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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) SECOND SUPPLEMENTAL AGREEMENT AND
ADJUSTMENT TO THE AGGREGATE CONSIDERATION
RELATING TO
THE MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF
THE TARGET LAND PARCEL AND THE FACTORY;
AND
(2) COMPLETION OF
THE MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF
THE TARGET LAND PARCEL AND THE FACTORY**

References are made to (i) the circular of Zhong Fa Zhan Holdings Limited (the “**Company**”) dated 24 August 2018 (the “**Circular**”) in relation to a major and connected transaction relating to the acquisition of the Target Land Parcel and the Factory; (ii) the announcement of the Company dated 20 September 2018 in relation to the approval of such transaction by the Independent Shareholders at the EGM; and (iii) the announcements of the Company dated 28 September 2018 and 4 October 2018 in relation to the extension of long stop date of such transaction by supplemental agreement (the “**First Supplemental Agreement**”), and further information of such extension, respectively. Unless otherwise specified, capitalised terms used herein shall have the same meaning as those defined in the Circular.

BACKGROUND

Of the Aggregate Consideration (in the amount of RMB59,212,000 (equivalent to approximately HK\$67,057,590) (subject to adjustment)), an aggregate amount of RMB21,000,000 (equivalent to approximately HK\$23,782,500) had been paid by the Group to the Vendor in compliance with the SPA (as supplemented by the First Supplemental Agreement) prior to the date of this announcement. Pursuant to the SPA (as supplemented by the First Supplemental Agreement), the remaining amount of the Aggregate Consideration (the “**Remaining Balance**”) was to be paid in two instalments as follows:

- (i) as to RMB20,000,000 (equivalent to approximately HK\$22,650,000) payable on the date of completion of registration of transfer and obtaining of the land use right certificate and the property ownership certificate or the fixed assets certificate of the Target Assets under the name of the Purchaser (the “**Completion**”); and
- (ii) as to RMB18,212,000 (equivalent to approximately HK\$20,625,090), subject to adjustment, payable upon the later of (a) the date falling on the first anniversary of the date of the SPA; and (b) Completion.

As stated in the Circular, the Aggregate Consideration was subject to the Actual Construction Cost to be concluded with reference to the Confirmation. In the event that the Actual Construction Cost was less than RMB49,000,000 (equivalent to approximately HK\$55,492,500), the Aggregate Consideration would be reduced by such difference.

THE SECOND SUPPLEMENTAL AGREEMENT

On 30 November 2018 (after trading hours), the Company, the Purchaser and the Vendor entered into a second supplemental agreement (the “**Second Supplemental Agreement**”) to the SPA (as supplemented by the First Supplemental Agreement) with a view to amending the amount and time for payment of the Remaining Balance, details of which are set out below.

Pursuant to the Second Supplemental Agreement, the Aggregate Consideration of RMB59,212,000 (equivalent to approximately HK\$67,057,590) (subject to adjustment) shall be paid to the Vendor and settled by the Purchaser in the following manner:

- (i) as to RMB10,000,000 (equivalent to approximately HK\$11,325,000) shall be payable by the Purchaser within 30 days upon signing of the SPA;
- (ii) as to RMB11,000,000 (equivalent to approximately HK\$12,457,500) shall be payable by the Purchaser within seven days upon the passing of the necessary resolution(s) by the Independent Shareholders at the EGM to approve the SPA and the transactions contemplated thereunder;

- (iii) as to RMB5,000,000 (equivalent to approximately HK\$5,662,500) shall be payable by the Purchaser from the date of Completion to 31 December 2018, whereupon the Purchaser and the Vendor shall enter into a pledge agreement to pledge the Target Land Parcel and the Factory to the Vendor in order to secure the Purchaser's payment obligation of the outstanding balance (as referred to in (iv) below), which shall be released by the Vendor upon receipt of the Aggregate Consideration (subject to adjustment) in full; and
- (iv) as to the outstanding balance of RMB33,212,000 (equivalent to approximately HK\$37,612,590) (subject to adjustment) shall be payable by the Purchaser as to (a) RMB3,795,000 (equivalent to approximately HK\$4,297,838) by set off against the Leasing Deposit; and (b) RMB29,417,000 (equivalent to approximately HK\$33,314,752) in cash, upon the later of:
 - (x) the date falling on the first anniversary of the date of the SPA; and
 - (y) Completion.

Save for the above, all other terms and conditions of the SPA (as supplemented by the First Supplemental Agreement) shall remain unchanged and continue in full force and effect. Since the amount set out in (iii) above has been significantly reduced, and the timing for such payment has been delayed as compared to the initial terms of the SPA (as supplemented by the First Supplemental Agreement), the Board considers entering into the Second Supplemental Agreement is in the interest of the Company and the Independent Shareholders as a whole.

ADJUSTMENT MADE TO THE AGGREGATE CONSIDERATION

Based on the Confirmation received by the Company, the Aggregate Consideration had been reduced from RMB59,212,000 (equivalent to approximately HK\$67,057,590) to RMB58,652,000 (equivalent to approximately HK\$66,423,390), and the Remaining Balance amounted to RMB37,652,000 (equivalent to approximately HK\$42,640,890) as at the date of this announcement.

COMPLETION OF THE ACQUISITION

The Board is pleased to announce that all the conditions precedent to the SPA (as supplemented by the First Supplemental Agreement and the Second Supplemental Agreement) had been fulfilled, and completion of the Acquisition took place on 30 November 2018 in accordance with the terms and conditions of the SPA (as supplemented by the First Supplemental Agreement and the Second Supplemental Agreement).

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

Hong Kong, 30 November 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 the purpose of this announcement, conversion of RMB to HK\$ is based on the approximate exchange rate of RMB1.00 to HK\$1.1325.