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ZHONG FA ZHAN HOLDINGS LIMITED

中發展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 475)

DISCLOSEABLE TRANSACTION DISPOSAL OF PROPERTY

The Board wishes to announce that the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Agreement on 21 August 2013 with the Purchaser to dispose of the Property at a consideration of RMB9,600,000, equivalent to approximately HK\$12,000,000.

As the applicable percentage ratios of the Disposal calculated under Chapter 14 of the Listing Rules exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company under the Listing Rules.

INTRODUCTION

The board (the “**Board**”) of directors (the “**Directors**”) of Zhong Fa Zhan Holdings Limited (the “**Company**”) wishes to announce that Guangzhou Sinoble Jewelry Limited* (廣州億恒珠寶有限公司) (the “**Vendor**”), an indirect wholly-owned subsidiary of the Company established in the People’s Republic of China (the “**PRC**”), entered into an agreement (the “**Agreement**”) with Guangzhou Jin Ye Jewelry Limited* (廣州晉業珠寶有限公司) (the “**Purchaser**”) on 21 August 2013 to dispose of a dormitory unit situated at Block 46, 999 Fulong Road, Shawan Town, Panyu District, Guangzhou City, the PRC (廣州市番禺區沙灣鎮福龍路999號46座) (the “**Property**”) at a consideration of RMB9,600,000, equivalent to approximately HK\$12,000,000 (the “**Disposal**”). The Property comprises a gross floor area of 5,227.5 square meters. The principal terms of the Agreement are set out below.

THE AGREEMENT

Date:

21 August 2013

Vendor:

Guangzhou Sinoble Jewelry Limited*, an indirect wholly-owned subsidiary of the Company

Purchaser:

Guangzhou Jin Ye Jewelry Limited*, a company principally engaged in manufacturing and wholesale of jewelry products in the PRC. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")).

Property:

The Property is a dormitory unit situated at Block 46, 999 Fulong Road, Shawan Town, Panyu District, Guangzhou City, the PRC. The Property has a gross floor area of 5,227.5 square meters.

Consideration:

Pursuant to the terms of the Agreement, the total consideration for the Property is RMB9,600,000, equivalent to approximately HK\$12,000,000, and was agreed after arm's length negotiations between the Vendor and the Purchaser, taking into account, amongst others, the valuation of the Property by an independent qualified Hong Kong property valuer and the book value of the Property of approximately HK\$11,591,000, as at 31 March 2013. The Directors, including the non-executive Directors, are of the view that the consideration is fair and reasonable and in the interests of the Company and its shareholders as a whole.

The consideration is receivable as follows:

- (i) an initial deposit of RMB500,000, equivalent to approximately HK\$625,000, was paid to the Vendor upon signing of the Agreement;
- (ii) RMB8,500,000, equivalent to approximately HK\$10,625,000, to be paid to the Vendor on or before 20 September 2013; and
- (iii) the remaining balance of the consideration of RMB600,000, equivalent to approximately HK\$750,000, to be paid to the Vendor on or before 30 September 2013.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company and its subsidiaries (the "**Group**") are principally engaged in the design, manufacturing and wholesale of fine jewelry products in the PRC.

As the Group is considering to further outsource its production process in order to avoid the unpredictability of the labor market and to provide the Group with a more stabilized cost base, the Property, which was constructed to serve as a dormitory unit for workers, may become redundant. As such, the Directors consider it an appropriate time for the Group to liquidate the Property, which will generate positive cash flow for the Group.

The Directors are of the view that the terms of the Disposal including the consideration are fair and reasonable and on normal commercial terms, and the Disposal is in the best interests of the Company and its shareholders as a whole.

POSSIBLE FINANCIAL IMPACT OF THE DISPOSAL

With reference to the audited accounts of the Company for the year ended 31 March 2013, the net book value of the Property was approximately HK\$11,591,000, as at 31 March 2013. The estimated unaudited net gain to the Group from the Disposal would be approximately RMB170,000 (equivalent to approximately HK\$210,000) after deduction of estimated costs and related taxes incurred in connection with the Disposal.

However, global economic volatility and turmoil coupled with various austerity measures introduced in the PRC had resulted in an increase in the Group's operating costs. Therefore, the expected gain from the Disposal may not be relied on to serve as an indicator of the future financial performance of our Group.

USE OF PROCEEDS FROM THE DISPOSAL

The Group intends to use the net sale proceeds from the Disposal as general working capital.

GENERAL

As one or more of the applicable percentage ratios for the Disposal exceeds 5% but are all less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

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

Hong Kong, 21 August 2013

Unless otherwise specified, amounts in this announcement denominated in RMB have been translated for the purpose of illustration only into Hong Kong dollars at the rate of RMB0.80: HK\$1.00. No representation is made that any amounts can be or could have been converted at the relevant dates at the above rate or any other rates at all.

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

* *For identification purposes only*