and Southeast Asia, potentially enhancing the scale of the Group's overseas sales in the coming year. Furthermore, the Group will focus on strengthening its marketing in order to promote its brand and expand its customer base by attending more trade fairs, expositions, public relations campaigns and promotional activities in various areas, and actively visiting potential customers in the PRC (including but not limited to local government bodies, educational institutions, hotel chains and hospitals). In FY2018, Mr. Hu Yangjun, a controlling Shareholder, provided an interest-free loan for the amount of HK$64.6 million to the Company for the settlement of the Aggregate Consideration, affirming the Factory's importance as well as his confidence in the development of the Group's solar energy business. Following completion of the Acquisition, the Group plans to carry out renovation and install additional production equipment, as well as employ more procurement and production staff in order to prepare for a larger-scale production, the relevant expenditures of which are estimated to be approximately HK$1 million and approximately HK$640,000 respectively for the year ending 31 March 2019. With the support of the Factory, the solar energy business team will continue to seek strategic business partners. Together with the strategic business partners, the Group wishes to develop, produce and sell more diversified products and solutions, including photovoltaic components and energy-saving household reverse cycle air-conditioners. In the future, the Group will continue to reinforce its products quality and portfolio by investing approximately HK$2 million in research and development on solar heating and cooling technology, and explore other opportunities to expand its solar energy business in order to increase the return to the Shareholders.

Notwithstanding the fact that revenue derived from the Group's solar energy business in FY2017 and FY2018 accounted for less than 5% of the Group's total revenue for the respective period, having considered (i) the established international sales channels by making use of the network of Suncool AB, a leading energy conservation technologies development company in Sweden; (ii) the development plan of the Group's solar energy business as detailed above; and (iii) the optimistic prospects of the solar energy industry under favourable policy environment in the PRC, the Company expects that the demand for the Group's solar photovoltaic products would increase gradually and the solar energy business segment would be one of the core revenue drivers of the Group in the long run. As advised by the Management, in April 2018, the Group has received a letter of intent from an existing customer (the "**Existing Customer**") ordering 5,000 sets of solar collectors, comprising an aggregate of 25,000 CoolStore cooling-stored pipes, in the next two years. In May 2018, the Group has received a purchase order with 1,000 sets of solar collectors from the Existing Customer and it is expected that the delivery of the solar collectors will be made in the second half of 2018. The Group also entered into an agreement with an independent customer in relation to the sale and purchase of photovoltaic components in July 2018, completion of which is expected to take place in late 2018. In view of the above, we concur with the Management's view that it is crucial for the Group to secure a production base for its solar photovoltaic products on a long-term basis.

As compared to leasing, the Acquisition would allow the Group to save the rental cost of the Factory and eliminate the potential adverse impact of rental increment on the Group and in turn, lower the operating cost of the solar energy business in the long run. Pursuant to the Framework Tenancy Agreement, the annual rent of the Factory (the "**Indicative Annual Rent**") is RMB7,590,000 (equivalent to approximately HK$8,826,000). Assuming the Indicative Annual Rent remains constant in the long run, the Aggregate Consideration of RMB59,212,000 (equivalent to approximately HK$68,851,000) represents approximately 8 years of payment of the Indicative Annual Rent. Having considered (i) the solar energy business segment is considered to be one of the core revenue drivers of the Group in the long run; (ii) the Aggregate Consideration merely represents approximately 8 years of payment of the Indicative Annual Rent; and (iii) the Aggregate Consideration will be funded by the Group's internal cash resources and based on the Group's audited cash and cash equivalents of approximately HK$79.4 million as at 31 March 2018, it is expected that the Group would have sufficient internal cash resources to settle the Aggregate Consideration and continue its normal business operation, we are of the opinion that the Acquisition represents a good opportunity for the Group to secure a long-term production base to cope with its future development, and prevent unnecessary expenses, effort, time and interruption of business as well as the recurrence of initial investment costs (such as initial set up cost) caused by relocation of the Factory in the near future.

Having considered the above, in particular the facts that (i) it is expected that the demand for the Group's solar photovoltaic products would increase gradually; (ii) the solar energy business segment is considered to be one of the core revenue drivers of the Group in the long run; (iii) the Acquisition would enable the Group to secure a long-term production base to cope with its future development, and prevent unnecessary expenses, effort, time and interruption of business as well as the recurrence of initial investment costs caused by relocation of the Factory in the near future; (iv) the Acquisition would allow the Group to save the rental cost of the Factory and eliminate the potential adverse impact of rental increment on the Group and in turn, lower the operating cost of the solar energy business in the long run; and (v) the terms of the SPA, including the Aggregate Consideration, are fair and reasonable and on normal commercial terms (please refer to our analysis as set out in the paragraph headed "*IV. Terms of the SPA*" below), we are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

IV. Terms of the SPA

The principal terms of the SPA are set out as follows:

Date: 24 April 2018 (after the Stock Exchange trading hours)

Parties:
(i) the Company;

(ii) the Purchaser, being a wholly-owned subsidiary of the Company; and

(iii) the Vendor.

Assets to be acquired: The Target Assets to be acquired by the Purchaser or any wholly-owned subsidiary of the Company established in the PRC comprise (i) the Target Land Parcel; and (ii) the Factory.

The original acquisition cost of the Target Land Parcel amounted to RMB10,207,000 (equivalent to approximately HK$11,869,000). The original acquisition cost of the Factory based on the estimated construction cost as at the date of the SPA amounted to RMB49,000,000 (equivalent to approximately HK$56,977,000).

(i) the Aggregate Consideration

The Factory Consideration is RMB49,000,000 (equivalent to approximately HK$56,977,000), subject to adjustment, and the Target Land Parcel Consideration is RMB10,212,000 (equivalent to approximately HK$11,874,000). The Aggregate Consideration is RMB59,212,000 (equivalent to approximately HK$68,851,000), subject to adjustment as set out in the sub-paragraph headed "*(ii) Adjustment to the Aggregate Consideration*" below, which shall be paid to the Vendor and settled by the Purchaser in the following manner:

(a) as to RMB10,000,000 (equivalent to approximately HK$11,628,000) shall be payable by the Purchaser within 30 days upon signing of the SPA;

(b) as to RMB11,000,000 (equivalent to approximately HK$12,791,000) shall be payable by the Purchaser within seven days upon the passing of the necessary resolution(s) by the Independent Shareholders at the EGM to approve the SPA and the transactions contemplated thereunder;

(c) as to RMB20,000,000 (equivalent to approximately HK$23,255,000) shall be payable by the Purchaser on the date of completion of registration of transfer and obtaining of the land use right certificate and the property ownership certificate or the fixed assets certificate of the Target Assets under the name of the Purchaser, whereupon the Purchaser and the Vendor shall enter into a pledge agreement to pledge the land use rights of the Target Land Parcel and the Factory to the Vendor in order to secure the Purchaser's payment obligation of the Outstanding Balance (as set out in (d) below), which shall be released by the Vendor upon receipt of the Aggregate Consideration (subject to adjustment) in full; and

(d) as to the Outstanding Balance of RMB18,212,000 (equivalent to approximately HK$21,177,000), subject to adjustment below, shall be payable by the Purchaser (a) as to RMB3,795,000 (equivalent to approximately HK$4,413,000) by set off against the Leasing Deposit; and (b) as to RMB14,417,000 (equivalent to approximately HK$16,764,000) in cash, upon the later of:

(x) the date falling on the first anniversary of the date of the SPA; and

(y) completion of registration of transfer and the obtaining of the land use right certificate and the property ownership certificate or the fixed assets certificate of the Target Assets under the name of the Purchaser.

According to the Letter from the Board, the Aggregate Consideration was determined after arm's length negotiations between the Company, the Purchaser and the Vendor with reference to the aggregate preliminary appraised value of the Target Assets of RMB63,995,000 (equivalent to approximately HK$74,413,000) as at 28 February 2018 as assessed by an independent valuer. As at 30 June 2018, the aggregate appraised value of the Target Assets amounted to RMB64,190,000 (equivalent to approximately HK$74,640,000).

The Valuation

As advised by the Management, the Group has engaged Avista to perform the Valuation on the market value of the Target Assets as at 30 June 2018 (the "**Valuation Date**"). In order to assess the fairness and reasonableness of the Aggregate Consideration, we have obtained and enquired with Avista (i) the terms of engagement letter between the Company and Avista in respect of the Valuation; (ii) the relevant qualification and experience of Avista; and (iii) the steps and due diligence measures taken by Avista for preparing the Valuation Report. We have reviewed the engagement letter between the Company and Avista in respect of the Valuation, and are satisfied that the terms of the engagement letter between the Company and Avista are appropriate to the opinion that Avista is required to provide. We have discussed with Avista in relation to their experiences and were given to understand that Mr. Oswald Au, the person-in-charge of the Valuation, is a member of Hong Kong Institute of Surveyors (General Practice) and Associate Member of Australian Property Institute. He is also a Registered Professional Surveyor (General Practice) registered with Surveyors Registration Board. He has over 10 years' experience in the valuation of properties including Hong Kong, the PRC, the United States of America, Canada, East and Southeast Asia including Singapore, Japan and Korea. Avista has also confirmed that they are independent to the Company, the Purchaser, the Vendor and/or any of their respective substantial shareholders, directors or chief executive, or any of their respective associates. We are of the view that Avista possesses sufficient professional qualifications and independence required to perform the Valuation.

- Valuation methodology

  We have discussed with Avista regarding the methodology of the Valuation and were given to understand that they have considered three different generally accepted approaches, namely market approach, income approach and cost approach, in arriving at the market value of the Target Assets (comprising the Factory and the Target Land Parcel) as at the Valuation Date. However, due to the nature and structures of the Target Assets, there are no market sales comparables readily available and therefore, Avista considers the market approach not applicable to the Valuation. In respect of income approach, having considered that (i) income approach requires a reliable and justifiable financial estimation (such as projected revenue, operating costs and risk-adjusted discount rate); and (ii) the Target Assets are properties, rather than a company, and therefore, no cash flow forecast in respect of the Target Assets could be prepared for valuation purpose, Avista considers that income approach is also not applicable to the Valuation. In view of the above, Avista subsequently determined to value the Target Assets by using the cost approach with reference to the depreciated replacement cost of the Target Assets, which is based on an estimate of the market value for the Target Land Parcel, plus the current cost of replacement (reproduction) of the Factory, less deductions for physical deterioration and all relevant forms of obsolescence and optimization.

As advised by Avista, they have adopted the market approach in assessing the market value of the Target Land Parcel. Market comparison approach is a method to estimate the value of the land after selecting similar land traded in the market close to the Valuation Date, and adjusting the transaction price of such similar land after taking into account the plot ratio, term of land use right, land use and other individual factors. Avista identified three comparable sales transactions of land (the "**Comparable Transactions**") during the period commencing from 1 July 2017 (being the twelve-month period prior to the Valuation Date) and up to the date of the Valuation Report based on certain selection criteria with reference to the characteristics of the Target Land Parcel, including but not limited to (i) being located in Binhai New Area, Yuyao, Zhejiang Province, the PRC; (ii) being used as industrial purpose; and (iii) with site area ranging from approximately 30,000 square metres to 70,000 square metres. In this regard, we have obtained from Avista, and reviewed, the details of the Comparable Transactions and noted that the Comparable Transactions met the selection criteria as set out above. Based on (i) the average market price of land per square metre with reference to the Comparable Transactions; (ii) the site area of the Target Land Parcel; and (iii) the duration of land use right of the Target Land Parcel (i.e. 50 years), Avista concluded that the reference value of the Target Land Parcel as at the Valuation Date was RMB13,900,000.

With respect to the current replacement cost of the Factory (mainly including 2 blocks of warehouse, a block of office building, a block of dormitory and the ancillary structures), Avista has made reference to the statistics published in www.gldzb.com (廣聯達指標網), a website operated under Glodon Company Limited (the shares of which are listed in Shenzhen Stock Exchange with stock code: 002410). Glodon Company Limited is a China-based software company and is also engaged in engineering cost business, engineering construction business, engineering information business and overseas business. As advised by Avista, the replacement cost of buildings is subject to various factors, including but not limited to the structure of buildings (e.g. structural steelworks and frame), use of buildings and number of floors. With reference to the statistics published in www.gldzb.com, the current replacement cost of the Factory amounted to approximately RMB51,259,000. Avista has then applied a life-determined residue ratio to the current replacement cost of the Factory based on the used life and economic useful life of the Factory. According to the Valuation Report, the reference value of the Factory as at Valuation Date amounted to approximately RMB50,290,000.

As part of our due diligence, we have obtained from Avista, and reviewed, the calculation of reference value of the Target Assets. During the course of our review and discussion with Avista, we have not identified any major factors which would lead us to cast doubt on the fairness and reasonableness of the methodologies used in arriving at the Valuation.

- Assumption

  According to the Valuation Report, Avista has adopted several assumptions in arriving at the Valuation. In particular, we noted that Avista has valued the Target Assets under the assumption that the property ownership certificate for the Factory and the land use right certificate for the Target Land Parcel (the "**Certificates**") have been obtained and the Target Assets could be freely transferred. We have discussed with Avista regarding the assumptions adopted in the Valuation and were given to understand that the Certificates had not been obtained as at the Valuation Date. Without obtaining the Certificates, Avista would attribute no commercial value to the Target Assets. For reference purpose, Avista has worked out the reference value of the Target Assets on the assumption that the Certificates have been obtained. Having considered the facts that (i) the purpose of the Valuation is to assess the market value of the Target Assets as a reference to the determination of the Aggregate Consideration; and (ii) the obtaining of the Certificates forms part of the conditions precedent (i.e. conditions (a) and (b)) to completion of the Acquisition, which could not be waived by any parties to the SPA, we agree with Avista that the adoption of the assumption regarding the obtaining of the Certificates is fair and reasonable.

  In addition, based on our further discussions with Avista, we understand that all other assumptions in the Valuation are generally adopted in other valuations of similar assets and are necessary for Avista to arrive at a reasonable estimated reference value of the Target Assets. Accordingly, we consider that the adoption of the assumptions in the Valuation is fair and reasonable.

According to the Valuation Report, the reference value of the Target Assets as at the Valuation Date was approximately RMB64,190,000 (equivalent to approximately HK$74,640,000). Having considered the facts that (i) the Aggregate Consideration was determined after arm's length negotiations between the Company, the Purchaser and the Vendor; (ii) the Aggregate Consideration represents a discount of approximately 7.8% to the reference value of the Target Assets as appraised by Avista as at the Valuation Date, we consider that the Aggregate Consideration is fair and reasonable.

(ii) Adjustment to the Aggregate Consideration

According to the Letter from the Board, the Vendor represents and warrants that the construction cost of the Factory as shown in the Confirmation shall not exceed RMB49,000,000 (equivalent to approximately HK$56,977,000). In the event the Actual Construction Cost is less than RMB49,000,000 (equivalent to approximately HK$56,977,000), the Aggregate Consideration and the Outstanding Balance shall be reduced by such difference. In the event the Actual Construction Cost is higher than the Factory Consideration, no adjustment shall be made to the Aggregate Consideration. (the "**Adjustment Mechanism**")

Having considered the facts that (i) the Confirmation on the completion cost of construction of the Factory will be issued by an independent engineering construction consulting company; and (ii) the Aggregate Consideration is only subject to downward adjustment but not upward adjustment; and (iii) any adjustment to the Aggregate Consideration will be settled by deducting the adjustment amount (being the difference between RMB49,000,000 (i.e. the original Factory Consideration) and the Actual Construction Cost) from the Outstanding Balance payable by the Purchaser to the Vendor, we consider that the Adjustment Mechanism can further safeguard the Group's interest, and is in the interests of the Company and the Shareholders as a whole.

(iii) Conclusion

Having considered the above, we are of the view that the terms of the SPA are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned.

V. Financial effects of the Acquisition

Based on our discussion with, and the representation from, the Management, we understand that the following factors have been taken into account when the Company considered the potential impact of the Acquisition on the financial performance and position of the Group:

(i) Effect on assets and liabilities

Upon completion of the Acquisition, it is expected that the total assets of the Group will remain unchanged as a result of the set-off between the increase in property, plant and equipment, and the decrease in cash and cash equivalents as well as other receivables, deposits and prepayments.

Given the Aggregate Consideration will be funded by the Group's internal cash resources, it is expected that the Acquisition will not have any immediate effect on the liabilities of the Group upon completion.

(ii) Effect on earnings

Considering the potential increase in sales of solar photovoltaic products and saving in rental cost of factory as a result of the Acquisition, it is expected that the Acquisition will have positive impacts on the future earnings of the Group in the long run.

It should be noted that the analyses above are for illustrative purpose only and do not purport to represent how the financial performance and position of the Group will be after completion of the Acquisition.

OPINION

Having taken into account the above principal factors and reasons, we are of the view that the terms of the Acquisition are on normal commercial terms and are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise, and ourselves recommend, the Independent Shareholders to vote in favor of the relevant resolution at the EGM to approve the SPA and the transactions contemplated thereunder (including the Acquisition).

Yours faithfully,
For and on behalf of
Astrum Capital Management Limited
Hidulf Kwan **Rebecca Mak**
Managing Director *Director*

Note: Mr. Hidulf Kwan has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2006 and has participated in and completed various independent financial advisory transactions.

Ms. Rebecca Mak has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under SFO since 2011 and has participated in and completed various independent financial advisory transactions.

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three years ended 31 March 2016, 2017 and 2018 are disclosed in the following documents which have been published on the website of the Stock Exchange *(http://www.hkex.com.hk)* and the website of the Company *(http://www.475hk.com)*.

- annual report of the Company for the year ended 31 March 2016 (pages 34 to 75);
- annual report of the Company for the year ended 31 March 2017 (pages 37 to 83); and
- annual report of the Company for the year ended 31 March 2018 (pages 45 to 95).

2. INDEBTEDNESS STATEMENT

As at the close of business on 30 June 2018, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had unsecured and unguaranteed borrowings from Mr. Hu Yangjun of approximately HK$73,117,000.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the normal course of business, at the close of business on 30 June 2018, the Group did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL SUFFICIENCY

The Directors, after due and careful enquiry, are of the opinion that in the absence of unforeseeable circumstances and after taking into account the cash flow impact of the Acquisition and the financial resources presently available to the Group, including internally generated funds, and the financial support from Mr. Hu Yangjun, a shareholder of the parent and ultimate holding company and an executive Director, in form of a standby facility and an undertaking about not to demand from the Group the repayment of its borrowing until the Group has the financial ability to do so, the Group will have sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2018, being the date to which the latest published audited accounts of the Group were made up to.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in jewelry business in Hong Kong and the PRC, as well as solar energy business in the PRC.

The increased purchasing power of customers in Hong Kong as well as the increased wedding jewelry demand and the 2-child policy enforced in the PRC had led to an improvement in the performance of the Group's jewelry business during the year ended 31 March 2018. In the coming year, the Group will continue to develop its jewelry business both in Hong Kong and the PRC with more resources to be allocated to sales and marketing including the recruitment of staff, the increase in exposure to jewelry business trade fairs and exhibitions, and further enhancement of customer service to achieve higher business goals.

On the other hand, the Group has been expanding its solar energy business since the end of 2015. In the year ended 31 March 2018, the Group completed the localisation of technology application with technique enhancement and successfully launched a pilot project for introducing solar cooling proprietary technology products and solutions in Wuhu, Anhui Province, the PRC. Taking into consideration, among others, the increasing environmental awareness and the recent favourable policy environment in the PRC, the Group is confident in the future prospect of the PRC solar energy market. By facilitating the production capacity in order to meet the expected growth in demand for solar photovoltaic products, the Acquisition represents an essential step of the Group towards its business expansion. The Group will continue to, among others, reinforce its operational management and develop optimised systematic products and solutions in order to achieve economic efficiency and grasp opportunities for further business growth in the future.

Going forward, the Group will continue to closely monitor the market and timely adjust its business strategies so as to maintain stability and competitive advantages. In addition, the Group will continue to explore various business opportunities, optimise business structure, strengthen resource allocation as well as attract professional talent to create greater value for its Shareholders, customers and the society.

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation as at 30 June 2018 of the property interests.

AVISTA Valuation Advisory
艾 華 迪 評 估 諮 詢

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Wan Chai, Hong Kong

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24 August 2018

The Board of Directors
Zhong Fa Zhan Holdings Limited
Unit 2202, 22nd Floor,
Chinachem Century Tower
178 Gloucester Road
Wanchai
Hong Kong

Dear Sirs/Madams,

INSTRUCTIONS

In accordance with the instructions of Zhong Fa Zhan Holdings Limited (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") for us to carry out the valuation of the property located at North side of Bihai Avenue, Binhai New City, Economic Development Zone, Yuyao City, Zhejiang Province, in the People's Republic of China (the "**PRC**") held by CECEP (Yuyao) Low Carbon Technology Development Co., Ltd. (中節能(余姚)低碳技術開發有限公司) (the "**Vendor**"). We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 30 June 2018 (the "**valuation date**").

PREMISES OF VALUE

The valuation is our opinion of market value which is defined by the Hong Kong Institute of Surveyors as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion".

BASIC OF VALUATION

In valuing the property interests, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), the HKIS Valuation Standards (2017 Edition) published by the Hong Kong Institute of Surveyors and the International Valuation Standards published from time to time by the International Valuation Standards Council.

Our valuation exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value or costs of sale and purchase or offset for any associated taxes.

VALUATION METHODOLOGY

In valuing the property interests, due to the nature of the buildings and structures of the property interests, there are no market sales comparables readily available, we have valued a property on the basis of its depreciated replacement cost. Depreciated replacement cost is defined as "the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization". It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interests is subject to adequate potential profit ability of the concerned business.

TITLE INVESTIGATION

We have been provided by the Company with copy of extract of the title documents relating to the property interests. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrances that might be attached to the property interests or any amendments which may not appear on the copies handed to us.

However, we have not searched the original documents to verify ownership or to ascertain any amendment. Due to the current registration system of the PRC under which the registration information is not accessible to the public, no investigation has been made for the title of the property interests in the PRC and the material encumbrances that might be attached. In the course of our valuation, we have relied considerably on the legal opinion given by the Company's PRC legal adviser — Everbright Law, concerning the validity of title of the properties in the PRC.

SITE INVESTIGATION

We have inspected the exterior and, where possible, the accessible portions of the interior of the properties being appraised. The inspection was carried out by Mr. Ken Feng (Manager of AVISTA Valuation Advisory Limited) and Mr. Alex Xu (Assistant Valuer of AVISTA Valuation Advisory Limited) during the date 10 April 2018 to 11 April 2018. However, we have not been commissioned to carry out structural survey nor to arrange for an inspection of the services. We are, therefore, not able to report whether the properties are free of rot, infestation or any other structural defects. We formulate our view as to the overall conditions of the properties taking into account the general appearance, the apparent standard and age of fixtures and fittings and the existence of utility services. Hence it must be stressed that we have had regard to you with a view as to whether the buildings are free from defects or as to the possibility of latent defects which might affect our valuation. In the course of our inspection, we did not note any serious defects. No tests were carried out on any of the services. We have assumed that utility services, such as electricity, telephone, water, etc., are available and free from defect.

We have not arranged for any investigation to be carried out to determine whether or not high alumina cement concrete or calcium chloride additive or pulverized fly ash, or any other deleterious material has been used in the construction of the properties. We are therefore unable to report that the properties are free from risk in this respect. For the purpose of this valuation, we have assumed that deleterious material has not been used in the construction of the properties.

We have not been commissioned to carry out detailed site measurements to verify the correctness of the land or building areas in respect of the properties but have assumed that the areas provided to us are correct. Based on our experience of valuation of similar properties, we consider the assumptions so made to be reasonable.

Moreover, we have not carried out any site investigation to determine the suitability of the ground conditions or the services for any property development erected or to be erected thereon. Nor did we undertake archaeological, ecological or environmental surveys for the property interests. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Should it be discovered that contamination, subsidence or other latent defects exists in the properties or on adjoining or neighbouring land or that the properties had been or are being put to contaminated use, we reserve right to revise our opinion of value.

SOURCE OF INFORMATION

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by the Company or the legal or other professional advisers on such matters as statutory notices, planning approval, zoning, easements, tenure, completion date of building, development proposal, identification of property, particulars of occupation, site areas, floor areas, matters relating to tenure, tenancies and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore approximations and for reference only. We have not searched original plans, developer brochures and the like to verify them.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

VALUATION ASSUMPTIONS

For the properties which are held under long term land use rights, we have assumed that transferable land use rights in respect of the property interests at nominal land use fees has been granted and that any premium payable has already been fully settled. Unless stated as otherwise, we have assumed that the respective title owner of the properties have an enforceable title of the property interests and have free and uninterrupted rights to occupy, use, sell, lease, charge, mortgage or otherwise dispose of the properties without the need of seeking further approval from and paying additional premium to the Government for the unexpired land use term as granted. Unless noted in the report, vacant possession is assumed for the property concerned.

Moreover, we have assumed that the design and construction of the properties are/will be in compliance with the local planning regulations and requirements and had been/would have been duly examined and approved by the relevant authorities.

Continued uses assumes the properties will be used for the purposes for which the properties are designed and built, or to which they are currently adapted. The valuation on the property in continued uses does not represent the amount that might be realised from piecemeal disposition of the property in the open market.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed. Moreover, it is assumed that all required licences, consents or other legislative or administrative authority from any local, provincial or national government or private entity or organisation either have been or can be obtained or renewed for any use which the report covers.

It is also assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in the valuation report. In addition, it is assumed that the utilisation of the land and improvements are within the boundaries of the properties described and that no encroachment or trespass exists, unless noted in the report.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have further assumed that the properties were not transferred or involved in any contentious or non-contentious dispute as at the valuation date. We have also assumed that there was not any material change of the properties in between dates of our inspection and the valuation date.

LIMITING CONDITION

Wherever the content of this report is extracted and translated from the relevant documents supplied in Chinese context and there are discrepancies in wordings, those parts of the original documents will take prevalent.

CURRENCY

Unless otherwise stated, all amounts are denominated in Renminbi (RMB). Our valuations are summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited
Sr Oswald W Y Au
MHKIS(GP) AAPI MSc(RE)
Registered Professional Surveyor (GP) Director

Note: Mr. Oswald W Y Au holds a Master's Degree of Science in Real Estate from the University of Hong Kong. He is also a member of Hong Kong Institute of Surveyors (General Practice) and Associate Member of Australian Property Institute. In addition, he is a Registered Professional Surveyor (General Practice) registered with Surveyors Registration Board. He has over 10 years' experience in the valuation of properties including Hong Kong, the PRC, the U.S., Canada, East and Southeast Asia including Singapore, Japan and Korea.

VALUATION CERTIFICATE

Property interests held by the Vendor in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value Attributable to the Company as at 30 June 2018 *RMB*
1.	An industrial property Located at North side of Binhai Avenue, Binhai New City, Economic Development Zone, Yuyao City, Zhejiang Province, the PRC	The property comprises 1 parcel of land with a total site area of approximately 49,306.92 sq.m. and include various industrial buildings erected thereon and was completed on 2017. The buildings have a total gross floor area of approximately 27,292.79 sq.m. (approximately 293,780 sq.ft.) and mainly include 2 blocks of warehouse, 1 block of office building and 1 block of dormitory. The ancillary structures include landscaping area and road.	The property is currently occupied by the Group for industrial use.	No commercial value (100% interest attributable to the Company: No commercial value)

Notes:

1. Pursuant to the Land Use Right Certificate (well known as State-owned Land Use Rights Certificate) – Yu Guo Yong (2014) Di No. 10899 dated 30 September 2014 with a total site area of approximately 145,472.00 sq.m. has been vested to CECEP (Yuyao) Low Carbon Technology Development Co., Ltd. (中節能（余姚）低碳技術開發有限公司), the Vendor, for a term of approximately 50 years for industrial use.

2. In accordance with the instruction from the Group, our valuation has performed to the land with a total site area of approximately 49,306.92 sq.m. and buildings have a total gross floor area of approximately 27,292.79 sq.m. thereon, however, as informed by the Group, the stand-alone Land Use Right Certificate and Property Ownership Certificate (well known as Building Ownership Certificate) have not yet been obtained.

3. Pursuant to the Yuyao City Construction Work Planning Confirmation – (2017) Zhe Gui He Zi Di No. 0213012 dated 18 December 2017 issued by Yuyao Urban Planning Bureau, the land with a total site area of approximately 49,306.92 sq.m. and the buildings have a total gross floor area of approximately 27,292.79 sq.m.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. CECEP (Yuyao) Low Carbon Technology Development Co., Ltd. (中節能(余姚)低碳技術開發有限公司) is able to transfer the land with a total site area of approximately 49,306.92 sq.m. and building to the Group validly, after obtained the stand-alone Land Use Right Certificate and Property Ownership Certificate legally;

   b. CECEP (Yuyao) Low Carbon Technology Development Co., Ltd. (中節能(余姚)低碳技術開發有限公司) is able to transfer the land with a total site area of approximately 49,306.92 sq.m. to the Group validly, after all the liquidated damages under the State-owned Land Use Rights Grant Contract have been paid or the liquidated damages have been exempted by Yuyao Bureau of Land Resources;

   c. CECEP (Yuyao) Low Carbon Technology Development Co., Ltd. (中節能(余姚)低碳技術開發有限公司) is able to transfer the land with a total site area of approximately 49,306.92 sq.m. and building to the Group validly, after the mortgage of the land and building has been released.;

   d. CECEP (Yuyao) Low Carbon Technology Development Co., Ltd. (中節能(余姚)低碳技術開發有限公司) is able to transfer the land with a total site area of approximately 49,306.92 sq.m. and building to the Group validly, if the land and building without any existing mortgage, seal and other encumbrances.; and

   e. As informed by the Group, the stand-alone Land Use Right Certificate and Property Ownership Certificate are under application.

5. In the course of our valuation, we have attributed no commercial value to the property since the property has not obtained the Land Use Right Certificate and Property Ownership Certificate. However, for reference purpose, we are of the opinion that the reference value of the property as at the valuation date would be RMB64,190,000, assuming all relevant title certificates have been obtained and the property could be freely transferred.

6. In our valuation, we have made reference to some transaction price references of land comparables in the subject and nearby development. We have adopted the range of unit rates between RMB130 to RMB155 per sq.m. The unit rates assumed by us are consistent with the said price reference. Due adjustments to the unit rates of those price reference have been made to reflect factors including but not limited to time, location and size in arriving at the key assumptions.

7. A summary of major certificates/licenses is shown as follows:

a.	Land Use Right Certificate	No
b.	Property Ownership Certificate	No
c.	Construction Works Planning Permit	Yes
d.	Construction Works Commencement Permit	Yes
e.	Construction Land Planning Permit	Yes

8. The notional value apportionment of our valuation as at the Valuation Date are shown as follows:

Building portion	: RMB50,290,000
Land portion	: RMB13,900,000
Reference Value	: RMB64,190,000

9. As confirmed by the Company that there are no material environmental and planning issues.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the Shares

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") were as follows:

Long positions

Name of Director	Capacity	Number of issued Shares held (including underlying Shares)	Approximate % of the issued share capital of the Company as at the Latest Practicable Date
Mr. Hu Yangjun	Interest in controlled corporation *(Note 1)*	204,718,000	62.03
	Beneficial owner	2,736,000	0.83
Mr. Wu Hao	Beneficial owner	2,736,000	0.83
Mr. Li Wei Qi, Jacky	Beneficial owner	2,736,000	0.83

Note:

1. The 204,718,000 Shares are held by Resources Rich Capital Limited ("**RRCL**"). Mr. Hu Yangjun holds 50% of the issued share capital of RRCL and thus, he is deemed to be interested in 204,718,000 Shares held by RRCL under the SFO.

Save for disclosure above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required, pursuant to Divisions 7 and 8 of Part XV of the SFO, to be notified to the Company and the Stock Exchange (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) where were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Persons holding 5% or more interests in Shares

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2018, being the date to which the latest audited consolidated accounts of the Company have been made up) or had options in respect of such capital:

Long positions

Name of Shareholders	Name of company	Capacity	Number of issued Shares held (including underlying Shares)	Approximate % of the issued ordinary share capital of the Company as at the Latest Practicable Date
RRCL	The Company	Beneficial owner	204,718,000	62.03
Mr. Hu Yishi	The Company	Interest in controlled corporation *(Note 1)*	204,718,000	62.03
		Beneficial owner	2,736,000	0.83
Ms. Zhang Qi *(Note 2)*	The Company	Interest of spouse	207,454,000	62.85
Ms. Lin Min, Mindy *(Note 3)*	The Company	Interest of spouse	207,454,000	62.85
Suncool AB *(Note 4)*	The Company	Beneficial owner	30,000,000	9.09
Stiftelsen Industrifonden *(Note 5)*	The Company	Interest in controlled corporation	30,000,000	9.09

Notes:

1. RRCL is owned as to 50% by Mr. Hu Yangjun and 50% by Mr. Hu Yishi. Mr. Hu Yangjun and Mr. Hu Yishi are deemed to be interested in the 204,718,000 Shares held by RRCL under the SFO. Mr. Hu Yangjun and Mr. Hu Yishi are both directors of RRCL.

2. Ms. Zhang Qi is the spouse of Mr. Hu Yangjun. Accordingly, she is deemed to be interested in the 207,454,000 Shares which Mr. Hu Yangjun is interested in pursuant to the SFO.

3. Ms. Lin Min, Mindy is the spouse of Mr. Hu Yishi. Accordingly, she is deemed to be interested in the 207,454,000 Shares which Mr. Hu Yishi is interested in pursuant to the SFO.

4. According to the disclosure of interests notices filed by Suncool AB, Suncool AB has interest in 30,000,000 Shares, of which 24,000,000 Shares represent the warrants granted by the Company to subscribe for 24,000,000 Shares at the subscription price of HK$2.5 per Share.

5. According to the disclosure of interests notices filed by Stiftelsen Industrifonden, Stiftelsen Industrifonden controls 47% interest in Suncool AB. Stiftelsen Industrifonden is deemed to be interested in the 30,000,000 Shares held by Suncool AB pursuant to the SFO, of which 24,000,000 Shares represent the warrants granted to Suncool AB by the Company to subscribe for 24,000,000 Shares at the subscription price of HK$2.5 per Share.

Save for disclosed above, as at the Latest Practicable Date, the Directors were not aware of any interest or short position owned by any persons (other than the Directors or chief executive of the Company) in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or was directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2018, being the date to which the latest audited consolidated accounts of the Company have been made up) or who had options in respect of such capital.

3. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2018, being the date to which the latest audited consolidated accounts of the Company have been made up) which did not expire or might not be determined within one year without payment of compensation, other than statutory compensation.

5. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, save and except for Mr. Li Wei Qi, Jacky, a non-executive Director, in his capacity as a director of the Vendor, none of the Directors was materially interested in any contract or arrangement which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2018, being the date to which the latest audited consolidated accounts of the Company have been made up).

As at the Latest Practicable Date, save and except for Mr. Li Wei Qi, Jacky, a non-executive Director, in his capacity as a director of the Vendor, none of the Directors had any interest, directly or indirectly, in any assets which had been, since 31 March 2018 (being the date to which the latest audited consolidated accounts of the Company have been made up), acquired or disposed of by or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2018, being the date to which the latest audited consolidated accounts of the Company have been made up), or were proposed to be acquired or disposed of by or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2018, being the date to which the latest audited consolidated accounts of the Company have been made up).

6. LITIGATION

As at the Latest Practicable Date, there was no litigation or claims of material importance pending or threatened against any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2018, being the date to which the latest audited consolidated accounts of the Company have been made up).

7. EXPERTS AND CONSENTS

The following are the qualifications of the experts, who have given opinions contained in and referred to in this circular:

Name	Qualification
AVISTA Valuation Advisory Limited	an independent property valuer
Astrum Capital Management Limited	a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, each of the experts above had given and had not withdrawn its consent to the issue of this circular with the inclusion of its report or letter, as the case may be, and the reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of the experts above did not have any shareholding in any member of the Group, nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the experts above did not have any interest, either direct or indirect, in any assets which had been since 31 March 2018, being the date to which the latest audited consolidated accounts of the Company have been made up, acquired or disposed of by or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2018, being the date to which the latest audited consolidated accounts of the Company have been made up) or were proposed to be acquired or disposed of by or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2018, being the date to which the latest audited consolidated accounts of the Company have been made up).

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) were entered into by any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2018, being the date to which the latest audited consolidated accounts of the Company have been made up) within two years immediately preceding the date of this circular:

(i) a sale and purchase agreement dated 30 August 2017 entered into between the 余姚市億恒太陽能科技有限公司 (Yuyao Yiheng Solar Technology Company Limited*), a wholly-owned subsidiary of the Company, and 海南凱興科技開發有限公司 (Hainan Kay Hing Technology Development Company Limited*) pursuant to which Yuyao Yiheng Solar Technology Company Limited agreed to purchase and Hainan Kay Hing Technology Development Company Limited agreed to sell the Factory at the consideration of RMB3,950,000 (equivalent to HK$4,593,000);

(ii) the MOU; and

(iii) the SPA.

9. MISCELLANEOUS

(a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The head office and principal place of business in Hong Kong of the Company is situated at Room 2202, 22/F., Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong.

(c) The branch share registrar of the Company in Hong Kong is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The company secretary of the Company is Mr. Chow Chi Shing, who is a certified public accountant.

(e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text thereof.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (except public holidays in Hong Kong) from the date of this circular up to the date of the EGM at the head office and principal place of business of the Company in Hong Kong at Room 2202, 22/F., Chinachem Centry Tower, 178 Gloucester Road, Wanchai, Hong Kong:

(i) the memorandum and articles of association of the Company;

(ii) the letter from the Board, the text of which is set out on pages 5 to 17 of this circular;

(iii) the letter from the Independent Board Committee, the text of which is set out on pages 18 to 19 of this circular;

(iv) the letter from the Independent Financial Adviser, the text of which is set out on pages 20 to 37 of this circular;

(v) the annual reports of the Company for each of the three financial years ended 31 March 2018;

(vi) the letter and report from AVISTA Valuation Advisory Limited in relation to the valuation of the Target Assets, the text of which is set out on pages II-1 to II-7 of this circular;

(vii) the material contracts referred to in the paragraph headed "Material contracts" in this Appendix, the text of which is set out on page III-6 of this circular;

(viii) the written consents referred to in the paragraph headed "Experts and consents" in this appendix, the text of which is set out on pages III-5 to III-6 of this circular; and

(ix) this circular.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Zhong Fa Zhan Holdings Limited (the "**Company**") will be held at B2 Boardroom, the Wharney Guang Dong Hotel Hong Kong, 57-73 Lockhart Road, Wanchai, Hong Kong on Thursday, 20 September 2018 at 10:00 a.m. (or an adjournment thereof) for the purpose of considering and, if thought fit, passing the following resolution (with or without modifications):

ORDINARY RESOLUTION

1. "**THAT**

(a) the conditional sale and purchase agreement dated 24 April 2018 (the "**SPA**") (a copy of which has been tabled at the meeting marked "A" and initialled by the chairman of the meeting for the purpose of identification) entered into among the Company, 寧波升谷節能科技有限公司 (Ningbo Shenggu Energy Reservation Technology Co., Ltd.*) (the "**Purchaser**") and 中節能(余姚)低碳技術開發有限公司 (CECEP (Yuyao) Low Carbon Technology Development Co., Ltd.*) (the "**Vendor**") pursuant to which the Purchaser has conditionally agreed to purchase by itself or any wholly-owned subsidiary of the Company established in the People's Republic of China (the "**PRC**"), and the Vendor has conditionally agreed to sell, the parcel of land of a site area of approximately 49,000 square metres located in Binhai New Area, Yuyao, Zhejiang Province, the PRC together with the factory constructed on it at the aggregate consideration of RMB59,212,000, subject to adjustment, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any one director of the Company be and is hereby authorised on behalf of the Company to take all steps necessary, appropriate, desirable or expedient in his/her opinion to be in the interests of the Company and its shareholders as a whole to approve and implement and/or give effect to the SPA and the transactions contemplated thereunder, including, inter alia, (i) to sign, seal, execute, perfect, deliver, submit, and/or implement the SPA and the transactions contemplated thereunder, and any documents, instruments, deeds and agreement in connection with or pursuant to the SPA; (ii) to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents, which are not fundamentally different from those as provided under the SPA); and (iii) to exercise all such powers and do all such necessary acts and things to give effect to and/or implement the SPA and the transactions contemplated thereunder."

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

Hong Kong, 24 August 2018

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Room 2202, 22/F.
Chinachem Century Tower
178 Gloucester Road
Wanchai
Hong Kong

Notes:

(1) Any shareholder of the Company (the "**Shareholder**") entitled to attend or vote at the EGM is entitled to appoint one or more proxies to attend and vote on behalf of him. A proxy need not be a Shareholder.

(2) Where there are joint holders of any shares, any one such joint holder may vote at the EGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders is present at the EGM personally or by proxy, the person whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

(3) A form of proxy for use in connection with the EGM is enclosed and such form of proxy is also published on the websites of the Stock Exchange (*http://www.hkexnews.hk*) and the Company (*http://www.475hk.com*) respectively.

(4) In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof must be deposited at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting (as the case may be).

(5) For the purpose of determining the Shareholders who are entitled to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 17 September 2018 to Thursday, 20 September 2018, both dates inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for attending and voting at the EGM, all transfer documents should be lodged for registration with Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, 14 September 2018.

(6) In accordance with the relevant requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and for good corporate governance practice, the chairman of the board of directors of the Company has indicated that he would direct that the resolution set out in the notice of the EGM be voted on by poll. The results of the poll will be published on the websites of The Stock Exchange of Hong Kong Limited *(www.hkexnews.hk)* and the Company *(www.475hk.com)* respectively.

* *For identification purpose only*

As at the date of this notice, the board of directors of the Company 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, Ms. Kwok Pui Ha and Mr. Jin Qingjun.