

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 (the "Company"), 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.

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ZHONG FA ZHAN HOLDINGS LIMITED

中發展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 475)

- (1) ISSUE OF SHARES AND WARRANTS UNDER SPECIFIC MANDATE TO SUNCOOL AB;**
- (2) ISSUE OF SHARES UNDER SPECIFIC MANDATE TO THE INVESTORS;**
- (3) THE ENTERING INTO OF THE LICENCE AGREEMENT;**
- (4) THE ENTERING INTO OF THE CONSULTANCY AGREEMENT; AND**
- (5) NOTICE OF EGM**

A notice convening the extraordinary general meeting of the Company to be held at B2 Boardroom, The Wharney Guang Dong Hotel Hong Kong, 57-73 Lockhart Road, Wanchai, Hong Kong on Tuesday, 8 September 2015 at 10:45 a.m. ("EGM") or any adjournment thereof is set out on pages 37 to 42 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.

13 August 2015

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DEFINITIONS

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

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| “associate(s)” | has the same meaning as ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “Business Day(s)” | a day, other than a Saturday and Sunday and a day on which a tropical cyclone warning no. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m., on which licensed banks in Hong Kong are open for general banking business throughout their normal business hours |
| “ClimateWell” | ClimateWell AB (publ), a company incorporated under the laws of Sweden, being the holding company of Suncool AB |
| “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 |
| “Confidentiality Agreement” | the separate confidentiality agreement entered into between Suncool AB and Nation Power on 1 July 2015 in accordance with the terms of the Licence Agreement in respect of the exchange of confidential information |
| “connected person(s)” | has the meaning ascribed thereto in the Listing Rules |
| “Consultancy Agreement” | the consultancy agreement entered into between CULCE (Jiangyin) and the Company on 1 July 2015 |
| “CoolStore” | Suncool AB’s CoolStore concept for solar heating and cooling collectors, based on ClimateWell’s proprietary triple-state absorption technology |
| “CoolStore Field of Use” | solar thermal powered indoor climate solutions for buildings |
| “CoolStore IPR” | IPR related to CoolStore within the CoolStore Field of Use and CoolStore Territory |

DEFINITIONS

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| “CoolStore Territory” | Greater China, including the PRC, Taiwan, Hong Kong and Macau Special Administrative Region of the PRC |
| “CULCE (Jiangyin)” | China-UK Low Carbon Enterprise (Jiangyin) Investment Management Ltd, a company established in the PRC |
| “Directors” | the directors of the Company |
| “EGM” | the extraordinary general meeting of the Company to be convened and held to approve, among others, the Subscription Agreements and the Specific Mandate |
| “Exercise Price” | HK\$2.50, at which the holder of the Warrants may subscribe for each Warrant Share |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Third Party(ies)” | person(s) or entity(ies) who/which is/are independent of and not connected with any connected person of the Company, and not a connected person of the Company |
| “Investor A” | Zheng Yifei |
| “Investor B” | Li Xi |
| “Investor C” | Wu Xunzhi |
| “Investor D” | Cui Weizhen |
| “Investor E” | Zou Ping |
| “Investor F” | Li Kai Kai, Bobo |
| “Investor Subscription Agreements” | the subscription agreements dated 1 July 2015 entered into by the Company and each of the Investors in relation to the Investor Subscriptions |
| “Investor Subscription Shares” | 36,000,000 new Shares in aggregate to be allotted and issued to the Investors pursuant to the Investor Subscription Agreements |

DEFINITIONS

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| “Investor Subscriptions” | the subscriptions in an aggregate amount of 36,000,000 Investor Subscription Shares by the Investors pursuant to the terms of the Investor Subscription Agreements |
| “Investors” | the Investor A, the Investor B, the Investor C, the Investor D, the Investor E and the Investor F |
| “IPR” | the intellectual property rights which include (whether registered or not, including applications for the registration of the following): i) inventions, patents, including reissues, divisions, continuations and extensions thereof; ii) trademarks, trade names and domain names; iii) designs; iv) copyrights in works of authorship of any kind (including copyrights in software), neighbouring rights and database rights; and v) any other rights of similar kind as any of the foregoing |
| “Issue Price” | nil per Warrant pursuant to the Warrant Subscription |
| “Last Trading Day” | 30 June 2015, being the last trading day of the Shares on the Stock Exchange prior to the publication of the announcement of the Company dated 5 July 2015 |
| “Latest Practicable Date” | 10 August 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein |
| “Licence Agreement” | the licence agreement dated 1 July 2015 entered into between Suncool AB and Nation Power in relation to the grant of exclusive right and licence to Nation Power to exploit the CoolStore IPR and the Licensed Technology within the CoolStore Field of Use and CoolStore Territory for a term of 15 years upon the Suncool Subscription Completion |
| “Licensed Technology” | the technologies related to the CoolStore IPR including the patents and know-how owned by Suncool AB within the CoolStore Territory |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |

DEFINITIONS

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| “Nation Power” | Nation Power Group Limited, a company incorporated in the British Virgin Islands, is a wholly-owned subsidiary of the Company |
| “NP Group” | Nation Power or the WFOE or any wholly-owned subsidiary/ies of Nation Power |
| “PRC” | the People’s Republic of China, for the purpose of this circular, shall exclude Taiwan, Hong Kong and Macau Special Administrative Region of the PRC |
| “Revenue” | <p>the gross selling price, which the NP Group has invoiced its customers dealing on arms-length basis, less the following amounts:</p> <ul style="list-style-type: none">(i) trade discounts;(ii) costs for packing, transport and insurance of the product;(iii) the invoiced cost (CIF, Incoterms 2010) paid by the NP Group for any components purchased from Suncool AB and incorporated in a product;(iv) import duties, value-added tax or similar indirect taxes, customs clearance charges imposed by competent authorities on components mentioned in (iii) above |
| “Royalty” | fees payable by Nation Power or the relevant entities to be mutually agreed by Nation Power and Suncool AB to Suncool AB as set out in the Licence Agreement |
| “SEK” | Swedish Krona, the lawful currency of Sweden |
| “SFC” | the Securities and Futures Commission 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 |
| “Solar Business” | the manufacturing and distribution of cooling-stored pipes based on the CoolStore IPR and the Licensed Technology |

DEFINITIONS

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| “Specific Mandate” | the specific mandate required to be granted to the Directors by the Shareholders at the EGM for allotment and issue of the Subscription Shares and the Warrant Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscribers” | Suncool AB and the Investors |
| “Subscription Agreements” | the Suncool Subscription Agreement and the Investor Subscription Agreements |
| “Subscription Completion ” | completion of the Suncool Subscriptions and/or the Investor Subscriptions, as the case may be |
| “Subscription Shares” | Suncool Subscription Shares and Investor Subscription Shares |
| “Subscriptions” | Suncool Subscriptions and the Investor Subscriptions |
| “Suncool AB” | Suncool AB, a company incorporated under the laws of Sweden |
| “Suncool Share Subscription” | the subscription of 6,000,000 Suncool Subscription Shares by Suncool AB pursuant to the terms of the Suncool Subscription Agreement |
| “Suncool Subscription Agreement” | the subscription agreement dated 1 July 2015 entered into between the Company and Suncool AB in relation to the Suncool Subscriptions |
| “Suncool Subscription Completion” | completion of the Suncool Subscriptions |
| “Suncool Subscription Shares” | 6,000,000 new Shares to be allotted and issued to Suncool AB pursuant to the Suncool Subscription Agreement |
| “Suncool Subscriptions” | the Suncool Share Subscription and the Warrant Subscription |
| “Valuation Report” | the valuation report dated 13 August 2015 issued by the Valuer of the Warrants, the text of which is set out in Appendix I to this circular |

DEFINITIONS

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| “Valuer” | Asset Appraisal Limited, an independent valuer appointed by the Company for the valuation of the Warrants |
| “Warrant(s)” | the 24,000,000 unlisted warrant(s) carrying the subscription rights to subscribe for new Share(s) to be issued by the Company to Suncool AB pursuant to the Suncool Subscription Agreement |
| “Warrant Share(s)” | new Share(s) to be allotted and issued upon the exercise of the subscription rights attaching to the Warrants |
| “Warrant Subscription” | the subscription of the Warrants by Suncool AB pursuant to the terms of the Suncool Subscription Agreement |
| “WFOE” | a wholly foreign owned enterprise to be established by the Group in the PRC to operate the Solar Business |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “%” | per cent. |



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. Hu Yishi
Mr. Chan Wing Yuen, Hubert (*Chief Executive*)
Ms. Kwong Wai Man, Karina (*Chief Financial Officer*)

Registered office:

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

Non-Executive Director:

Mr. Li Wei Qi, Jacky

*Head office and principal place of
business in Hong Kong:*

23/F., Chinachem Century Tower
178 Gloucester Road
Wanchai
Hong Kong

Independent Non-Executive Directors:

Mr. Wu Chi Keung
Mr. Heung Chee Hang, Eric
Ms. Kwok Pui Ha

13 August 2015

To the Shareholders

Dear Sir or Madam,

- (1) ISSUE OF SHARES AND WARRANTS UNDER SPECIFIC MANDATE
TO SUNCOOL AB;**
**(2) ISSUE OF SHARES UNDER SPECIFIC MANDATE TO
THE INVESTORS;**
(3) THE ENTERING INTO OF THE LICENCE AGREEMENT;
(4) THE ENTERING INTO OF THE CONSULTANCY AGREEMENT; AND
(5) NOTICE OF EGM

INTRODUCTION

Reference is made to the announcement of the Company dated 5 July 2015. On 1 July 2015, the Company and each of the Subscribers entered into the Subscription Agreements pursuant to which the Company has agreed to (i) allot and issue to Suncool AB, the Suncool Subscription Shares, being 6,000,000 new Shares, at the subscription price, being

LETTER FROM THE BOARD

HK\$2.10 per Suncool Subscription Share, and grant the Warrants to Suncool AB to subscribe for an aggregate of 24,000,000 Warrant Shares (subject to adjustment) at the Exercise Price, being HK\$2.50 per Warrant Share under the Suncool Subscription Agreement; and (ii) allot and issue the Investor Subscription Shares, being 36,000,000 new Shares in aggregate, at the subscription price, being HK\$2.10 per Investor Subscription Share, to the Investors under the Investor Subscription Agreements. The Subscription Agreements are separate and not inter-conditional.

On the same date, Suncool AB and Nation Power, a wholly-owned subsidiary of the Company, entered into the Licence Agreement in relation to the grant of exclusive right and licence to Nation Power to exploit the CoolStore IPR and the Licensed Technology within the CoolStore Field of Use and CoolStore Territory for a term of 15 years upon the Suncool Subscription Completion.

In order to develop the Solar Business in the PRC, on 1 July 2015, the Group also entered into the Consultancy Agreement with CULCE (Jiangyin) in relation to the consultancy services to be provided by CULCE (Jiangyin).

The purpose of this circular is to provide you with, among other things, (i) further details of the Subscription Agreements; (ii) the Valuation Report; and (iii) a notice of EGM.

THE SUBSCRIPTION AGREEMENTS

The Suncool Subscription Agreement

Date: 1 July 2015

Parties:

- (i) Issuer: the Company; and
- (ii) Subscriber: Suncool AB

Suncool AB and its ultimate beneficial owner(s) are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Independent Third Parties. As at the Latest Practicable Date, Suncool AB did not hold any Shares.

Pursuant to the Suncool Subscription Agreement, the Company has conditionally agreed to (i) allot and issue to Suncool AB, the Suncool Subscription Shares, being 6,000,000 new Shares at the subscription price, being HK\$2.10 per Suncool Subscription Share, and (ii) grant the Warrants at nil consideration to Suncool AB to subscribe for an aggregate of 24,000,000 Warrant Shares (subject to adjustment) at the Exercise Price, being HK\$2.50 per Warrant Share.

LETTER FROM THE BOARD

Investor Subscription Agreements

Date: 1 July 2015

Parties:

- (i) Issuer: the Company; and
- (ii) Subscriber: the respective Investors

Each of the Investors and their respective ultimate beneficial owner(s) are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Independent Third Parties. As at the Latest Practicable Date, each of the Investors did not hold any Shares.

Pursuant to the Investor Subscription Agreements, the Company has conditionally agreed to allot and issue to (i) Investor A, 12,000,000 Subscription Shares; (ii) Investor B, 6,000,000 Subscription Shares; (iii) Investor C, 6,000,000 Subscription Shares; (iv) Investor D, 6,000,000 Subscription Shares; (v) Investor E, 3,000,000 Subscription Shares, and (vi) Investor F, 3,000,000 Subscription Shares, being 36,000,000 new Shares in aggregate, at the subscription price, being HK\$2.10 per Investor Subscription Share.

The principal terms of the Subscription Agreements with each of the Investors are identical, except for the number of the Subscription Shares to be subscribed by each of the Investors and total subscription price payable therefor. Each of the Investor Subscription Agreements is separate and independent of each other.

SUBSCRIPTION PRICE

The subscription price is HK\$2.10 per Subscription Share. The aggregate consideration for the Subscription Shares shall be HK\$88,200,000, which shall be payable by electronic funds transfer for value on the date of Subscription Completion to the Company's bank account or by such other means as the Company may agree.

The subscription price of HK\$2.10 represents:

- (i) a discount of approximately 14.29% to the closing price of HK\$2.45 per Share as quoted on the Stock Exchange on 30 June 2015, being the Last Trading Day;
- (ii) a discount of approximately 15.32% to the average closing price of HK\$2.48 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 16.00% to the average closing price of HK\$2.50 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;

LETTER FROM THE BOARD

- (iv) a discount of approximately 4.98% to the closing price of approximately HK\$2.21 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a premium of approximately 2,233.33% over the audited net asset value of approximately HK\$0.09 per Share based on the audited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$25,490,000 as at 31 March 2015 and 293,754,000 Shares in issue as at the Latest Practicable Date.

The subscription price was arrived at after arm's length negotiations between the Company and the Subscribers, taking into account, among others, the current market conditions and the recent trading price of the Shares.

The Directors have reviewed and compared the subscription price of HK\$2.10 with the historical highest and lowest closing prices as well as the average daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 2 July 2014, being the first trading day of the twelve months period prior to the date of the Subscription Agreements, up to and including the Last Trading Day (the "**Review Period**"). During the Review Period, the closing prices of the Shares ranged from approximately HK\$1.65 to approximately HK\$2.66, with an average of approximately HK\$2.10. The subscription price of HK\$2.10 per Subscription Share therefore falls within the historical price range of the Shares and approximates the average daily closing price of the Shares during the Review Period. On the other hand, pursuant to the Subscription Agreements, each of the Subscribers undertakes to the Company that from the respective date of the Subscription Completion to 31 March 2016 (both dates inclusive), it shall not dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Subscription Shares. The Directors consider that such lock-up undertaking can avoid immediate disposal of the Subscription Shares which might affect the stability of the Share price and demonstrates the Subscribers' confidence in the Company. Furthermore, the Group has recorded respective basic and diluted losses per Share of approximately 11.37 Hong Kong cents, 7.31 Hong Kong cents and 7.69 Hong Kong cents for the last three financial years ended 31 March 2015.

In light of the recent volatile market condition, taking into account (i) the subscription price of HK\$2.10 per Subscription Share was arrived at on an arm's length basis; (ii) the subscription price of HK\$2.10 per Subscription Share falls within the historical price range of the Shares and approximates the average daily closing price of the Shares during the Review Period; (iii) the lock-up undertaking given by the Subscribers to the Company; and (iv) the loss making track record of the Group, the Directors consider that the subscription price per Subscription Share is fair and reasonable.

LETTER FROM THE BOARD

The total of 42,000,000 Subscription Shares represents (i) approximately 14.30% of the issued share capital of the Company as at the Latest Practicable Date, (ii) approximately 12.51% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, and (iii) approximately 11.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Warrant Shares. The Subscription Shares will have a nominal value of HK\$420,000 based on the par value of HK\$0.01 per Share.

The Subscription Shares shall be allotted and issued as fully paid (or credited as fully paid) and free from all third party rights and shall rank pari passu in all respects among themselves and all other existing Shares in issue on the date of allotment and issue and with all rights then attaching to them including the right to receive all distributions and dividends declared, paid or made in respect of the Subscription Shares after the Subscription Completion.

PRINCIPAL TERMS OF THE WARRANTS

Number of Warrants to be issued: 24,000,000 Warrants, each Warrant has the right to subscribe for one Share, subject to adjustment as set out in the section headed "Adjustment" below

Issue Price: Nil

Exercise period: The Warrants are fully exercisable in multiples of 2,000,000 at any time after their respective vesting date in the manner as below:

| Number of Warrants | Vesting date | Exercise period |
|---------------------------|---------------------|--|
| 8,000,000 | 1 October 2016 | From 1 October 2016 to 30 September 2018 |
| 8,000,000 | 1 April 2017 | From 1 April 2017 to 30 September 2018 |
| 8,000,000 | 1 October 2017 | From 1 October 2017 to 30 September 2018 |

Exercise Price: HK\$2.50 per Warrant Share, payable in full upon exercise of the respective Warrants

Transferability: Warrants in multiples of 2,000,000, may be transferred at any time after the respective vesting date of the Warrants, provided that prior approval of the Stock Exchange shall be obtained (if required) for any transfer to any person who the transferor knows to be a connected person of the Company

LETTER FROM THE BOARD

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| Restriction on the exercise rights of the Warrants: | The exercise of the Warrants shall be restricted, if such exercise of the Warrants would render the Shares held in public hands being less than the minimum public float of the Shares required under the Listing Rules |
| Ranking of the Warrant Shares: | The Warrant Shares, when allotted and issued, will rank pari passu in all respects among themselves and with all other Shares then in issue |
| Rights for holder of Warrants: | <p>Holder of Warrants will not be entitled to receive notice of or attend or vote at general meetings of the Company by reason only of being the holder of the Warrants. Holder of Warrants will not be entitled to participate in any distribution or further issues of securities of the Company as a result of them being holders of Warrants</p> <p>If the Company is wound up during the exercise period of the Warrants, all exercise rights of the Warrants which have not been exercised at the commencement of the winding up shall lapse, save for in the event of voluntary winding up, the holders of the Warrants shall be entitled by irrevocable surrender of their Warrants to the Company and the Company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed shareholders' meeting allot such number of Warrant Shares to the holders of the Warrants which fall to be issued</p> |
| Early exercise of Warrants: | <p>Upon the occurrence of any of the following:</p> <ul style="list-style-type: none">(i) any breach by Nation Power of any material term of the Licence Agreement;(ii) any breach by the Company of any material term of the Suncool Subscription Agreement;(iii) an offer for all of the Shares becoming or being declared unconditional in all respects and the offeror becoming entitled to exercise compulsory acquisition rights to acquire those Shares not acquired under the offer; or |

LETTER FROM THE BOARD

- (iv) an offer by way of scheme of arrangement for all of the Shares being sanctioned by the relevant court and being duly approved by the Shareholders,

the holder of Warrants shall have the right to immediately exercise the Warrants (although the respective vesting date may not have occurred) and subscribe for the Warrant Shares

Listing: The Warrants will not be listed on any stock exchange

Issue Price and the Exercise Price

The Exercise Price of HK\$2.50 and the aggregate of the Issue Price and the Exercise Price of HK\$2.50 represent:

- (i) a premium of approximately 2.04% over the closing price of HK\$2.45 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 0.81% over the average closing price of HK\$2.48 per Share as quoted on the Stock Exchange for the last five consecutive trading days including the Last Trading Day;
- (iii) approximately the same as the average closing price of approximately HK\$2.50 per Share as quoted on the Stock Exchange for the last ten consecutive trading days including the Last Trading Day;
- (iv) a premium of approximately 13.12% over the closing price of HK\$2.21 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a premium of approximately 2,677.78% over the audited net asset value of approximately HK\$0.09 per Share based on the audited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$25,490,000 as at 31 March 2015 and 293,754,000 Shares in issue as at the Latest Practicable Date.

The Issue Price and the Exercise Price were arrived at after arm's length negotiations between the Company and Suncool AB with reference to the recent trading performance of the Shares in particular that the aggregate of the Issue Price and the Exercise Price of HK\$2.50 is at a premium of approximately 0.81% over the average closing price of the Shares for the last five consecutive trading days up to and including the Last Trading Day, and the Group's existing financial position.

LETTER FROM THE BOARD

In setting the Issue Price, the Directors have further taken into account (i) the entering into of the Licence Agreement between Nation Power and Suncool AB which, in the Directors' view, is beneficial for the Group in terms of developing the Solar Business in the PRC; and (ii) the Warrants are exercisable only after their respective vesting dates, being 1 October 2016, 1 April 2017 and 1 October 2017, respectively. The Directors consider that such arrangements, which allow Suncool AB to subscribe for the Warrant Shares after 1 October 2016 by stages, would encourage Suncool AB to increasingly commit in the development of the Solar Business of the Group, taking into consideration its increasing degree of upsides that could be realised from the potential Share price increase associated with the enhanced performance of the Group in the future. As such, the Directors are of the view that the issue of the Warrants would incentivise Suncool AB to promote the Group's Solar Business in the PRC.

The Valuer has been appointed by the Company in order to estimate the fair value of the Warrants as at 1 July 2015 (the "**Valuation Date**"), being the date of the Suncool Subscription Agreement, based on Binomial Option Pricing Model. According to the Valuation Report, the fair value per Warrant as at the Valuation Date (the "**Fair Value**"), free from any encumbrances, is approximately HK\$1.04.

Although the Fair Value is higher than the Issue Price, it is worth noting that Binomial Option Pricing Model is subject to various parameters including the Share price, which, in turn are dependent of key assumptions that may not hold in real practice. According to the Valuation Report, the Fair Value was computed based on the assumptions that, among other things, no hidden or unexpected conditions associated with the assets valued that might adversely affect their market value nor any expenses or taxation that may be incurred in effecting a sale. In particular, it was assumed in the Valuation Report that there would be no changes in market conditions after the Valuation Date, which in the view of the Directors is unjustifiable in light of the recent volatile market environment. Furthermore, the Directors noted that the appraised Fair Value is sensitive to changes in the parameters used in the Binomial Option Pricing Model. According to the sensitivity analysis conducted by the Valuer, holding other parameters constant, an increase or a decrease of 10% in the Share price as at the Last Trading Day would lead to a percentage change in the appraised Fair Value of an increase of approximately 17.15% or a decrease of approximately 16.43%, respectively. Given that the Warrants will not be issued before obtaining the approval by the Stock Exchange and the approval by the Shareholders at the EGM, parameters such as the price of the Shares and the Share price volatility may change from time to time during the period between the Valuation Date and the issue date, leading to potential significant changes in the valuation of the Warrants. As such, the Directors consider that the Binomial Option Pricing Model adopted by the Valuer is of little commercial relevance other than in situations where it is a prescribed methodology for a specific purpose, such as compliance with financial reporting standards.

LETTER FROM THE BOARD

Despite the discount of the Issue Price to the Fair Value, taking into consideration that (i) the aggregate of the Issue price and the Exercise Price of HK\$2.50 represents a premium over or is approximately the same as the trading price of the Shares prior to the date of the Suncool Subscription Agreement; (ii) the price of the Shares and hence the valuation of the Warrants may change from time to time after the Valuation Date; and (iii) the issue of the Warrants would incentivise Suncool AB to promote the Group's Solar Business in the PRC through capturing the potential growth in Share price due to any improvement in the fundamentals of the Company, the Directors are of the view that the Issue Price and the Exercise Price are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Upon full exercise of the Warrants, 24,000,000 Warrant Shares will be issued, representing (i) approximately 8.17% of the issued share capital of the Company as at the Latest Practicable Date, (ii) approximately 7.55% of the issued share capital of the Company as enlarged by the allotment and issue of the Warrant Shares, and (iii) approximately 6.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Warrant Shares.

Adjustment

The number of Warrant Shares that each Warrant may subscribe for will be adjusted in the event of a consolidation, subdivision or reclassification of Shares so that if and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification, the number of Warrant Shares that shall be issued upon exercise of each Warrant shall be adjusted by multiplying the number of Warrant Shares that would have been issued on the exercise of each Warrant immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the number of Shares in issue immediately after such alteration; and

B is the number of Shares in issue immediately before such alteration.

Lapse of the Warrants

All Warrants shall automatically lapse and each shall cease to be valid for any purpose to the extent outstanding at 30 September 2018 without compensation to the holders of the Warrants.

LETTER FROM THE BOARD

CONDITIONS PRECEDENT TO THE SUBSCRIPTIONS

Completion of each of the Subscriptions is conditional upon:

- (i) the Stock Exchange granting the listing of and permission to deal in the Suncool Subscription Shares and the Warrant Shares in respect of the Suncool Subscriptions, or the Investor Subscription Shares in respect of the Investor Subscriptions, as the case may be;
- (ii) the passing of the necessary resolution(s) by the Shareholders at the EGM to approve the Subscription Agreements and the transactions contemplated thereunder, including the creation of the warrant instrument and the issue of the Subscription Shares and the Warrant Shares pursuant to the exercise of the subscription rights attaching to the Warrants;
- (iii) in respect of the Suncool Subscriptions, the passing of the necessary resolution(s) by the shareholders of Suncool AB to approve the entry into the Suncool Subscription Agreement and the transactions contemplated thereunder, including the payment of the subscription price for the Suncool Share Subscription and the Suncool Subscriptions;
- (iv) if required, all other necessary consents, approvals and waivers from the Stock Exchange, the SFC or such other government authorities for the Subscription Agreements and the transactions contemplated thereunder having been obtained and fulfilled (save and except the approval as referred to in clause (i) above); and
- (v) all representations and undertakings given by each of the Subscribers remaining true and accurate as at the date of the respective Subscription Agreements and the date of Subscription Completion.

As at the Latest Practicable Date, none of the above conditions had been fulfilled.

None of the conditions set out above can be waived. In the event that the conditions (i) to (iv) set out above shall not have been fulfilled by 5:00 p.m. on 31 October 2015 (or such other time and date as may be agreed in writing by the Company), all rights, obligations and liabilities of the parties thereunder shall cease and determine and neither party shall have any claim against the other, save for any antecedent breaches of the Subscription Agreements.

LOCK-UP UNDERTAKINGS

Each of the Subscribers undertakes to the Company that from the respective date of Subscription Completion to 31 March 2016 (both dates inclusive), it shall not dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Subscription Shares.

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SUBSCRIPTION COMPLETION

Completion of each of the Subscriptions shall take place on the 15th Business Day after the date on which the last condition of the respective Subscription Agreements have been satisfied (or such other date as the Company and the respective Subscribers may agree in writing).

UNDERTAKINGS UNDER THE SUNCOOL SUBSCRIPTION AGREEMENT

The Company undertakes that as soon as practicable after the date of the Suncool Subscription Completion, it shall procure the establishment of the WFOE in the PRC. The Company further undertakes that, within five Business Days after the date of establishment of the WFOE, it shall procure the passing of the resolution(s) of the shareholders and/or the directors of the WFOE, as required, to approve the appointment of such person as nominated by Suncool AB as director to the board of directors of the WFOE. It is intended that the board of directors of the WFOE will comprise of five directors, one of whom will be nominated by Suncool AB and the remaining directors will be nominated by the Group.

The Company further undertakes that the articles to be adopted by the WFOE upon its establishment shall, subject to the applicable PRC laws and regulations, include the provision that requires unanimous decision of the board of directors obtained at a validity convened board meeting of the WFOE in the following matters:

- (i) amendments to the articles of the WFOE;
- (ii) winding up of the WFOE;
- (iii) a merger of the WFOE with another business;
- (iv) issue of shares or other instruments by the WFOE other than to its shareholders;
- (v) approval of the development plans and annual business plan and budget for the WFOE; and
- (vi) appointment and dismissal of the general manager of the WFOE and approval of his/her scope of authority.

SPECIFIC MANDATE

The Subscription Shares and the Warrant Shares will be allotted and issued under the Specific Mandate to be sought at the EGM.

APPLICATION FOR LISTING

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares and the Warrant Shares.

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THE LICENCE AGREEMENT

The principal terms of the Licence Agreement are as follows:

Date: 1 July 2015

Parties: (i) Suncool AB as the licencor. Save for that Suncool AB is a party to the Suncool Subscription Agreement, Suncool AB and its ultimate beneficial owner(s) are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Independent Third Parties. As at the Latest Practicable Date, Suncool AB did not hold any Shares; and

(ii) Nation Power as the licensee.

Licence: the grant of exclusive right and licence to Nation Power to exploit the CoolStore IPR and the Licensed Technology within the CoolStore Field of Use and CoolStore Territory

Effectiveness: the Licence Agreement shall become effective upon the Suncool Subscription Completion

Licence period: 15 years from the Suncool Subscription Completion

Royalty: Suncool AB shall be entitled to receive from Nation Power or the relevant entities to be mutually agreed by Nation Power and Suncool AB of 5% of the Revenue generated from the Solar Business within the CoolStore Field of Use in the CoolStore Territory up to and until the CoolStore IPR and the Licensed Technology have been acquired by the NP Group or the expiry of the Licence Agreement. Suncool AB shall annually be entitled to receive a preliminary payment of the Royalty on or before 30 November which preliminary payment shall be calculated for the period up to and including 30 June the same year. The payment of the Royalty for the preceding financial year shall be made annually on or before 30 April of the following year for which the amount of the aforesaid preliminary payment paid shall be deducted. In the case of any late payment by Nation Power, Suncool AB shall be entitled to 10% per annum interest on the sum overdue.

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- Technical support: Suncool AB shall arrange at least three engineers to provide technical support to Nation Power or, at the request of Nation Power, to the WFOE or any wholly owned subsidiary of Nation Power in operating the Solar Business for at least three years following the Suncool Subscription Completion. In consideration for such technical support, Suncool AB shall be entitled to service fee of RMB0.75 million for every six months during the first two years and RMB0.5 million for every six months during the third year. Nation Power or the relevant entities to be mutually agreed by Nation Power and Suncool AB shall make payment to Suncool AB against invoice issued by Suncool AB at the beginning of each six months period with payment terms of 30 days.
- IPR purchase option: The NP Group shall, subject to applicable laws and regulations or the requirements of the Stock Exchange, have the right to acquire the CoolStore IPR and the Licensed Technology from Suncool AB commencing from the expiry of 30 months from the Suncool Subscription Completion until the expiry of the Licence Agreement.
- The purchase price shall be the fair market value of the CoolStore IPR and the Licensed Technology sold on an “as is” basis after deduction of any Royalty paid or payable up to the date of purchase.
- In the event that the IPR purchase option is exercised and the actual purchase price for the acquisition of the CoolStore IPR and the Licensed Technology results in the transaction which may constitute a notifiable transaction to the Company under the Listing Rules, the Company will make further announcement as and when appropriate in accordance with the Listing Rules’ requirements.
- Reservation of Suncool AB’s right: In the event that the aggregate amount of Revenue generated from the Solar Business by the NP Group is less than RMB30 million by 31 December 2018, Suncool AB expressly reserves the right (the “**Reserve Right**”) to exploit and to otherwise explore any further commercial use of the CoolStore IPR and the Licensed Technology in parallel with the NP Group within the CoolStore Field of Use and the CoolStore Territory from 1 January 2019.

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- Termination:
- (i) In the event that a party to the Licence Agreement suffers an event of default, the non-defaulting party may terminate the Licence Agreement by serving the other party a notice in writing and the Licence Agreement shall be terminated immediately upon receipt of such notice by the other party.
 - (ii) The following shall constitute an “event of default”:
 - (1) a party is in material breach of any of the provisions thereof and such breach continues for 30 calendar days after written notice by the other party, specifying the breach and demanding that it be rectified;
 - (2) a party is in breach of the Confidentiality Agreement;
 - (3) a party is declared insolvent, undertakes liquidation proceedings or is declared bankrupt, or any procedure is commenced with a view to the appointment of an administrator, receiver or trustee in bankruptcy in relation to such party or substantially all of such party’s assets or such party admits in writing its inability to pay debts as they mature; or
 - (4) with respect to each of Nation Power, the WFOE and any wholly-owned subsidiary of Nation Power, ceasing to be, directly or indirectly, wholly-owned by the Company.

With respect to the Royalty as set out above, the period covered for such calculation shall be the full financial year commencing from 1 January up to and including 31 December each year during the term of the Licence Agreement or up to and until the CoolStore IPR and the Licensed Technology have been acquired by the NP Group. The annual Royalty for the first two financial years immediately after the Suncool Subscription Completion shall be accrued and payable on the expiry of the third financial year. The annual payment of the Royalty during the remaining term of the Licence Agreement shall be settled through (i) a preliminary payment to be made on or before 30 November each year based on the unaudited Revenue to be generated during the period from 1 January up to and including 30 June in the same year; and (ii) a subsequent payment to be made on or before 30 April in the following year based on the audited Revenue to be generated in the preceding financial year for which the amount of the preliminary payment paid shall be deducted (the “**Subsequent Payment**”).

The aforesaid payment arrangement of the Royalty was arrived at after arm’s length negotiations between Nation Power and Suncool AB. As the Subsequent Payment will be based on the audited Revenue with reference to the accountants’ report, having considered that additional time will be required for the preparation of the audited accountants’ report of the NP Group every year, the Directors are of the view that it is

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commercially justifiable to establish the preliminary and subsequent payment arrangements, which will allow Suncool AB to receive part of the annual Royalty near the financial year end rather than receiving the full amount of the Royalty at once upon the release of the accountants' report, which is expected to be on or before 30 April in the following financial year.

In relation to the Reserve Right, the threshold of RMB30 million of Revenue generated from the Solar Business by the NP Group by 31 December 2018 was set after arm's length negotiations between Suncool AB and Nation Power taking into account various factors, including but not limited to (i) the estimated market share of the CoolStore cooling-stored pipes in the PRC market; (ii) the expected production capacity of the CoolStore cooling-stored pipes by the NP Group; and (iii) the potential selling price of the CoolStore cooling-stored pipes in the PRC.

Regarding the technical support to be provided by Suncool AB during the three years following the Suncool Subscription Completion as set out above, the amounts of the relevant service fee were set after arm's length negotiations between Suncool AB and Nation Power based on the potential cost of the technical support to be incurred by Suncool AB with reference to the number and position of the engineers to be arranged by Suncool AB.

Undertaking from ClimateWell in relation to the Licence Agreement

Pursuant to the undertaking given by ClimateWell in favour of the Company and Nation Power in consideration of Suncool AB entering into of the Licence Agreement, ClimateWell undertakes:

- (i) to transfer or license (as applicable) the CoolStore IPR and the Licensed Technology to Suncool AB on or before 15 September 2015 to the extent required to allow it to fulfill Suncool AB's obligations under the Licence Agreement;
- (ii) it shall continuously during the term of the Licence Agreement transfer or license (as applicable) all its know-how relating to the Coolstore IPR and the Licensed Technology to Suncool AB for the purpose of Suncool AB's performance of its obligations under the Licence Agreement; and
- (iii) it shall allocate the necessary resources to Suncool AB during a transition period until Suncool AB has hired enough of its own staff to fulfill the technical support obligations to Nation Power under the Licence Agreement, provided that such obligation shall, unless otherwise terminated, terminate on 31 December 2016.

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THE CONSULTANCY AGREEMENT

As a party who introduced Suncool AB and Nation Power to each other and facilitated the entering into of the Licence Agreement, CULCE (Jiangyin), a subsidiary of 中英低碳創業投資有限公司(China-UK Low Carbon Enterprise Co., Ltd*) (“China-UK”), entered into the Consultancy Agreement with the Company on 1 July 2015 for the purpose of assisting in the development of the Solar Business based on the use of the CoolStore IPR and the Licensed Technology granted under the Licence Agreement in the PRC. The principal terms of the Consultancy Agreement are as follows:

- Date: 1 July 2015
- Parties: (i) the Company
- (ii) CULCE (Jiangyin), which is principally engaged in the provision of consultation service and management service to venture capital institution. CULCE (Jiangyin) is a wholly owned subsidiary of China-UK. Based on the information provided by CULCE (Jiangyin), China-UK is owned as to 20% by Ecowise Co, 72.65% by China Energy Conservation and Environment Protection Group and 7.35% by Carbon Trust. CULCE (Jiangyin) and its ultimate beneficial owner(s) are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, Independent Third Parties.
- Scope of service: CULCE (Jiangyin) shall assist in selecting and hiring of management team of WFOE, marketing, sales and product marketing, further development in product research and development, rental of land and buildings, and provide advisory on strategy and decision making
- Service fee: CULCE (Jiangyin) shall not be entitled to any service fee under the Consultancy Agreement. However, the Company/WFOE shall pay to CULCE (Jiangyin) reimbursements for all pre-approved expenses reasonably incurred during the provision of services under the Consultancy Agreement
- Term: 15 years upon signing
- Termination: (i) the Company shall have the right to terminate the Consultancy Agreement by giving CULCE (Jiangyin) not less than 60 days notice in writing
- (ii) each party shall have the right to terminate the Consultancy Agreement by giving the other party not less than 60 days notice in writing if there is a material breach by the other party and have failed to remedy such breach within 10 days after receipt of written notice

* For identification purpose only

LETTER FROM THE BOARD

EFFECT ON SHAREHOLDING STRUCTURE

The Company had 293,754,000 Shares in issue as at the Latest Practicable Date. The table below is for illustrative purposes only and sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon allotment and issue of the Subscription Shares; and (iii) upon allotment and issue of the Subscription Shares and the Warrant Shares, assuming no other Shares will be issued or repurchased between the Latest Practicable Date and the date of Subscription Completion:

| Name of Shareholders | As at the Latest Practicable Date | | Immediately after the Subscription Completion (assuming the Warrants are not exercised) | | Immediately after the Subscription Completion and the exercise in full of the Warrants | |
|--|-----------------------------------|---------------|---|---------------|--|---------------|
| | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| Directors/substantial Shareholders | | | | | | |
| Resources Rich Capital Limited (Note 1) | | | | | | |
| | 204,718,000 | 69.69 | 204,718,000 | 60.97 | 204,718,000 | 56.90 |
| Hu Yangjun (Note 2) | 2,736,000 | 0.93 | 2,736,000 | 0.81 | 2,736,000 | 0.76 |
| Hu Yishi (Note 3) | 2,736,000 | 0.93 | 2,736,000 | 0.81 | 2,736,000 | 0.76 |
| Wu Hao (Note 4) | 2,736,000 | 0.93 | 2,736,000 | 0.81 | 2,736,000 | 0.76 |
| Li Wei Qi, Jacky (Note 5) | 2,736,000 | 0.93 | 2,736,000 | 0.81 | 2,736,000 | 0.76 |
| Public Shareholders | | | | | | |
| Suncool AB | – | – | 6,000,000 | 1.79 | 30,000,000 | 8.34 |
| Investor A | – | – | 12,000,000 | 3.57 | 12,000,000 | 3.34 |
| Investor B | – | – | 6,000,000 | 1.79 | 6,000,000 | 1.67 |
| Investor C | – | – | 6,000,000 | 1.79 | 6,000,000 | 1.67 |
| Investor D | – | – | 6,000,000 | 1.79 | 6,000,000 | 1.67 |
| Investor E | – | – | 3,000,000 | 0.89 | 3,000,000 | 0.83 |
| Investor F | – | – | 3,000,000 | 0.89 | 3,000,000 | 0.83 |
| Other public Shareholders | 78,092,000 | 26.59 | 78,092,000 | 23.28 | 78,092,000 | 21.71 |
| Total | 293,754,000 | 100.00 | 335,754,000 | 100.00 | 359,754,000 | 100.00 |

Notes:

- The entire issued share capital of Resources Rich Capital Limited is owned as to 50% by Mr. Hu Yangjun, an executive Director, and as to 50% by Mr. Hu Yishi, an executive Director.
- Mr. Hu Yangjun is an executive Director.
- Mr. Hu Yishi is an executive Director.
- Mr. Wu Hao is an executive Director.
- Mr. Li Wei Qi, Jacky is a non-executive Director.

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INFORMATION ON SUNCOOL AB AND THE INVESTORS

According to Suncool AB, each of ClimateWell and Suncool AB is a company incorporated under the laws of Sweden. 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. ClimateWell's components are integrated in those applications by major OEM customers around the globe like GE, Rheem and Caterpillar. In addition, ClimateWell has consistently achieved a number of international awards, including but not limited to, the Technology Innovation Award by the Wall Street Journal and the championship in the Ecomagination Challenge organised by General Electric in 2010, demonstrating the recognition of ClimateWell within the field of green technology development. ClimateWell has two main shareholders, being Industrifonden and Skirner, respectively. Industrifonden is a Swedish governmental venture capital fund and leading investor in green technology. It has total equity of approximately SEK3.5 billion and invested capitals of approximately SEK1.6 billion with holdings in 93 companies. Skirner, on the other hand, is the main owner of two listed companies on NASDAQ QMX Stockholm and mainly operates in the areas of strategic ownership, property development and growth companies. Nevertheless, Suncool AB, being a wholly owned subsidiary of ClimateWell, 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's Licensed Technology, which was originally developed by ClimateWell, an award-winning and leading provider of sorption components, is based on salt crystals, which can store chemical energy and convert it to heating and cooling without using any electricity or moving parts. The Licensed Technology enables the world's first solar thermal collector with integrated cooling and was launched and successfully demonstrated in a first large-scale installation in Europe.

Investor A is Zheng Yifei, an Independent Third Party, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries.

Investor B is Li Xi, an Independent Third Party, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries.

Investor C is Wu Xunzhi, an Independent Third Party, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries.

Investor D is Cui Weizhen, an Independent Third Party, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries.

Investor E is Zou Ping, an Independent Third Party, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries.

Investor F is Li Kai Kai, Bobo, an Independent Third Party, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries.

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REASONS FOR AND BENEFITS OF THE SUBSCRIPTIONS, THE ENTERING INTO OF THE LICENCE AGREEMENT AND THE CONSULTANCY AGREEMENT

The Group is principally engaged in the design, manufacture and wholesale of fine jewelry products in the PRC.

As set out in the Company's annual results announcement for the year ended 31 March 2015, in regards to the market situation, the Group will consider and closely look for opportunities for fund raising activities from time to time with a view to expanding the total asset value base of the Group, and should suitable investment or business opportunities arise, the Group may consider diversifying its business with an objective to broaden its income source.

The Directors considered that energy is the foundation of the existence and development of the modern society. The continuous development of the global economy and society has given rise to sustainable growth of energy consumption. With the passage of time, the scarcity of fossil fuels becomes more and more prominent, which is gradually reflected in the price of energy. Due to the shortage of fossil energy and the need to control the environmental pollution brought by the use of fossil fuels, large-scale exploration and utilisation of renewable energy has played an important part in the world's future energy strategy. Solar energy is inexhaustible and renewable energy for humans. It is clean, absolutely safe, relatively extensive, long-lasting, free of maintenance and adequate, which makes it significant in the long-term energy strategy.

Traditionally, the solar energy can be used to generate electricity and heat. Using solar-powered air conditioning system can greatly reduce the consumption of electricity as well as non-renewable energy and the reduction in the use of fossil fuels can alleviate the problem of environmental pollution caused by the burning of fossil fuels such as coal for power generation. With the development of economy and the rise in the people's living standard, the demand for air conditioning became bigger. In the view of such increasing global demand for renewable energy, the Directors are of the view that the Solar Business would offer attractive potential growth and return. The Directors have no current intention to discontinue any existing business of the Group.

The Company has assessed the future prospects of the solar energy market in the PRC. In most countries, including the PRC, solar energy industry remains a policy-driven market and is heavily impacted by the introduction of national supportive schemes. With reference to the “國務院關於促進光伏產業健康發展的若干意見” (Several opinions of the State Council on promoting the healthy development of photovoltaic industry*) issued in June 2013, the PRC government aimed at stimulating the growth of the photovoltaic industry through launching a series of supportive schemes and policies which include, among other things, preferential tax policies to photovoltaic enterprises with qualified investments on research and development, flexible credit policies to support production and quality technological innovation as well as the lease of unused state-owned. Further, according to “能源發展戰略行動計畫 (2014-2020年)” (The Action Plan for the Strategic Development of Energy for 2014-2020*) issued by the State Council in November 2014, it will be one of the primary national targets to optimise the energy structure in the PRC through promoting the construction and use of renewable energy including solar energy.

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Accordingly, with the increasing support from the PRC government, it is expected that solar energy would become more popular and thereby drive the local demand for the CoolStore cooling-stored pipes in the future, indicating an attractive potential growth and return of the Solar Business in the PRC.

CoolStore cooling-stored pipe is a photovoltaic solar-assisted photo-thermal pump component designed by Suncool AB with unique patented pipes' internal structure, specially processed through reversible chemical reaction of salt solution as well as realising cooling and heating function, which is an epoch-making product. In daytime, salt solution in reactors is transformed into dry salt through heating, with steam moving from reactor to condenser and steam condensed in the condenser along releasing heat. At the same time, the heat can be used immediately or stored in the tank for heating. The heat can be used to warm, preheat rooms and swimming pool, or provide hot water. At night, the collector can be heated and cooled sustainably. When the collector is cooled, steam in the tube moving from condenser to reactor end. At the same time, dry salt in reactor can absorb liquors after devaporation. In the process, it can absorb the heat and produce cooling effect and transmit cooling effect into air-conditioner system of building. The cooling energy can be directly used or stored, such as stored in an external tank system that can be used when needed. When cooled, reactor releases heat due to devaporation and chemical reaction. The heat can then be used at night.

According to Suncool AB, the CoolStore cooling-stored pipes have various competitive advantages over the traditional components of solar collectors and traditional refrigeration equipment (collectively, the "**Traditional Components**"). The CoolStore cooling-stored pipe integrates cooling function, as a part of solar collectors, realising heating, cooling and energy storage. It is an environmental and efficient way for the area with sufficient solar radiation to use the energy. Also, the CoolStore cooling-stored pipes produce high energy output, which is more than two times the normal output efficiency of the traditional solar collectors that are subject to potential heat loss by radiation. Unlike the Traditional Components, the CoolStore cooling-stored pipe directly integrates into the solar collector, which greatly reduces the need for external devices, installation effort and large-scale installation could be finished quickly. Moreover, the performance of the CoolStore cooling-stored pipes is of higher energy efficiency than that of the Traditional Components. The amount of heating or cooling provided by energy consumed of the CoolStore cooling-stored pipes respectively represents, on average, approximately seven times of that of the conventional air-conditioning systems and approximately four times of that of the conventional solar cooling systems. In addition, the CoolStore cooling-stored pipes are mainly made of glass and salt solutions and hence do not require any refrigerant as the Traditional Components do, avoiding the production of greenhouse gas and thus is more environmental-friendly. The CoolStore cooling-stored pipes can be driven only by solar energy without any electricity and produce cold and heat simultaneously at night, especially suitable for the areas with large difference in temperature between day and night. Nonetheless, the CoolStore cooling-stored pipes can be flexibly applied to all sizes of products and hence, it is easy to install them without moving parts, operates continuously and stable for more than 15 years and with low maintenance cost after installation. Given the unique nature of the simultaneous productions of heat and cold, it is expected that the CoolStore cooling-stored pipes would be primarily targeted by individuals and organisations whose

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buildings are exposed to sunshine whilst demanding for both hot water and air conditioning such as housing, hospitals and hotels. Taking into consideration (i) the PRC government's incentive of promoting the use of renewable energy and establishments of supportive national schemes in the PRC; (ii) the abovementioned unique strengths of the CoolStore cooling-stored pipes as compared to the Traditional Components; and (iii) the CoolStore cooling-stored pipes would be the first photovoltaic solar-assisted photo-thermal pump components to be launched in the PRC which provide comprehensive and simultaneous functionalities of heat production, cold production and energy storage, the Directors are therefore positive about the market demand of the CoolStore cooling-stored pipes and remain confident in the potential competitions with existing market players who primarily manufacture and distribute the Traditional Components. Accordingly, the Directors are of the view that the development of the Solar Business is in the interest of the Company and the Shareholders as a whole.

Pursuant to the Licence Agreement, the NP Group shall have the right (the "**IPR Purchase Option**") to acquire the CoolStore IPR and the Licenced Technology from Suncool AB commencing from the expiry of 30 months from the Suncool Subscription Completion until the expiry of the Licence Agreement. In view of the uncertainty in the future performance of the Solar Business based on the CoolStore IPR and the Licenced Technology, the Directors are of the view that the grant of IPR Purchase Option under the Licence Agreement would provide the Company with flexibility in the business development of the Group as the exercise of the IPR Purchase Option will be solely on the Company's discretion based on the then circumstances. Save for the Licence Agreement (including the IPR Purchase Option) and the transactions contemplated under the Subscription Agreements, as at the Latest Practicable Date, the Directors were not aware of any contemplated acquisitions, disposals or other matters during the exercise period of the Warrants that may have a material impact on the Company which is necessary for the Shareholders and the public to appraise the position of the Company, nor that the Company has entered or contemplated to enter into any other arrangements, agreements or understanding with Suncool AB.

The Directors intend to establish the WFOE to operate the new business segment of the manufacturing and distribution of CoolStore cooling-stored pipes based on the CoolStore IPR and the Licensed Technology granted by Suncool AB under the Licence Agreement. As the Company does not intend to invest large amount of capital in the new business, the Company decided not to acquire any land use right or construct any production plants in the PRC for the time being. Rather, the Company has had general preliminary discussions with third parties regarding the possible rental of land and production plants in Yuyao, the PRC, including but not limited to a piece of land where Mr. Hu Yishi, an executive Director, has interests in, for manufacturing purpose. None of these discussions have progressed into any advanced business arrangements as at the Latest Practicable Date. In the event that such general discussions materialise and/or the Group enters into any rental agreement with any third party which any Director may have interests in, it may constitute a notifiable transaction under the Listing Rules. Further announcement(s) will be made by the Company as and when appropriate.

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As a party who introduced Suncool AB and Nation Power to each other and facilitated the entering into of the Licence Agreement, CULCE (Jiangyin) entered into the Consultancy Agreement with the Company pursuant to which CULCE (Jiangyin) agreed to provide consultancy services to the Company for the purpose of assisting in the development of the Solar Business of the Group at nil service fee. The Directors believe that CULCE (Jiangyin), being a wholly owned subsidiary of China-UK, has extensive experience, strong expertise and a wide business network in the solar technology industry in the PRC. The Directors are of the view that services provided by CULCE (Jiangyin) under the Consultancy Agreement, which included and are not limited to the selection and hiring of the management team of WFOE and further development in product research and development, are necessary and desirable for the Group to commence and develop the new Solar Business in the PRC. Having considered (i) the involvement of CULCE (Jiangyin) in contemplation of the entering into of the Licence Agreement and its intention to enter into the Consultancy Agreement; (ii) the strength of CULCE (Jiangyin) within the PRC solar technology industry; (iii) the essentiality of the services provided by CULCE (Jiangyin) under the Consultancy Agreement for the development of the Solar Business of the Group; and (iv) the terms of the Licence Agreement and the Consultancy Agreement are determined between the parties thereto after arm's length negotiations, the Directors are of the view that the terms of the Consultancy Agreement are favourable to the Company, and that the terms of the Licence Agreement and the Consultancy Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors consider that the Group will have adequate technical and management expertise to develop the Solar Business in the future. Pursuant to the Licence Agreement, at least three engineers shall be arranged by Suncool AB to provide technical support to Nation Power or, at the request of Nation Power, the WFOE or any wholly owned subsidiary of Nation Power, in operating the Solar Business for at least three years following the Suncool Subscription Completion. Further details of the provision of technical support including the duration of the technical support to be provided each six months as well as the identity and qualifications of the selected engineers shall be mutually agreed by Nation Power and Suncool AB. The Directors have reviewed the resumes of the potential engineers to be arranged by Suncool AB, and noted that the potential candidates have, on average, achieved educational qualifications of a master's degree or above in engineering and have professional work experience for at least eight years within the field of research and development at ClimateWell. Also, any additional technical support after the aforesaid three years or any other technical services shall upon request be offered by Suncool AB at cost. In addition, pursuant to the Consultancy Agreement, CULCE (Jiangyin) shall provide consultancy services including but not limited to the selection and hiring of management team of WFOE, marketing, sales and product marketing, further development in product research and development and advisory on strategy and decision making, to the Company. Having considered (i) the technical support to be provided by Suncool AB under the Licence Agreement; (ii) the extensive experience in technological research and development of the potential engineers to be arranged by Suncool AB; and (iii) the abovementioned strengths and background of CULCE (Jiangyin) as well as its provision of consultancy services under the Consultancy Agreement, the Directors are of the view that the Group will have adequate technical and management expertise to develop the Solar Business in the future.

LETTER FROM THE BOARD

In light of the new development of the Solar Business, the Directors are aware of the potential business risks including but not limited to the uncertainties in the market acceptance of the CoolStore cooling-store pipes and the potential competition within the industry in the PRC. Notwithstanding that the Company considers that the CoolStore cooling-stored pipes would be the first product of its kind to be distributed in the PRC upon successful commercialisation, the success of the product launch would still be subject to various factors such as pricing, branding and potential competition with competitors who sell similar products. In view of the above, the Company is intended to regularly conduct market survey to help determine the optimal pricing of the CoolStore cooling-store pipes so as to capture the most amount of market share while maintaining a certain level of margin. Moreover, the Company aims to consistently invest in research and development to improve the quality of the products, which would help further differentiate CoolStore cooling-store pipes from other similar products in the market. Nonetheless, the Company is intended to launch marketing campaigns in order to attract new customers.

Apart from the issue of the Subscription Shares and the Warrants, which the latter would provide sources of funding to the Group upon exercise of the subscription rights attaching to the Warrants, the Directors have also considered alternatives for the Group to raise funds including but not limited to, debt financing and equity financing. Regarding debt financing, the Directors are of the view that debt financing will inevitably incur additional finance costs to the Group, which may have adverse impacts on the financial performance of the Group. In respect of rights issue and open offer, they usually incur higher costs which include underwriting, commissions, documentation preparation costs and professional fees. In view of the loss-making track record of the Group and relatively thin trading liquidity of the Shares, with a consistently low average daily trading volume of the Shares over the total number of Shares in issue of approximately 0.06% for the twelve months period prior to the date of the Subscription Agreements, it would also be difficult for the Company to identify potential underwriter or placing agent without offering deep discount to the issue price to increase the attractiveness of such issues under the recent volatile market conditions which may bring adverse impact on the Share price performance. In addition, they would incur underwriting commission and generally high documentation preparation costs and professional fees and commonly take more than two months for completion, and hence did not consider right issues nor open offer to be desirable alternative to the issue of the Subscription Shares and the Warrants. Taking into account that (i) debt financing will increase finance costs of the Group; (ii) rights issue and open offer usually incur higher costs; (iii) the Warrants are not interest bearing; and (iv) the issue of Warrants will not result in any immediate dilution in the shareholding of the existing Shareholders, the Directors are of the view that the issues of the Subscription Shares and Warrants under the Subscription Agreements are appropriate means to raise funds for the Group based on the current prevailing market conditions.

LETTER FROM THE BOARD

Having considered the aforesaid, the Directors consider that entering into the Subscription Agreements represents a good opportunity to (i) raise additional funds for the Company; (ii) improve the financial position and liquidity of the Group; (iii) capture any prospective investment opportunities as and when they arise; and (iv) enable the Group to develop a new business segment relating to solar technology industry in the PRC in parallel to its existing business. Given the above and that the Warrants are issued in consideration of the grant of exclusive right and licence by Suncool AB to Nation Power under the Licence Agreement, the Directors are of the view that the terms of the Subscription Agreements are on normal commercial terms after arm's length negotiation and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS FROM THE ISSUE OF SUBSCRIPTION SHARES AND WARRANT SHARES

The gross proceeds from the issue of the Subscription Shares will amount to HK\$88,200,000. The net proceeds from the issue of the Subscription Shares, after deduction of related expenses payable by the Company will be approximately HK\$86,000,000, representing a net price of approximately HK\$2.05 per Subscription Share, which will be intended to be used as to (i) approximately 60% of the net proceeds for the development of the Solar Business in the PRC which, approximately half of such proceeds will be used for the acquisition of equipment and the remaining portion will be used for the general working capital for the development of the Solar Business; (ii) approximately 32% of the net proceeds will be used for the general working capital purpose of the Group; and (iii) approximately 8% of the net proceeds will be used for the repayment of the loan from a controlling Shareholder.

The gross proceeds from the issue of the Warrant Shares upon full exercise of the subscription rights attaching to the Warrants will amount to HK\$60,000,000. The net proceeds from the issue of the Warrant Shares, after deduction of related expenses payable by the Company will be approximately HK\$60,000,000, representing a net price of approximately HK\$2.5 per Warrant Share, which will be used for general working capital purpose. Taking into account that according to Suncool AB (i) ClimateWell's recognition and scale of business within the field of green technology development; (ii) the size and background of Industrifonden and Skirner; and (iii) Suncool AB's expertise in developing solar-driven heating and cooling system and patents owned, the Directors are of the view that Suncool AB, being a wholly owned subsidiary of ClimateWell, would have sufficient financial ability to settle the Exercise Price upon exercise of the Warrants. The Directors are of the view that the proceeds that may be raised upon the exercise of the Warrants could provide additional working capital to the Group, and that the current Company's capital requirements for general working capital are not subject to such proceeds.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company had not conducted any equity fund raising exercise in the past twelve months immediately preceding the Latest Practicable Date.

LETTER FROM THE BOARD

THE EGM

A notice convening the EGM to be held at B2, Boardroom, the Wharney Guang Dong Hotel Hong Kong, 57-73 Lockhard Road, Wanchai, Hong Kong on Tuesday, 8 September 2015 at 10:45 a.m. is set out on pages 37 to 42 of this circular. The EGM will be held for the Shareholders to consider and, if thought fit, approve the ordinary resolutions in respect of the Subscription Agreements and the transactions contemplated thereunder, the allotment and issue of the Subscription Shares and the Warrant Shares under the Specific Mandate.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Director or Shareholder has an interest in each of the Subscription Agreements that is materially different from the other Shareholders, no Shareholder is required to abstain from voting at the EGM in respect of the Subscription Agreements.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instruction printed thereon 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. Completion and return of the form or proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the proxy shall be deemed to be revoked.

RECOMMENDATION

The Board considers that the Subscription Agreements and the transactions contemplated thereunder, including the issue of the Warrants, the allotment and issue of the Subscription Shares and the Warrant Shares under the Specific Mandate are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM.

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 Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief that 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.

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



Asset Appraisal Limited
中誠達資產評估顧問有限公司

Rm 901, 9/F., On Hong Commercial Building
145 Hennessy Road, Wanchai, Hong Kong
香港灣仔軒尼詩道145號安康商業大廈9字樓901室
Tel: (852) 2529 9448 Fax: (852) 3544 5854

Date : 13 August 2015

The Board of Directors
Zhong Fa Zhan Holdings Limited
23rd Floor
Chinachem Century Tower
178 Gloucester Road
Wanchai, Hong Kong

Dear Sirs,

Warrants of Zhong Fa Zhan Holdings Limited
(Stock Code: 475.HK)
As at 1 July 2015

INSTRUCTIONS

In accordance with the instructions from **Zhong Fa Zhan Holdings Limited** (referred to as the “**Company**”) for us to value the warrants (referred to as the “**Warrants**”) to be granted by the Company, we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing our opinion of the fair value of the Warrants as at **1 July 2015** (referred to as the “**Valuation Date**”).

This letter which forms parts of our valuation report explains the basis and methodology of valuation, clarifying assumption and limiting conditions of this valuation.

THE FINANCIAL INSTRUMENT

The Company has proposed to grant one batch of warrants (the Warrants) and for the purpose of this valuation, we assume that the Warrants have been issued on the Valuation Date. Each of the Warrants shall confer the rights to the holders to subscribe one share of the Company at a price HK\$2.5 over the exercise period as defined below. The details of the Warrants are:

| | |
|--------------------------|--|
| Total number of Warrants | 24,000,000 |
| Strike Price (HK\$) | 2.5 |
| Exercise Period: | |
| 8,000,000 Warrants | From 1 October 2016 to 30 September 2018 |
| 8,000,000 Warrants | From 1 April 2017 to 30 September 2018 |
| 8,000,000 Warrants | From 1 October 2017 to 30 September 2018 |

COMPANY'S SHARE PRICE MOVEMENT

The adjusted daily closing prices of the Company's share over the period from July 2014 to Valuation Date are shown below:



No dividend has been declared and distributed by of the Company in the recent years.

BASIS OF VALUATION

Our valuation was carried out on a fair value basis which is defined in the HKFRS13 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the Valuation Date.

VALUATION APPROACH AND METHODOLOGY

There are generally three common models for valuing options, namely, Black-Scholes Model, Monte Carlo Model and Binomial Option Pricing Model. Black-Scholes Model is used for calculating the theoretical price of European option while Monte Carlo Model involves a lot of assumptions. Therefore, Binomial Option Pricing Model has been adopted to conduct the valuation of the Warrants, which fall into the category of American options. Binomial Option Pricing Model involves the construction of a binomial lattice which represents different possible paths that might be followed by the stock price over the life of the warrant. In developing the binomial lattice, the life of the warrant is divided into various time steps. In each time step there is a binomial stock price movement. For instance, if there is a total of 20 time steps, the lattice would be made up of 220 possible stock price paths and 220 +1 terminal stock price.

In our valuation, the following parameters and assumptions were employed in the valuation model:

| Date of Grant | First Exercise Date | Maturity Date | Risk Free Rate ¹ (%) | Share Price (HK\$) as at the Valuation Date | Exercise Price (HK\$) | Dividend yield (%) ² | Volatility ³ (%) |
|---------------|---------------------|---------------|---------------------------------|---|-----------------------|---------------------------------|-----------------------------|
| 1/7/2015 | 1/10/2016 | 30/9/2018 | 0.756 | 2.45 | 2.50 | 0 | 61.845 |
| 1/7/2015 | 1/4/2017 | 30/9/2018 | 0.756 | 2.45 | 2.50 | 0 | 61.845 |
| 1/7/2015 | 1/10/2017 | 30/9/2018 | 0.756 | 2.45 | 2.50 | 0 | 61.845 |

Notes:

- ¹ Risk free rate represents the yields to maturity of Hong Kong Sovereign Curve with respective terms to maturity as at the valuation date.
- ² According to the dividend policy of the Company, no dividend is expected to be distributed by the Company in the foreseeable future. Therefore, a dividend yield of 0% is adopted in the valuation model.
- ³ Volatility is the annualized standard deviation of the continuously compounded rates of return on the daily adjusted share prices of the Company over the past 845 trading days, which is computed by multiplying an annualised factor of 260 trading days per year by the time to maturity as at the Valuation Date of approximately 3.25 years.

A sensitivity analysis of the appraised value of the Warrants has been conducted based on +/-5% and +/-10% of the share price of the Company as at the Valuation Date of HK\$2.45 per share. Set out below are the details of the sensitivity analysis:

| Variable – Share price (HK\$) | Percentage change in variable (%) | Fair value of all Warrants (HK\$) | Fair Value per Warrant (HK\$) | Percentage change to the Fair Value (%) |
|-------------------------------------|--|---|-------------------------------------|--|
| 2.45 | – | 24,941,000 | 1.04 | – |
| 2.70 | +10 | 29,217,278 | 1.22 | +17.15 |
| 2.57 | +5 | 27,058,077 | 1.13 | +8.49 |
| 2.33 | -5 | 22,868,056 | 0.95 | -8.31 |
| 2.21 | -10 | 20,844,011 | 0.87 | -16.43 |

LIMITING CONDITIONS AND ASSUMPTIONS

During the course of our valuation, we have reviewed the financial information, management representations and other pertinent data concerning the Company and the Warrants made available to us. We have assumed the accuracy of, and have relied on the information and management representations provided in arriving at our opinion of value.

We shall not be required to give testimony or attendance in court or to any government agency by reason of this valuation and with reference to the project described herein unless prior arrangements have been made.

No opinion is intended to be expressed for matters which require legal or other specialised expertise or knowledge, beyond that customarily employed by valuers.

Our conclusions assume continuation of prudent management policies over whatever period of time considered necessary in order to maintain the character and integrity of the assets valued. We assume that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect their market value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

No allowance has been made in our valuation for any charges, debts or amounts owing on the assets valued nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the assets valued are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our prior written approval. This report is confidential to the client for the specific purpose to which it refers. In accordance with our standard practice, we must state that this report and valuation is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

OPINION ON FAIR VALUE

Based on the results of our investigations and analyses outlined in this report, we are of the opinion that fair value as at the prescribed valuation date, free from any encumbrances, of the Warrants is:

Valuation Date: 1 July 2015

HK\$

| | |
|------------------------|--|
| Fair value of Warrants | 24,941,000 (equivalent to 1.0392 per Warrant) |
|------------------------|--|

We are of the opinion that fair value as at 10 August 2015, free from any encumbrances, of the Warrants is HK\$21,193,000, being equivalent to HK\$0.883 per Warrant.

We have not investigated the title to or any liabilities against the Warrants.

We hereby certify that we have neither present nor prospective interest in the Warrants or the value reported.

This valuation report is issued subject to our General Service Conditions attached herewith.

Yours faithfully,

For and on behalf of

Asset Appraisal Limited

Sandra S.W. Lau

MFin MHKIS AAPI RPS (GP)

Director

NOTICE OF EGM



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 Tuesday, 8 September 2015 at 10:45 a.m. (or an adjournment thereof) for the purposes of considering and, if thought fit, passing the following resolutions (with or without modifications):

ORDINARY RESOLUTIONS

1. “THAT
 - (a) the terms and conditions of the subscription agreement (the “**First Subscription Agreement**”, a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) dated 1 July 2015 entered into between Zhong Fa Zhan Holdings Limited (the “**Company**”) and Suncool AB (“**Suncool**”) together with a form of the instrument (the “**Instrument**”) creating the warrants (the “**Warrants**”) attached to it pursuant to which the Company has agreed to issue and Suncool has agreed to subscribe for (i) 6,000,000 new shares (the “**Suncool Shares**”) of HK\$0.01 each in the share capital of the Company (each a “**Share**”) at the subscription price of HK\$2.10 per Suncool Share; and (ii) 24,000,000 Warrants, for which each Warrant has a right to subscribe for one Share (the “**Warrant Share(s)**”) (subject to adjustment) at the exercise price of HK\$2.50 per Warrant Share, on the terms and conditions of the First Subscription Agreement be and is hereby approved, ratified and confirmed;
 - (b) conditional upon The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of, and permission to deal in the Suncool Shares and the Warrant Shares,
 - (i) the creation and issuance of the Warrants by the Company to Suncool pursuant to the terms and conditions of the First Subscription Agreement and the Instrument be and are hereby approved; and

NOTICE OF EGM

- (ii) the allotment and issue of the Suncool Shares and the Warrant Shares which may fall to be allotted and issued upon exercise of the subscription rights attached to the Warrants be and are hereby approved; and
- (c) the directors of the Company be and are hereby authorised to do all such things and acts, to sign, seal, execute, perfect and deliver all such other documents as they may in their absolute discretion consider necessary, desirable or expedient for the purpose of or in connection with the implementation and/or giving effect to any matters relating to the First Subscription Agreement (including the Instrument) and all transactions contemplated thereunder as well as in relation to the issue of the Warrants and the allotment and issue of the Suncool Shares and the Warrant Shares and to agree to such variation, amendment or waiver as are, in the opinion of the directors of the Company, in the interest of the Company."

2. "THAT

- (a) the terms and conditions of the subscription agreement (the "**Second Subscription Agreement**", a copy of which has been produced to the meeting marked "B" and signed by the chairman of the meeting for the purpose of identification) dated 1 July 2015 entered into between the Company and Zheng Yifei pursuant to which the Company has agreed to issue and Zheng Yifei has agreed to subscribe for 12,000,000 new Shares (the "**Zheng Shares**") at the subscription price of HK\$2.10 per Zheng Share on the terms and conditions of the Second Subscription Agreement be and is hereby approved, ratified and confirmed;
- (b) conditional upon the Stock Exchange granting the listing of and permission to deal in the Zheng Shares, the allotment and issue of the Zheng Shares by the Company be and are hereby approved; and
- (c) the directors of the Company be and are hereby authorised to do all such things and acts, to sign, seal, execute, perfect and deliver all such other documents as they may in their absolute discretion consider necessary, desirable or expedient for the purpose of or in connection with the implementation and/or giving effect to any matters relating to the Second Subscription Agreement and all transactions contemplated thereunder as well as in relation to the allotment and issue of the Zheng Shares and to agree to such variation, amendment or waiver as are, in the opinion of the directors of the Company, in the interest of the Company."

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3. “THAT

- (a) the terms and conditions of the subscription agreement (the “**Third Subscription Agreement**”, a copy of which has been produced to the meeting marked “C” and signed by the chairman of the meeting for the purpose of identification) dated 1 July 2015 entered into between the Company and Li Xi pursuant to which the Company has agreed to issue and Li Xi has agreed to subscribe for 6,000,000 new Shares (the “**Li Shares**”) at the subscription price of HK\$2.10 per Li Share on the terms and conditions of the Third Subscription Agreement be and is hereby approved, ratified and confirmed;
- (b) conditional upon the Stock Exchange granting the listing of and permission to deal in the Li Shares, the allotment and issue of the Li Shares by the Company be and are hereby approved; and
- (c) the directors of the Company be and are hereby authorised to do all such things and acts, to sign, seal, execute, perfect and deliver all such other documents as they may in their absolute discretion consider necessary, desirable or expedient for the purpose of or in connection with the implementation and/or giving effect to any matters relating to the Third Subscription Agreement and all transactions contemplated thereunder as well as in relation to the allotment and issue of the Li Shares and to agree to such variation, amendment or waiver as are, in the opinion of the directors of the Company, in the interest of the Company.”

4. “THAT

- (a) the terms and conditions of the subscription agreement (the “**Fourth Subscription Agreement**”, a copy of which has been produced to the meeting marked “D” and signed by the chairman of the meeting for the purpose of identification) dated 1 July 2015 entered into between the Company and Wu Xunzhi pursuant to which the Company has agreed to issue and Wu Xunzhi has agreed to subscribe for 6,000,000 new Shares (the “**Wu Shares**”) at the subscription price of HK\$2.10 per Wu Share on the terms and conditions of the Fourth Subscription Agreement be and is hereby approved, ratified and confirmed;
- (b) conditional upon the Stock Exchange granting the listing of and permission to deal in the Wu Shares, the allotment and issue of the Wu Shares by the Company be and are hereby approved; and
- (c) the directors of the Company be and are hereby authorised to do all such things and acts, to sign, seal, execute, perfect and deliver all such other documents as they may in their absolute discretion consider necessary, desirable or expedient for the purpose of or in connection

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with the implementation and/or giving effect to any matters relating to the Fourth Subscription Agreement and all transactions contemplated thereunder as well as in relation to the allotment and issue of the Wu Shares and to agree to such variation, amendment or waiver as are, in the opinion of the directors of the Company, in the interest of the Company.”

5. “**THAT**

- (a) the terms and conditions of the subscription agreement (the “**Fifth Subscription Agreement**”, a copy of which has been produced to the meeting marked “E” and signed by the chairman of the meeting for the purpose of identification) dated 1 July 2015 entered into between the Company and Cui Weizhen pursuant to which the Company has agreed to issue and Cui Weizhen has agreed to subscribe for 6,000,000 new Shares (the “**Cui Shares**”) at the subscription price of HK\$2.10 per Cui Share on the terms and conditions of the Fifth Subscription Agreement be and is hereby approved, ratified and confirmed;
- (b) conditional upon the Stock Exchange granting the listing of and permission to deal in the Cui Shares, the allotment and issue of the Cui Shares by the Company be and are hereby approved; and
- (c) the directors of the Company be and are hereby authorised to do all such things and acts, to sign, seal, execute, perfect and deliver all such other documents as they may in their absolute discretion consider necessary, desirable or expedient for the purpose of or in connection with the implementation and/or giving effect to any matters relating to the Fifth Subscription Agreement and all transactions contemplated thereunder as well as in relation to the allotment and issue of the Cui Shares and to agree to such variation, amendment or waiver as are, in the opinion of the directors of the Company, in the interest of the Company.”

6. “**THAT**

- (a) the terms and conditions of the subscription agreement (the “**Sixth Subscription Agreement**”, a copy of which has been produced to the meeting marked “F” and signed by the chairman of the meeting for the purpose of identification) dated 1 July 2015 entered into between the Company and Zou Ping pursuant to which the Company has agreed to issue and Zou Ping has agreed to subscribe for 3,000,000 new Shares (the “**Zou Shares**”) at the subscription price of HK\$2.10 per Zou Share on the terms and conditions of the Sixth Subscription Agreement be and is hereby approved, ratified and confirmed;
- (b) conditional upon the Stock Exchange granting the listing of and permission to deal in the Zou Shares, the allotment and issue of the Zou Shares by the Company be and are hereby approved; and

NOTICE OF EGM

- (c) the directors of the Company be and are hereby authorised to do all such things and acts, to sign, seal, execute, perfect and deliver all such other documents as they may in their absolute discretion consider necessary, desirable or expedient for the purpose of or in connection with the implementation and/or giving effect to any matters relating to the Sixth Subscription Agreement and all transactions contemplated thereunder as well as in relation to the allotment and issue of the Zou Shares and to agree to such variation, amendment or waiver as are, in the opinion of the directors of the Company, in the interest of the Company.”

7. “THAT

- (a) the terms and conditions of the subscription agreement (the “**Seventh Subscription Agreement**”, a copy of which has been produced to the meeting marked “G” and signed by the chairman of the meeting for the purpose of identification) dated 1 July 2015 entered into between the Company and Li Kai Kai, Bobo pursuant to which the Company has agreed to issue and Li Kai Kai, Bobo has agreed to subscribe for 3,000,000 new Shares (the “**Bobo Shares**”) at the subscription price of HK\$2.10 per Bobo Share on the terms and conditions of the Seventh Subscription Agreement be and is hereby approved, ratified and confirmed;
- (b) conditional upon the Stock Exchange granting the listing of and permission to deal in the Bobo Shares, the allotment and issue of the Bobo Shares by the Company be and are hereby approved; and
- (c) the directors of the Company be and are hereby authorised to do all such things and acts, to sign, seal, execute, perfect and deliver all such other documents as they may in their absolute discretion consider necessary, desirable or expedient for the purpose of or in connection with the implementation and/or giving effect to any matters relating to the Seventh Subscription Agreement and all transactions contemplated thereunder as well as in relation to the allotment and issue of the Bobo Shares and to agree to such variation, amendment or waiver as are, in the opinion of the directors of the Company, in the interest of the Company.”

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

Hong Kong, 13 August 2015

NOTICE OF EGM

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 registered holders of any Shares, any one such persons 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 be present at the EGM personally or by proxy, that one of the said persons so present 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 (www.hkexnews.hk) and the Company (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 notarially 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 together with the power of attorney or other authority (if any) under which it is signed or certified copy of such power of attorney or authority, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
- (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 4 September 2015 to 8 September 2015, both days inclusive, during which period no transfer of shares of the Company will be registered. 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 Wednesday, 2 September 2015, since Thursday, 3 September 2015 was declared to be a public holiday.
- (6) In accordance with the relevant requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and for good corporate governance practice, the Chairman of the Board has indicated that he would direct that each of the resolutions 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 (www.hkexnews.hk) and the Company (www.475hk.com) respectively.

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