

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014**

The board (the “Board”) of directors (the “Directors”) of Zhong Fa Zhan Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (“Zhong Fa Zhan” or the “Group”) for the six months ended 30 September 2014, which have been reviewed by the Company’s audit committee and external auditor, together with the comparative figures for the corresponding previous period as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

		Six months ended	
		30 September	
		2014	2013
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Revenue	3	38,009	41,177
Cost of sales		(33,932)	(36,924)
Gross profit		4,077	4,253
Other income		58	103
Other gains and losses	4	201	485
Distribution costs		(2,590)	(2,698)
Administrative expenses		(10,845)	(9,570)
Finance costs	5	(4)	(8)

		Six months ended	
		30 September	
		2014	2013
	<i>NOTES</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Loss before taxation		(9,103)	(7,435)
Income tax credit	6	<u>—</u>	<u>198</u>
Loss for the period	7	(9,103)	(7,237)
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation		<u>(230)</u>	<u>210</u>
Total comprehensive expense for the period		<u>(9,333)</u>	<u>(7,027)</u>
Loss per share	8		
Basic and diluted (<i>HK cents</i>)		<u>(3.22)</u>	<u>(2.65)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2014

		At 30 September 2014 <i>HK\$'000</i> (unaudited)	At 31 March 2014 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment	10	2,752	3,278
Rental deposits		<u>396</u>	<u>501</u>
		<u>3,148</u>	<u>3,779</u>
Current assets			
Inventories		14,998	14,578
Trade receivables	11	15,913	12,235
Deposits, prepayments and other receivables		1,220	1,402
Bank balances and cash		<u>24,717</u>	<u>13,372</u>
		<u>56,848</u>	<u>41,587</u>
Current liabilities			
Trade payables	12	10,198	8,840
Other payables and accruals		4,978	3,631
Loan from a controlling shareholder	13	<u>6,043</u>	<u>15,605</u>
		<u>21,219</u>	<u>28,076</u>
Net current assets		<u>35,629</u>	<u>13,511</u>
Total assets less current liabilities		<u>38,777</u>	<u>17,290</u>
Capital and reserves			
Share capital	14	2,938	2,736
Reserves		<u>35,839</u>	<u>14,554</u>
Equity attributable to owners of the Company		<u>38,777</u>	<u>17,290</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2014.

In addition, in the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – INT 21	Levies

The application of the above new interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue represents the amounts received and receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Segmental information

The Group’s revenue and result is solely derived from a single business operation of jewelry manufacturing and wholesale business in the People Republic of China (the “PRC”) (the “Wholesale Business”). The financial information for the Wholesale Business as a whole is regularly reviewed by the executive directors of the Company and used for the purposes of assessment of performance and resource allocation. Accordingly, the Wholesale Business as a whole constitute the sole operating segment for the purpose of segment information presentation under HKFRS 8. Accordingly, no segment information was disclosed.

4. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Gain on disposal of property, plant and equipment	–	419
Net foreign exchange gain	<u>201</u>	<u>66</u>
	<u>201</u>	<u>485</u>

5. FINANCE COSTS

	Six months ended 30 September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Bank charges	<u>4</u>	<u>8</u>

6. INCOME TAX CREDIT

The income tax credit for the six months ended 30 September 2013 represented the release of deferred tax liability upon disposal of leasehold land and building.

No provision for Hong Kong Profits Tax has been made as there were no assessable profits generated in Hong Kong for both periods.

No provision for PRC Enterprise Income Tax has been made for the Group's PRC subsidiary as the PRC subsidiary has no assessable profits for both periods.

7. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended 30 September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Cost of inventories recognised as expense	33,932	36,924
Depreciation of property, plant and equipment	574	372
Staff cost (including directors' remuneration)	7,784	7,182
Auditor's remuneration	<u>142</u>	<u>120</u>

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The Group's loss for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share calculation	<u>(9,103)</u>	<u>(7,237)</u>
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>282,306</u>	<u>273,610</u>

The computation of diluted loss per share for the six months ended 30 September 2014 and 30 September 2013 does not assume the exercise of the Company's outstanding share options as their exercise would result in a decrease in loss per share.

9. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors have determined that no dividend will be paid in respect of the current interim period (2013: nil).

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, there was no significant addition or disposal of property, plant and equipment.

During the last interim period, the Group disposed of a property with carrying amount of approximately RMB9.1 million (equivalent to HK\$11.6 million) for net cash proceeds of RMB9.4 million (equivalent to HK\$12 million), resulting in a gain on disposal of RMB329,000 (equivalent to HK\$419,000).

In addition, during the last interim period, the Group paid approximately HK\$3,038,000 for decoration and purchases of furniture, fixture and equipment for a new office premise.

11. TRADE RECEIVABLES

The credit terms granted by the Group to its customers normally range from 60 to 180 days.

The following is an analysis of the Group's trade receivables by age, presented based on the invoice date, which approximated the revenue recognition date.

	At 30 September 2014 <i>HK\$'000</i> (unaudited)	At 31 March 2014 <i>HK\$'000</i> (audited)
Within 1 month	4,506	3,627
Over 1 month but within 3 months	8,588	7,396
Over 3 months but within 6 months	2,819	683
Over 6 months	—	529
	<u>15,913</u>	<u>12,235</u>

12. TRADE PAYABLES

The following is an analysis of the Group's trade payables by age, presented based on the invoice date.

	At 30 September 2014 <i>HK\$'000</i> (unaudited)	At 31 March 2014 <i>HK\$'000</i> (audited)
Within 1 month	1,881	5,165
Over 1 month but within 3 months	7,432	3,642
Over 3 months but within 6 months	881	29
Over 6 months	4	4
	<u>10,198</u>	<u>8,840</u>

13. LOAN FROM A CONTROLLING SHAREHOLDER

The loan is unsecured, interest-free and repayable within 60 days upon the receipt of written notice of repayment.

14. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares with nominal value of HK\$0.01 each		
Authorised:		
At 31 March 2014, 30 September 2013 and 30 September 2014	<u>10,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 April 2013 (audited), 30 September 2013 (unaudited) and 1 April 2014 (audited)	273,610	2,736
Exercise of share options	<u>20,144</u>	<u>202</u>
At 30 September 2014 (unaudited)	<u>293,754</u>	<u>2,938</u>

15. SHARE OPTION SCHEME

The Company's share option scheme was adopted pursuant to a resolution passed on 26 February 2007 for the primary purpose of providing incentives to directors, employees and other eligible participants.

On 27 June 2012, 24,090,000 share options were granted. The options granted were all vested at the date of grant and exercisable during the period from 27 June 2012 to 30 December 2016. The fair value of the options determined at the date of grant using the Binomial model was approximately HK\$16,381,000.

The table below discloses movement of the Company's share options held by the directors, employees and other eligible participants.:

	Number of share options
Outstanding as at 1 April 2014	24,040,000
Lapsed during the period	(50,000)
Exercised during the period	<u>(20,144,000)</u>
Outstanding as at 30 September 2014	<u>3,846,000</u>

No options were granted during the current interim period.

16. OPERATING LEASES COMMITMENTS

As lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30 September 2014 <i>HK\$'000</i> (unaudited)	At 31 March 2014 <i>HK\$'000</i> (audited)
Within one year	1,645	2,132
In the second to fifth year	958	1,798
Later than five year	169	224
	<u>2,772</u>	<u>4,154</u>

17. RELATED PARTY TRANSACTIONS

Apart from the loan from a controlling shareholder as disclosed in note 13, the Group had entered into the following related party transactions during the period:

Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	2014 <i>HK\$'000</i> (unaudited)	2013 <i>HK\$'000</i> (unaudited)
Short-term employee benefits	4,798	2,657
Post-employment benefit	210	72
	<u>5,008</u>	<u>2,729</u>

Other than as disclosed above, there was no material related party transaction during the current interim period.

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

The Group recorded a drop in revenue for the six months ended 30 September 2014 (the “Review Period”). The sales turnover of the Group decreased by 7.8% from HK\$41.2 million to HK\$38.0 million for the Review Period. The Group maintained a similar level of gross profit margin of 10.8% for the Review Period as compared to the 10.4% of last reporting period; while the gross profit reduced slightly by 4.7% from HK\$4.3 million to HK\$4.1 million. The Group recorded a net loss of HK\$9.1 million for the six months ended 30 September 2014 (2013: net loss of HK\$7.2 million). Basic loss per share were 3.2 HK cents (2013: basic loss per share were 2.7 HK cents).

Business Review

The Group focused on jewelry wholesale business in domestic market of the PRC for the Review Period. We were able to keep our gross profit margin at approximately 10% by sustaining our cost control measures but the tough operating environment has diminished our turnover further. The competition remained intense during the Review Period, posing a great challenge to our business. The relatively small scale of the Group’s business has put us in a difficult position where we find it harder year by year to bargain for favourable terms; hence placing the odds on our competitors in terms of pricing and cost saving. As a result, our sales turnover has decreased by 7.8% to HK\$38.0 million during the Review Period owing to the decline in overall demand of fine jewelry of the Group.

Future Prospects

Going forward, the Group expects the global economy to be still volatile and unstable. Moreover, the diminishing spending momentum in the PRC may further drive down the demand for fine jewelry and therefore bringing us a more challenging future ahead. To cope with these challenges, we will optimize our resources allocation and adopt a prudent approach to operate our business in the PRC to attain a more satisfactory result.

The Group will also closely monitor and review our business operations and financial position for the purposes of formulating business plans and strategies for the future business development of the Group. Should suitable investment or business opportunities arise, the Group may consider diversifying its business with an objective to broaden its income source; in this regard, the Group will also consider whether corresponding financing arrangements are needed to cope with such diversification. Currently no such investment or business opportunities had been identified nor had the Group entered into any agreement, arrangements, understandings, intention or negotiation in relation to the injection of any assets or business into the Group.

Liquidity and Financial Resources

As at 30 September 2014, the Group's net current assets and current ratio stood at HK\$35.6 million and 2.7 respectively (31 March 2014: HK\$13.5 million and 1.5 respectively). Net gearing ratio (total interest bearing borrowings net of bank balances and cash as a percentage of total equity) was nil as at 30 September 2014 (31 March 2014: Nil).

As at 30 September 2014, the Group had no bank borrowings (31 March 2014: Nil) and no banking facilities (31 March 2014: Nil). As at 30 September 2014, the Group's bank balances and cash amounted to HK\$24.7 million (31 March 2014: HK\$13.4 million).

Charges on Group Assets

As at 30 September 2014, the Group did not have any charges on the Group's assets (31 March 2014: Nil).

Capital Structure

For the six months ended 30 September 2014, the Group financed its liquidity requirements through cash flows as generated from operation and loan from a controlling shareholder.

Dividend

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 September 2014.

Capital Commitment and Contingent Liabilities

As at 30 September 2014, the Group did not have any capital commitments (31 March 2014: Nil) and had HK\$2.8 million of operating lease commitments (31 March 2014: HK\$4.2 million). As at 30 September 2014, the Group did not have any significant contingent liabilities (31 March 2014: Nil).

Staff and Remuneration Policy

As at 30 September 2014, the Group had a total of 48 employees (31 March 2014: 51). Staff costs for the Review Period was HK\$7.8 million, representing an increase of 8.3% as compared to the corresponding period ended 30 September 2013 of HK\$7.2 million. The Group remunerates its employees based on their performance and work experience and the prevailing market rates. Salaries of employees are maintained at competitive levels while bonuses are granted by reference to the performance of the Group and individual employees.

The Group also provides internal training to its employees when necessary and other benefits including share option scheme and contribution to statutory mandatory provident fund scheme to its employees in Hong Kong and the statutory central pension schemes to its employees in the PRC.

Foreign Exchange Fluctuation and Hedges

Currently, the Group was principally based in the PRC and was not significantly exposed to foreign exchange risk. Foreign exchange risk arises from future commercial transaction and recognized assets and liabilities. While the Group would closely monitor the volatility of the RMB exchange rate, the Directors considered that the Group's risk exposure to foreign exchange rate fluctuation remained minimal currently.

As at 30 September 2014, no forward foreign currency contracts are designated in hedging accounting relationships (31 March 2014: Nil).

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules on the Stock Exchange of Hong Kong Limited. The Company has applied the principles and complied with all the applicable code provisions set out in the Code throughout the six months ended 30 September 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2014.

AUDIT COMMITTEE AND INDEPENDENT REVIEW BY EXTERNAL AUDITOR

The Company has established an audit committee with written terms of reference in compliance with the code provisions under the Code set out in Appendix 14 to the Listing Rules. The audit committee comprises three independent non-executive Directors, namely Mr. Wu Chi Keung, Mr. Heung Chee Hang, Eric and Ms. Kwok Pui Ha. The Group's unaudited interim results for the six months ended 30 September 2014 have been reviewed by the audit committee at an audit committee meeting held on 27 November 2014.

The Group's external auditor, Deloitte Touche Tohmatsu, has been appointed to review the interim financial information. On the basis of their review, they are not aware of any material modifications that should be made to the interim financial information for the six months ended 30 September 2014.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed Shares during the six months ended 30 September 2014.

By order of the Board
ZHONG FA ZHAN HOLDINGS LIMITED
Chan Wing Yuen, Hubert
Chief Executive & Executive Director

Hong Kong, 27 November 2014

As at the date of this announcement, 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.