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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

The board of directors (the "Board" or "Directors") of Zhong Fa Zhan Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2018 together with the comparative audited figures for the year ended 31 March 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

		2018	2017
	NOTES	***HK$'000***	*HK$'000*
Revenue	3	**28,106**	10,222
Cost of sales		**(26,978)**	(10,031)
Gross profit		**1,128**	191
Other income		**1,189**	388
Other gains and losses, net		**(1,262)**	1,432
Selling and distribution costs		**(448)**	(313)
Administrative expenses		**(20,930)**	(26,763)
Equity-settled share-based payment		**(2,776)**	(12,876)

	NOTES	2018 HK$'000	2017 HK$'000
Loss before taxation		**(23,099)**	(37,941)
Income tax	4	**–**	–
Loss for the year	5	**(23,099)**	(37,941)
Other comprehensive expense for the year			
Item that will not be reclassified subsequently to profit or loss			
Exchange differences arising on translation to presentation currency		**3,124**	(2,074)
Total comprehensive expense for the year		**(19,975)**	(40,015)
Loss per share	6		
Basic and diluted (HK cents)		**(7.00)**	(11.50)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	NOTES	**2018** **HK$'000**	2017 *HK$'000*
Non-current assets			
Property, plant and equipment		**13,540**	1,692
Rental deposits		**237**	399
		13,777	2,091
Current assets			
Inventories	8	**1,158**	168
Trade receivables	9	**2,229**	–
Other receivables, deposits and prepayments	9	**6,885**	5,206
Structured deposit		**21,217**	–
Bank balances and cash		**58,211**	38,515
		89,700	43,889
Current liabilities			
Trade payables	10	**2,139**	1
Other payables and accruals	10	**2,889**	1,849
Loans from a controlling shareholder		**71,518**	–
		76,546	1,850
Net current assets		**13,154**	42,039
Total assets less current liabilities		**26,931**	44,130
Capital and reserves			
Share capital	11	**3,301**	3,301
Reserves		**23,630**	40,829
		26,931	44,130

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

1. GENERAL

Zhong Fa Zhan Holdings Limited (the "Company") is a public limited company incorporated in the Cayman Islands as an exempted company and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent and ultimate holding company is Resources Rich Capital Limited, a company incorporated in the British Virgin Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of the principal place of business of the Company is Room 2202, 22/F., Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in jewelry wholesale business in the People's Republic of China ("PRC") and Hong Kong and solar energy business in the PRC.

The functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), as the Company's shares are listed on the Stock Exchange, the directors of the Company consider that it is appropriate to present the consolidated financial statements in HK$.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"):

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. The application of these amendments has had no impact on the Group's consolidated financial statements.

Except for the above, the application of the other amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective.

Significant accounting policies

The consolidated financial statements have been prepared in accordance with HKFRS issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

3. REVENUE AND SEGMENT INFORMATION

Revenue

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

The following is an analysis of the Group's revenue for the year:

	2018	2017
	HK$'000	*HK$'000*
Revenue from sales of jewelry products	**27,677**	10,034
Revenue from sales of solar energy products	**429**	188
	28,106	10,222

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

For year ended 31 March 2018

	Jewelry wholesale business *HK$'000*	**Solar energy business** *HK$'000*	**Total** *HK$'000*
Revenue	27,677	429	28,106
Segment loss	(691)	(8,612)	(9,303)
Unallocated corporate income			1,189
Unallocated corporate expenses			(14,985)
Loss before taxation			(23,099)

For year ended 31 March 2017

	Jewelry wholesale business *HK$'000*	Solar energy business *HK$'000*	Total *HK$'000*
Revenue	10,034	188	10,222
Segment loss	(96)	(19,216)	(19,312)
Unallocated corporate income			1,820
Unallocated corporate expenses			(20,449)
Loss before taxation			(37,941)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during both years.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	2018	2017
	HK$'000	*HK$'000*
Jewelry wholesale business	**2,915**	–
Solar energy business	**13,093**	5,334
Total segment assets	**16,008**	5,334
Structured deposit	**21,217**	–
Bank balances and cash	**58,211**	38,515
Other unallocated assets	**8,041**	2,131
Consolidated assets	**103,477**	45,980
Jewelry wholesale business	**2,181**	1
Solar energy business	**2,136**	138
Total segment liabilities	**4,317**	139
Unallocated liabilities	**72,229**	1,711
Consolidated liabilities	**76,546**	1,850

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than certain property, plant and equipment, certain other receivables, deposits and prepayments, structured deposit and bank balances and cash.

- all liabilities are allocated to reportable segments other than certain other payables and accruals and loans from a controlling shareholder.

4. INCOME TAX

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for Hong Kong Profits Tax had been made as the Group had no estimated assessable profit arising from Hong Kong for both years.

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate applied to the PRC subsidiaries is 25%. No provision for the PRC Enterprise Income Tax has been made for the Group's PRC subsidiaries as they have no estimated assessable profit for both years.

5. LOSS FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**1,360**	581
Less: amount capitalised in inventories	**(67)**	–
	1,293	581
Auditor's remuneration	**450**	644
Operating lease payments in respect of rented properties	**2,353**	2,172
Staff costs (including directors' remuneration):		
– salaries, allowances and other benefits	**9,904**	11,070
– retirement benefit scheme contributions	**302**	474
Total staff costs	**10,206**	11,544
Cost of inventories recognised as an expense	**26,978**	10,031
Interest income from bank deposits (included in other income)	**(551)**	(45)
Interest income from structured deposits (included in other income)	**(453)**	–
Government subsidies (included in other income)	**–**	(346)

6. LOSS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Loss for the purposes of calculating basic and diluted loss per share:		
Loss for the year attributable to owners of the Company	**(23,099)**	(37,941)

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share	**330,054,000**	330,054,000

The computation of diluted loss per share for both years does not assume the exercise of share options and warrants since it would result in a decrease in loss per share.

7. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2018, nor has any dividend been proposed since the end of the reporting period (2017: nil).

8. INVENTORIES

	2018	2017
	HK$'000	*HK$'000*
Raw materials	**130**	98
Work in progress	**78**	70
Goods in transit	**950**	–
	1,158	168

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade receivables

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**2,229**	–

The following is an ageing analysis of trade receivables based on invoice date at the end of the reporting period, which approximate the respective revenue recognition dates:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**1,575**	–
Over 1 month but within 3 months	**654**	–
	2,229	–

The Group allowed a credit period ranging from 30 to 120 days to its customers. No trade receivables were past due at the end of the reporting period for which the Group had not provided for impairment loss for both years.

Other receivables, deposits and prepayments

	2018	2017
	HK$'000	*HK$'000*
Other receivables	**1,652**	548
Deposits *(Note)*	**5,144**	4,444
Prepayments	**89**	214
	6,885	5,206

Note:

Included in deposits is an amount of RMB3,795,000 (equivalent to approximately HK$4,736,000) (2017: RMB3,795,000 (equivalent to approximately HK$4,281,000)) representing six months of rent payable (the "Rent Payable") to a private company incorporated in the PRC as the landlord (the "Landlord") under a framework tenancy agreement entered into between the Company and the Landlord on 18 December 2015. Mr. Hu Yishi, was the then executive director and is a controlling shareholder of the Company, is the indirect beneficial owner having significant influence over the Landlord and therefore, the Landlord is a related party of the Group. Pursuant to the agreement, the Landlord was required to construct a factory (the "Factory") for the Group to use as the production plant for the solar energy business and, during the period commenced from 18 December 2015 and ended on 31 August 2017, the Group could enter into the tenancy for the Factory for a lease term from any time after the completion of construction of the Factory until 31 August 2017. However, the framework tenancy agreements was not renewed upon its expiration on 31 August 2017 and due to unexpected additional time required for the construction of the Factory, the completion of the Factory was delayed. On 13 November 2017, the Group and the Landlord entered into a memorandum of understanding (the "MOU") in relation to the Group's proposed acquisition of the Factory. Pursuant to the MOU, the Landlord agreed that the Group could use the Factory, when it is completed the construction and commences for the operation, for production and operation at no cost until the execution of the acquisition agreement or lease agreement in relation to the Factory or on 30 June 2018, whichever is later. The Group agreed to use the Rent Payable as the refundable security deposit for any damage on facilities or equipment during the period the Group could use the Factory at no cost. Therefore, the deposit is classified as current asset as at 31 March 2018. On 24 April 2018, the Group entered into a sales and purchase agreement with the Landlord in relation to the acquisition of the Factory. As of the date of this results announcement, the construction of the Factory has been completed and the sales and purchase agreement has not been approved by shareholders of the Company.

10. TRADE AND OTHER PAYABLES AND ACCRUALS

Trade payables

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**2,139**	1

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**1,495**	1
Over 1 month but within 3 months	**642**	–
Over 3 months but within 6 months	**2**	–
	2,139	1

The average credit period on purchase of goods is 180 days.

Other payables and accruals

	2018	2017
	HK$'000	*HK$'000*
Other payables	**1,972**	300
Accruals	**917**	1,549
	2,889	1,849

11. SHARE CAPITAL

	Number of ordinary shares of HK$0.01 each		**Nominal value**	
	2018	2017	**2018**	2017
			HK$'000	*HK$'000*
Authorised:				
At beginning and end of the year	**10,000,000,000**	10,000,000,000	**100,000**	100,000
Issued and fully paid:				
At beginning and end of the year	**330,054,000**	330,054,000	**3,301**	3,301

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the year ended 31 March 2018 (the "Current Year"), the Group has been principally focusing on its jewelry wholesale business and the development of the solar energy business.

Jewelry Business

During the Current Year, the Group resumed the jewelry wholesale business in Hong Kong eyeing on improved retail sentiment and continued to engage in the provision of the wholesale of jewelry principally in the PRC. For the Current Year, the financial results was very encouraging as a result of increased purchasing power of customers in Hong Kong due to active bull market for the capital market as well as the property market, as well as wedding jewelry demand and 2-child policy enforced in the PRC.

According to the statistics from the National Bureau of Statistics of China, the annual Gross Domestic Product grew 6.9% year-on-year in year 2017, well above the official target of near 6.5% and a 26-year low of 6.7% in year 2016. The PRC economy continued to expand by 6.8% year-on-year in the first quarter of year 2018. Meanwhile, retail sales grew 9.8% in the first quarter of year 2018. In March 2018 alone, retail sales increased by 10.1% comparing with the previous month, beating market consensus of 9.7%. It was the steepest increase in retail trade since November 2017.

With profound experience and by leveraging the business networks of external consultants engaged, the Group's sales team therefore grasped the opportunities of improving business environment in the Current Year and resulted in successfully identifying potential new customers and established better business relationships with the existing customers.

Solar Energy Business

Solar energy is regarded as infinite in the long-term and is an ample renewable energy resource available. The Group answered to the global call for this renewable energy via entering into an exclusive technology licensing agreement with Suncool AB, a leading energy conservation technologies development company in Sweden, covering the Greater China region in late year 2015. With the well-established international sales channels of Suncool AB, and the optimistic prospects under favourable policy environment globally, the Group expects the growth opportunity for this solar energy business is enormous.

Since then, the Group has been involved in the provision of proprietary thermal solar-powered interior climate solutions and products with an advanced and integrated heating, cooling and energy reservation. The products are developed and manufactured through the adoption of licensed CoolStore proprietary thermal solar collector production technologies. The Group also distributes products such as solar photovoltaic components to build a fast track for enhancing the Group's market presence as well as building sales network.

The Group is proud to have completed the technology application localization with technique enhancement during the Current Year. It has successfully launched a pilot project for offering solar cooling proprietary technology products and solutions in Wuhu, Anhui Province, the PRC during the Current Year which is expect to build a sound foundation for constructing business track records and paving way for market expansion for solar energy business.

The Group has always been planning to commence the manufacture and sale of solar energy products as soon as it obtained the licences. Initially the Group expected the construction work of the solar energy factory would be completed and manufacture could be commenced by late 2016. The Factory did not complete as scheduled and therefore the Group expediently used a temporary production line housed inside a short-term leased building in Yuyao. During the Current Year, the Group finally made a break-through by signing a MOU with the landlord of the Factory to grant a right to use the Factory free-of-charge on an interim basis. The Group then move in the Factory and commenced the manufacture in the new factory for the orders of 100 sets collectors with cooling-store pipes. The Group was thrilled to receive encouraging purchase order of 1,000 sets collectors from a customer in May 2018 which the production was commenced as at the date of this announcement and is expected to start making contribution to solar energy business in the same year. In April 2018, the Group decided to acquire the Factory together with the land where the Factory thereon against the backdrop of enabling the Group to cope with its future development while at the same time saving rental cost of the factory in the long run.

During the Current Year, the Group acquired an office property with a gross floor area of approximately 223.53 square metres in Hangzhou, Zhejiang Province, the PRC. The Group intends to use the office as the sales office of the solar energy business due to its ideal and convenient location in central business district of Hangzhou city and the office is not far from the Yuyao Factory as well. The establishment of sales office in Hangzhou will mark the Group's dedication in committing more resources and efforts towards development of the solar energy business. This will strengthen the Group's national network for long term growth.

Acquisition of Hangzhou Property as sales office

On 30 August 2017, Yuyao Yiheng Solar Technology Company Limited* (余姚市億恒太陽能科技有限公司) ("Yuyao Yiheng"), a wholly-owned subsidiary of the Company, and Hainan Kay Hing Technology Development Company Limited* (海南凱興科技開發有限公司) ("Hainan Kay Hing") entered into a sale and purchase agreement in relation to acquire a property situated at Room 607, 10 Guan Yi Hou, Shangcheng District, Hangzhou, Zhejiang Province, the PRC (the "Hangzhou Property") from Hainan Kay Hing by Yuyao Yiheng (the "Acquisition of Hangzhou Property"), with a consideration of approximately RMB3.9 million (equivalent to approximately HK$4.6 million). As Mr. Hu Yangjun, the Company's controlling shareholder and executive Director, and his spouse are direct beneficial owner of approximately 90% and 10% in the registered capital of Hainan Kay Hing respectively, the Acquisition of Hangzhou Property constitutes a connected transaction of the Company pursuant to Chapter 14A of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Acquisition of Hangzhou Property is only subject to the reporting and announcement requirements but is exempt from the Company's independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 30 August 2017 for the details.

Acquisition of the Target Land Parcel and the Factory

On 13 November 2017, the Company, Ningbo Shenggu Energy Reservation Technology Co., Ltd.* (寧波升谷節能科技有限公司) ("Ningbo Shenggu"), the Company's wholly-owned subsidiary, and CECEP (Yuyao) Low Carbon Technology Development Co., Ltd.* (中節能（余姚）低碳技術開發有限公司) ("CECEP Yuyao") entered into a memorandum of understanding (the "MOU") in relation to the proposed acquisition of a parcel of land of a site area of approximately 49,000 square meters located in the location of north side of Binhai Avenue, Binhai New Area, Yuyao, Zhejiang Province, the PRC held by CECEP Yuyao (the "Target Land Parcel") together with the factory constructed by CECEP Yuyao thereon (the "Factory" or the "Yuyao Factory"). The MOU also granted exclusive rights to the Group to use the Factory free-of-charge. The gross floor area of the Factory is approximately 27,500 with annual maximum capacity of approximately 156,000 units of cooling-store pipes. For the MOU, the Group has also agreed to use the paid deposit amounting to approximately RMB3.8 million (equivalent to approximately HK$4.7 million) pursuant to the framework lease agreement entered into with CECEP Yuyao on 18 December 2015 as the refundable deposit (the "Security Deposit") for ensuring the Group in compliance with the terms and reserving as compensation for any damages on the facilities and equipment when using the Factory free-of-charge. Please refer to the announcement of the Company dated 13 November 2017 for the details.

OUTLOOK AND PROSPECTS

Jewelry business

The management of the Group believes a wide sales network and effective marketing strategies are essential for the success of jewelry business operation. In the coming year, The Group will continue to grow the jewelry business both in Hong Kong and the PRC with more resources to be allocated to sales and marketing of jewelry business including recruit more staff to develop more flexible and successful sales strategy, and with increased exposure to jewelry business trade fairs and exhibitions as well as further enhancement of customer servicing to achieve higher business goals.

After a tough but improving year 2017, a continued recovery is on the horizon for the Current Year. The Group believes that the future of purchasing has transformed to increased adoption of digital due to raised expectations of customer experience and a higher scrutiny on convenience, price, quality, newness and a personal touch. Potential customers will increasingly look to online platforms as the first point of search, attracted by their convenience, relevance and breadth of offering. The pace of innovation is spurred by the PRC's uniquely-demanding consumer landscape where 20% of internet users rely on mobile alone to access the internet, compared to just 5% in the United States. The Group therefore is planning to expand its sales channels to fashion jewelry online platform through strategic co-operations with other e-commerce service and solution providers. An initial contact has been made with a company in Hangzhou which is a service provider of e-commerce operation and solution with strong capabilities. Given the improving economic environment of the PRC and Hong Kong, the sales team of the Group is ready to take advantage of the opportunities ahead in order to strengthen the sustainable growth of the jewelry business.

Solar Energy Business

Looking forward, the Group will continue the focus on the customers' highest priorities and grow the solar energy market position. The Group believes that it has a compelling mix of technologies for the growing global market. It believes that long-term growth in the solar industry will be fueled by government incentives for solar energy as well increasing environmental awareness. To transition to a clean, renewable energy system by 2050, many countries have medium to long-term policies to support growth in solar energy, including China which has laid down 13th Five Year Plan (Year 2016 – 2020) to target 35GW by end 2015 and additional 65GW from 2016 to 2020. The country also gives tax incentives and low interest loans for solar energy enterprises in order to support the growth of solar energy industry.

Yuyao Factory provides ample capacity for the Group to drive its solar energy business. Leveraging on the international business network of Suncool AB, the Group will partner with our Sweden technology provider to expand into the global market. The Group has gained a group of potential customers from the Middle East and India and preparing to enter the American market in its next move. The Group is currently the sole thermal solar energy collector production base outside Europe, demonstrating our Sweden business partner is confident in the Group's manufacturing capacity and capability.

On the other hand, the Group will also continue its effort to develop PRC market with special attention on local government institutions and state-owned enterprises, especially focusing on exploring the projects of energy efficiency, energy performance contracting and Public-Private-Partnership model.

On 24 April 2018, the Company, Ningbo Shenggu and CECEP Yuyao entered into a conditional sale and purchase agreement (the "SPA"), pursuant to which Ningbo Shenggu has conditionally agreed to purchase by itself or any wholly-owned subsidiary of the Company established in the PRC, and CECEP Yuyao has conditionally agreed to sell the Target Land Parcel and the Factory, at the aggregate consideration of RMB 59.2 million (equivalent to approximately HK$73.9 million) subject to adjustment. Also, pursuant to the SPA, the outstanding consideration payable after the completion shall be set off against the Security Deposit. Mr. Li Wei Qi, Jacky, a non-executive Director, is also one of the director of CECEP Yuyao. As Mr. Hu Yishi, the Company's controlling shareholder is effectively the indirect beneficial owner of approximately 34.5% in the registered capital of CECEP Yuyao, the Acquisition of the Target Land Parcel and the Factory constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. The Acquisition of the Target Land Parcel and the Factory is subject to the reporting, announcement and the Company's independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 24 April 2018 for the details. The circular containing, among other things, the notice convening the extra-ordinary general meeting for the purpose of considering and, if though fit, approving the SPA and the transactions contemplated thereunder is expected to be despatched on or before 13 July 2018, please refer to the announcement of the Company dated 1 June 2018 and 22 June 2018.

Financial Review

Revenue

Revenue of the Group for the Current Year was HK$28.1 million (2017: HK$10.2 million), representing an increase of approximately 175.0% as compared to that for the year ended 31 March 2017 (the "Previous Year"). The increase was primarily due to an increase in the revenue of jewelry business.

Revenue of the jewelry business increased by approximately 175.8% from approximately HK$10.0 million for the Previous year to approximately HK$27.7 million for the Current Year due to the improving consumer sentiment under the revival of the PRC's domestic economy and expanded its business territorially by re-entering the Hong Kong wholesale market.

Revenue of the solar energy business increased by approximately 128.2% from approximately HK$188,000 for the Previous year to approximately HK$429,000 for the Current Year due to the contribution of revenue derived from the pilot project of the solar cooling proprietary technology products and solutions launched in the Current Year.

Gross profit

Gross profit increased from approximately HK$0.2 million for the Previous Year to approximately HK$1.1 million for the Current Year, representing an increase of approximately 490.6%. Meanwhile, gross profit margin increased from 1.9% for the Previous Year to 4.0% for the Current Year. The increase was mainly attributable to the contributions from new customers of jewelry business which have higher gross profit margins.

Other income

Other income increased from approximately HK$0.4 million for the Previous Year to approximately HK$1.2 million for the Current Year, representing an increase of approximately 206.4%. It was mainly attributable to the interest income received from bank structured deposits amounted to HK$0.5 million for the Current Year (2017: Nil).

Other gains and losses, net

The Group recorded other net loss of approximately HK$1.3 million for the Current Year (2017: other net gain of approximately HK$1.4 million), which was mainly attributable to the net loss on written-off of fixed assets and the net foreign exchange loss during the Current Year.

Selling and distribution costs and Administrative expenses

Selling and distribution costs and administrative expenses decreased from approximately HK$27.1 million for the Previous Year to approximately HK$21.4 million for the Current Year, representing a decrease of approximately 21.0%. It was mainly attributable to the decrease of expenses incurred by the head office during the Current Year. The Group will continue to take all necessary measures to control the cost to improve profitability in the future.

Equity-settled share-based payment

Equity-settled share-based payment decreased by 78.4% from approximately HK$12.9 million for the Previous Year to approximately HK$2.8 million for the Current Year mainly due to the warrants issued by the Company to Suncool AB has been fully vested during the Current Year.

Loss for the year

As a result of the foregoing, loss for the period reduced from approximately HK$37.9 million for the Previous Year to approximately HK$23.1 million for the Current Year, representing a decrease of approximately 39.1%. Basic loss per share were 7.0 HK cents (2017: 11.5 HK cents).

Liquidity, Financial Resources and Capital Structure

As at 31 March 2018, the Group had net current assets and current ratio stood at HK$13.2 million and 1.2 respectively (2017: HK$42.0 million and 23.7 respectively). The Group's gearing ratio as at 31 March 2018 was nil (2017: Nil) (total interest bearing borrowings divided by bank balance and cash as a percentage of total equity).

As at 31 March 2018, the inventories amounted to HK$1.2 million (2017: HK$0.2 million), mainly representing the goods-in-transit of solar cooling-stored pipes of the Group's solar energy business. As at 31 March 2018, the trade receivable and trade payable amounted to HK$2.2 million and HK$2.1 million respectively (31 March 2017:Nil and HK$1,000 respectively), both of which were mainly derived from the jewelry business. As at 31 March 2018, the bank balances and cash amounted to HK$58.2 million (2017: HK$38.5 million).

During the Current Year, the Group entered into five structured deposits with commercial banks in the PRC as part of the Group's treasury activities to maximise the use of its funds. The structured deposits were principal-protected products which very liquid with a relatively short term of maturity, and which were considered to akin to placing deposits with banks whilst enabling the Group to earn a relatively higher rate of return. As at 31 March 2018, a structured deposit amounted to approximately HK$21.2 million (2017: Nil) which was settled and redeemed upon maturity in April 2018. For details regarding the subscriptions of structured deposits, please refer to the announcement of the Company dated 12 June 2018.

As at 31 March 2018, the Group had no bank borrowings (2017: Nil). As at 31 March 2018, the Group had no banking facilities and none of the Group's assets were pledged to banks to secure any banking facilities (2017: Nil). The Group financed its liquidity operations requirements through cash flow generated from operations, loans from a controlling shareholder and proceeds from the issue of new shares in year 2015.

Use of Proceeds from the Subscriptions

On 1 July 2015, the Group entered into a subscription agreement (the "Suncool Subscriptions") with Suncool AB, a Swedish company, to allot and issue 6,000,000 new shares of the Company to Suncool AB at the subscription price of HK$2.10 per share. Warrants were also granted to Suncool AB for subscribing to an aggregate of 24,000,000 new shares of the Company at the exercise price of HK$2.50 per warrant share (the "Warrant(s)"). The Group also signed subscription agreements ("Investors Subscriptions", together with the Suncool Subscriptions, the "Subscriptions") with six independent investors to allot and issue an aggregate of 36,000,000 new shares of the Company to the six independent investors at the subscription price of HK$2.10 per share. As at 2 November 2015, the Group had completed the Subscriptions for a total of 36,000,000 shares, which generated total gross proceeds of approximately HK$75.6 million and net proceeds (which represent the total gross proceeds less relevant expenses, the "Net Proceeds") of approximately HK$74.7 million after deducting related expenses payable by the Company. For details regarding the Subscriptions, please refer to the Company's announcement dated 5 July 2015 and the circular dated 13 August 2015.

As disclosed in the announcements dated 12 September 2016, the Group was informed by CECEP Yuyao that the construction of the Factory has been delayed and therefore the development of solar energy business of the Group is prolonged. Accordingly, the Group considered that the upfront expenses including factory rent, leasehold improvement and other related general operating expenses were not significant as expected because of the delay in the occupation of the Factory, hence the use of proceeds has been changed and part of the proceeds intended to be used for the development of solar energy business in the amount of approximately HK$10 million has been allocated towards the general working capital of the Group.

In the circumstances, the details of the original allocation of the Net Proceeds, the revised allocation of the Net Proceeds, and the utilization of the Net Proceeds as at 31 March 2018 are as below:

Proposed use of Net Proceeds	Original allocation	Revised allocation	Utilisation as at 31 March 2018	Remaining balance after revised allocation
	(Approximately) *HK$'000*	*(Approximately)* *HK$'000*	*(Approximately)* *HK$'000*	*(Approximately)* *HK$'000*
Repayment of shareholder's loan	7,600	7,600	7,600	–
Development of solar energy business	50,000	40,000	20,260 *(Note 1)*	19,740 *(Note 3)*
General working capital	17,100	27,100	27,100 *(Note 2)*	–
	74,700	74,700	54,960	19,740

Note 1: As at 31 March 2018, approximately HK$20.3 million was used for the development of solar energy business, including approximately HK$4.7 million as the Security Deposit, approximately HK$1.2 million for acquiring fixed assets including machineries, equipment and tools used in production, approximately HK$3.8 million for staff training costs, technical knowledge transfer and supporting service fees paid to Suncool AB and approximately HK$10.6 million for working capital of solar energy business including staff cost of HK$4.5 million.

Note 2: As at 31 March 2018, approximately HK$27.1 million was used as the general working capital of the existing businesses of the Group, including approximately HK$16.0 million for staff costs and office rent, approximately HK$4.3 million for legal and professional expenses (including audit fees) and approximately HK$6.8 million for other recurring operating expenses.

Note 3: In respect of the remaining unutilized proceeds, the Company intends to apply approximately HK$19.7 million for developing the solar energy business. The Company targets to use approximately HK$16.4 million towards acquiring fixed assets. Approximately HK$1.5 million will be used for staff training costs and technical knowledge transfer and supporting service fees paid to Suncool AB. Approximately HK$1.8 million will be set aside to continuously strengthen the Company's products by supporting the research and development activities with a focus on the solar heating and cooling techniques.

As at 31 March 2018, 24,000,000 outstanding Warrants have been vested and are currently exercisable, but none of the Warrants has been exercised yet. At the subscription price of HK$2.50 per warrant share and upon full exercise of the subscription rights attached to the Warrants, the aggregate amount of approximately HK$60 million raised would be expected to be applied as additional general working capital of the Group.

Charges on Group Assets

As at 31 March 2018, the Group did not have any charges on the Group's assets (2017: Nil).

Commitments and Contingent Liabilities

As at 31 March 2018, the Group did not have any capital commitments (2017: Nil) and had HK$7.6 million of operating lease commitments (2017: HK$3.2 million).

As at 31 March 2018, the Group did not have any significant contingent liabilities (2017: Nil).

Employee and Remuneration Policy

As at 31 March 2018, the Group had a total of 34 employees (2017: 26). 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 employees when necessary and other staff benefits include share option scheme and corporate 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

The business operations of the Group's subsidiaries were conducted mainly in the PRC with sales and purchase of the Group's subsidiaries denominated mainly in Renminbi. The Group's cash and bank deposits were denominated some in Hong Kong dollars, with some denominated in Renminbi. Any significant exchange rate fluctuation of Hong Kong dollars against Renminbi may have a financial impact on the Group. While the Group would closely monitor the volatility of the Renminbi exchange rate, the Directors considered that the Group's risk exposure to foreign exchange rate fluctuation remained minimal currently.

As at 31 March 2018, no forward foreign currency contracts are designated in hedging accounting relationships (2017: Nil).

Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

Save as disclosed in the section headed "Business Review" in relation to the Acquisition of the Hangzhou Property and the Acquisition of the Target Land Parcel and the Factory, there had been no significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures during the Current Year.

Future Plans for Material Investments or Capital Assets

Save as disclosed in this announcement, the Group did not have other plans for material investments and capital assets.

Events After The Reporting Period

On 24 May 2018, Wealth Compass Limited, an indirectly wholly-owned subsidiary of the Company, has been granted a money lenders licence. Up to the report date, the money lending business had not been commenced.

Save as disclosed above and in the section headed "Business Review" in relation to the Acquisition of the Target Land Parcel and the Factory, the Group had no material event after 31 March 2018.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2018 (2017: Nil).

ANNUAL GENERAL MEETING

The 2018 Annual General Meeting (the "2018 AGM") is to be held on Thursday, 6 September 2018 and the notice of the 2018 AGM will be published and dispatched to the shareholders of the Company within the prescribed time and in such manner as required by the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 3 September 2018 to Thursday, 6 September 2018 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify to attend and vote at the 2018 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 31 August 2018.

UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Upon specific enquiry by the Company and confirmations from the Directors, the changes in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published annual reports are set out below:

With effect from 20 October 2017, (i) Mr. Heung Chee Hang, Eric resigned as an independent non-executive Director and members of each of the audit committee of the Company (the "Audit Committee") and the remuneration committee of the Company (the "Remuneration Committee"); (ii) Mr. Jin Qingjun was appointed as independent non-executive Director and members of each of the Audit Committee and the Remuneration Committee. Please refer to the announcement of the Company dated 20 October 2017.

With effect from 1 December 2017, (i) Mr. Hu Yishi resigned as an executive Director of the Company and (ii) Ms. Kwong Wai Man, Karina resigned as an executive Director and authorized representative of the Company as required under Rule 3.05 of the Listing Rules. Please refer to the announcement of the Company dated 1 December 2017.

With effect from 12 December 2017, Mr. Wu Chi Keung, an independent non-executive Director, resigned as an independent non-executive director of COFCO Meat Holdings Limited (Stock Code: 1610, which shares are listed on the Stock Exchange).

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize effective internal control, accountability and transparency of the Board and are adopted in the best interest of the Company and its shareholders.

Accordingly, the Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules.

The Company has applied the principles and complied with all the applicable code provisions set out in the CG Code throughout the year ended 31 March 2018 except for the deviation from code provision A.6.7 and E.1.2 as explained below.

Code provision A.6.7

Under code provision A.6.7, independent non-executive Directors and non-executive Director should attend general meetings and develop a balanced understanding of the views of shareholders of the Company. Due to other business engagement and work commitments, one of the independent non-executive Directors was unable to attend the Company's annual general meeting held on 7 September 2017.

Code Provisions E.1.2

Under code provision E.1.2, the chairman of the board should attend the annual general meeting. Due to respective pre-arranged business commitment which, Mr. Wu Hao, chairman of the Board, must attend, Mr. Wu was not present at the annual general meeting held on 7 September 2017. The meeting was chaired by Mr. Chan Wing Yuen, Hubert, an executive Director and the chief executive officer of the Company, to ensure effective communication with the shareholders thereat.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 year ended 31 March 2018.

AUDIT COMMITTEE

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 (resigned on 20 October 2017), Ms. Kwok Pui Ha and Mr. Jin Qingjun (appointed on 20 October 2017). The audit committee has reviewed the Group's annual results for the year ended 31 March 2018.

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 year ended 31 March 2018.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A separate environmental, social and governance report is expected to be published on the Stock Exchange's website and the Company's website no later than three months after the annual report has been published.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.475hk.com). The annual report of the Company for the year ended 31 March 2018 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and posted on the above websites in due course.

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

Hong Kong, 28 June 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, Ms. Kwok Pui Ha and Mr. Jin Qingjun.