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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)

VOLUNTARY ANNOUNCEMENT –
THE ENTERING INTO OF A PATENT LICENCE AGREEMENT;
AND
THE ENTERING INTO OF AN AGREEMENT OF INTENT

This announcement is made by Zhong Fa Zhan Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis to inform the shareholders (“**Shareholders**”) and potential investors of the Company of the latest business development of the Company.

PATENT LICENCE AGREEMENT

The board of directors of the Company (the “**Board**”) wishes to announce that on 31 December 2018, Yuyao Yiheng Solar Technology Company Limited* (余姚市億恆太陽能科技有限公司) which is a wholly-owned subsidiary of the Company (“**Yuyao Yiheng**”), entered into a patent licence agreement (the “**Patent Licence Agreement**”) with ET Solar Technology Co., Ltd* (建開陽光新能源科技有限公司) (“**ET Solar Technology**”), pursuant to which Yuyao Yiheng was granted right and licence to exploit the patents registered during the term of the Patent Licence Agreement (the “**Patents**”) owned by ET Solar Technology. A summary of the Patent Licence Agreement is set out as follows:

Date

31 December 2018

Parties

- (a) Yuyao Yiheng, together with its direct or indirect subsidiaries and joint ventures, as licensee; and
- (b) ET Solar Technology as licensor.

Use of the Patents

Pursuant to the Patent Licence Agreement, ET Solar Technology agreed to grant Yuyao Yiheng a non-exclusive right to exploit the Patents, which relate to solar energy, solar photovoltaic and solar power materials and inventions, in the People's Republic of China.

Licence Period

The term of the Patent Licence Agreement commences from 31 December 2018 and ends on 7th December 2032.

Consideration and Payment

The annual licence fee payable by Yuyao Yiheng to ET Solar Technology is RMB94,000 for all Patents under the Patent Licence Agreement, and payment of which shall be made annually within one month after each anniversary of the date of the Patent Licence Agreement. No other fees shall be payable under the Patent Licence Agreement.

Reasons for and benefits of entering into the Patent Licence Agreement

Pursuant to the Patent Licence Agreement, there are in total 10 patents granted for use, including, among other things, packaging technology of photovoltaic modules, modules manufacturing technology, module cost reduction and efficiency improvement methods, different applications of module, all of which demonstrate the individuality and technological advancement in the technical aspect of photovoltaic modules, and has achieved self-technical capability improvements on various technological aspects, from improved endurance, intellectualised communication function, improved efficiency in optical application, to reduced cost in electrical design.

The Patents are applicable in different applications and can enrich product type, ranging from the traditional field of distributed and surface power station, to agricultural tents, building-integrated photovoltaics (“BIPV”) buildings, fishery-solar hybrid projects and distributed systems on high class villas, etc. In contrast with regular products, the new products are supported by patented technologies and are more likely to ensure the novelty of the modules, establishing a technological foundation for the Group to develop into emerging markets.

The Group has been dedicated to the development of the solar energy business since the commencement of its solar energy business in the end of 2015. With the constant development of economy and the rise in people's living standard, the demand for renewable energy has increased significantly.

Reference is made to the announcement of the Company dated 5 July 2015. On 1 July 2015, Nation Power Group Limited (“**Nation Power**”), a wholly-owned subsidiary of the Company, and Suncool AB, a company incorporated under the laws of Sweden, entered into a Licence Agreement in relation to the grant of 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 until 1 July 2030.

Pursuant to the aforementioned Licence Agreement entered into between Nation Power and Suncool AB, right was reserved by Suncool AB to exploit and to otherwise explore further commercial use of the CoolStore IPR and the Licensed Technology in parallel with Nation Power within the CoolStore Field of Use and the CoolStore Territory because the aggregate amount of Revenue generated by Nation Power from the business of cooling-stored pipes based on the CoolStore IPR and the Licensed Technology did not reach RMB30 million by 31 December 2018. Notwithstanding the exercise of such right by Suncool AB, Nation Power will still be able to continue to utilise the CoolStore IPR and the Licensed Technology until 1 July 2030. With the aim to complement the use of such IPR and technology, the Group has been searching for new opportunities to continue broadening the scope and enhancing the prospects of growth of its existing solar energy business.

Together with the non-exclusive right and licence to exploit the Patents, the Group hopes to continue to expand its solar energy business and believes that through utilising the Patents, the Group will be able to further strengthen its market penetration in the renewable energy industry and to seek further growth and business development of the Group. The Group is confident that this new development will bring value to its solar energy business over the long term, and is in the interests of the Company and its Shareholders as a whole.

To the best knowledge, information and belief of the directors of the Company having made all reasonable enquiries, ET Solar Technology is a third party independent of the Company and its connected persons (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited).

AGREEMENT OF INTENT

On 25 November 2018, the Company and an independent third party (the “**Counterparty A**”) entered into a non-legally binding agreement of intent (the “**Agreement of Intent**”), and the announcement of such is with the consent of Counterparty A given to the Company on 21 December 2018. Pursuant to the Agreement of Intent, the Group will offer to sell its solar photovoltaic modules to Counterparty A on preferential terms and conditions and the Group shall provide differentiated photovoltaic products to Counterparty A that meet different situations. Further, Counterparty A will prioritize their procurement of solar photovoltaic modules from the Group with an amount of not less than RMB500,000,000 for such procurement.

Date

25 November 2018

Parties

- (a) Counterparty A; and
- (b) The Company.

Term

The Agreement of Intent has a term of three (3) years from 25 November 2018 to 24 November 2021. It will be renewed automatically for successive one-year terms, unless either party terminates the Agreement of Intent with effect from the end of the initial term or any extension thereof by giving written notice of termination to the other party subject to at least three (3) months’ notice.

Reasons for and benefits of entering into the Agreement of Intent

Counterparty A is engaged in the business of sales and promotion of solar photovoltaic system and has substantial experience in marketing, promotional work and sales of solar photovoltaic system, while the non-wholly owned subsidiary of the Company, ET Solar Development Company Limited, is engaged in the research and technology development business of solar photovoltaic system and has technicians and management with ample experience in the research and technology development of differentiated photovoltaic products, strong technical support and effective supply chain quality control.

The Board considers that the long-term strategic partnership between the Group and Counterparty A in the field of solar photovoltaic system would allow the Group to develop reliable, efficient and value-added differentiated photovoltaic products and provide effective and practical environmental protection solution to the solar energy end-users, hence, creating an opportunity for the Group to bring better returns.

After entering into the Patent Licence Agreement and the Agreement of Intent, the management of the Group expects that the revenue of its solar energy business would be promoted up accordingly because the obtaining of the potential sales and the right to exploit the Patents relating to solar energy, solar photovoltaic and solar power materials and inventions is anticipated to facilitate operation and promote development of the Group's solar energy business.

To the best knowledge, information and belief of the directors of the Company having made all reasonable enquiries, Counterparty A is a third party independent of the Company and its connected persons (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited).

Shareholders and potential investors of the Company should note that, save for the relevant provisions relating to confidentiality, governing law and dispute resolution, the Agreement of Intent is not legally binding. The proposed transactions may or may not proceed or materialize. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

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

Hong Kong, 31 December 2018

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

* *For identification only*