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 2015

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 2015 together with the comparative audited figures for the year ended 31 March 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March

		2015	2014
	NOTES	***HK$'000***	*HK$'000*
Revenue	*4*	**57,092**	67,591
Cost of sales		**(49,870)**	(60,206)
Gross profit		**7,222**	7,385
Other income		**402**	602
Other gains and losses	*5*	**190**	195
Distribution costs		**(5,910)**	(7,162)
Administrative expenses		**(24,058)**	(21,210)

	NOTES	2015 HK$'000	2014 HK$'000
Loss before taxation		**(22,154)**	(20,190)
Income tax credit	*6*	**–**	198
Loss for the year	*7*	**(22,154)**	(19,992)
Other comprehensive (expense) income for the year			
Item that will not be reclassified subsequently to profit or loss			
Exchange difference arising on translation to presentation currency		**(466)**	637
Total comprehensive expense for the year		**(22,620)**	(19,355)
Loss per share	*8*		
Basic and diluted (HK cents)		**(7.69)**	(7.31)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March

	NOTES	**2015** **HK$'000**	2014 *HK$'000*
Non-current assets			
Property, plant and equipment		**2,384**	3,278
Rental deposits		**–**	501
		2,384	3,779
Current assets			
Inventories		**11,607**	14,578
Trade receivables	*10*	**7,605**	12,235
Other receivables, deposits and prepayments	*10*	**1,487**	1,402
Bank balances and cash		**14,758**	13,372
		35,457	41,587
Current liabilities			
Trade payables	*11*	**2,110**	8,840
Other payables and accruals	*11*	**3,288**	3,631
Loan from a controlling shareholder	*12*	**6,953**	15,605
		12,351	28,076
Net current assets		**23,106**	13,511
		25,490	17,290
Capital and reserves			
Share capital		**2,938**	2,736
Reserves		**22,552**	14,554
		25,490	17,290

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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 ("RRCL"), 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 23rd Floor, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong.

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

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 in the Stock Exchange, where most of its investors are located in Hong Kong.

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 and an interpretation issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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 amendments to HKFRSs and an interpretation 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.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial instruments[3]
HKFRS 15	Revenue from contracts with customers[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle[5]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle[1]
Amendments to HKAS 1	Disclosure initiative[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception[1]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[1]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[1]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[4]
Amendments to HKAS 27	Equity method in separate financial statements[1]

[1] Effective for annual periods beginning on or after 1 January 2016.
[2] Effective for annual periods beginning on or after 1 January 2017.
[3] Effective for annual periods beginning on or after 1 July 2018.
[4] Effective for annual periods beginning on or after 1 July 2014.
[5] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

HKFRS 15 Revenue from contracts with customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the adoption of HKFRS 15 in the future may have impacts on the amounts reported and disclosures made in the Group's consolidated financial statements. However, in the opinion of the directors, it is not practicable to provide a reasonable estimate of the effect for the application of HKFRS 15 until a detailed review has been completed.

Except for the above, the directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. BASIS OF PREPARATION

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 and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for leasehold land and buildings that were measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

4. 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.

Segment information

The Group operates and manages its business as a single segment that includes primarily the jewelry design, manufacture and wholesale business. The executive directors, being the Group's chief operating decision makers, only review the revenue derived from customers in different geographical locations when making decisions about allocating resources and assessing performance of the Group. As no other discrete financial information is available for the assessment of performance of the different locations, no other segment information is presented.

Geographical information

The Group's operations are currently carried out in the PRC (excluding Hong Kong), the country of domicile, and Hong Kong.

All the revenue was derived from external customers of jewelry design, manufacture and wholesale business located in the PRC (excluding Hong Kong) for both years.

Information about the Group's non-current assets is presented based on the geographical location of the assets.

	2015	2014
	HK$'000	*HK$'000*
The PRC	**528**	728
HK	**1,856**	2,550
	2,384	3,278

Note: Non-current assets excluded rental deposits.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2015	2014
	HK$'000	*HK$'000*
Customer A	**5,730**	12,462
Customer B	**Note**	12,223
Customer C	**7,407**	6,934
Customer D	**8,060**	Note

Note: The corresponding customer did not contribute more than 10% of the total sales of the Group.

5. OTHER GAINS AND LOSSES

	2015	2014
	HK$'000	*HK$'000*
(Loss) gain on disposal of property, plant and equipment	**(55)**	419
Net exchange gain (loss)	**262**	(224)
Others	**(17)**	–
	190	195

6. INCOME TAX CREDIT

The income tax credit for the year ended 2014 represented the release of deferred tax liability upon disposal of leasehold land and building.

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 of the PRC subsidiary is 25%. No provision for the PRC Enterprise Income Tax ("EIT") has been made for the Group's PRC subsidiary as it has no estimated assessable profit for both years.

7. LOSS FOR THE YEAR

	2015	2014
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**591**	541
Depreciation of property, plant and equipment	**1,326**	1,135
Operating lease payments in respect of rented properties	**2,491**	2,113
Staff costs (including directors' remuneration):		
Salaries and allowances and benefits	**16,844**	16,648
Retirement benefit scheme contributions	**877**	905
	17,721	17,553
Cost of inventories recognised as an expense	**44,472**	54,439
Interest income	**(26)**	(25)
Gross rental income from leasing certain areas of leasehold land and buildings of which more than an insignificant portion is occupied and used by the Group	**–**	(114)
Less: Direct operating expenses incurred for leasehold land and buildings that generated rental income	**–**	78
	–	(36)

8. 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:

	2015	2014
	HK$'000	*HK$'000*
Loss for the purposes of basic and diluted loss per share:		
Loss for the year attributable to owners of the Company	**(22,154)**	(19,992)

	2015	2014
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**288,014,340**	273,610,000

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

9. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2015, nor has any dividend been proposed since the end of the reporting period (2014: nil).

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade receivables

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**7,605**	12,235

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:

	2015	2014
	HK$'000	*HK$'000*
Within 1 month	**1,172**	3,627
Over 1 month but within 3 months	**2,280**	7,396
Over 3 months but within 6 months	**4,153**	683
Over 6 months but within 12 months	**–**	529
	7,605	12,235

At 31 March 2015, the Group allowed a credit period ranging from 30 to 120 days (2014: 60 to 180 days) to its customers. Included in the Group's trade receivables balance were debtors with aggregate carrying amount of approximately HK$7,131,000 (2014: HK$2,693,000), which were past due at the end of the reporting period for which the Group had not provided for impairment loss. In the opinion of directors of the Company, there had not been a significant change on credit quality of these customers and continuous repayments were noted from these customers subsequent to the end of the reporting period. The Group did not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2015	2014
	HK$'000	*HK$'000*
Past due within 1 month	**4,768**	2,235
Past due over 1 month but within 3 months	**2,349**	251
Past due over 3 months but within 6 months	**14**	207
	7,131	2,693

Other receivables

Other receivables are unsecured, interest-free and expected to be recoverable within one year.

11. TRADE AND OTHER PAYABLES AND ACCRUALS

Trade payables

	2015	2014
	HK$'000	*HK$'000*
Trade payables	**2,110**	8,840

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

	2015	2014
	HK$'000	*HK$'000*
Within 1 month	**88**	5,165
Over 1 month but within 3 months	**299**	3,642
Over 3 months but within 6 months	**1,719**	29
Over 6 months but within 12 months	**4**	4
	2,110	8,840

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

Other payables and accruals

Other payables and accruals comprise principally the outstanding for ongoing costs and accrued expenses for the operation of the Group.

12. LOAN FROM A CONTROLLING SHAREHOLDER

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

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

The sales turnover of the Group dropped by 15.5% from HK$67.6 million to HK$57.1 million for the year ended 31 March 2015 (the "Review Period"). Although the gross profit margin increased slightly from 10.9% to 12.6% during the Review Period, the gross profit reduced from HK$7.4 million to HK$7.2 million due to the shrinkage of sales turnover during the Review Period.

The Group recorded a net loss of HK$22.2 million for the Review Period (2014: net loss of HK$20.0 million). Basic loss per share were 7.7HK cents (2014: basic loss per share were 7.3HK cents).

Business Review

The overall demand for fine jewelry in the PRC dropped significantly in the Review Period due to the slowdown of economic development and poor consumption sentiment in the PRC. Although a slight increase in the gross profit margin was recorded due to the adoption of certain cost control measures and enhancement of production efficiency, the harsh operating environment has driven the sales turnover down by 15.5%.

We believe that the fine jewelry market in the PRC will continue to be challenging in the coming year. To cope with this unfavourable business environment, we will continue to adopt a prudent approach to minimize our direct and indirect cost for a better result. Apart from maintaining our competiveness in the PRC fine jewelry market, during the year, we have allocated additional resources for exploring potential investment opportunities.

Prospects

We believe that the upcoming year will still be a great challenge for the Company. The jewelry business in the PRC shows a difficult path ahead and with fierce competition. We find it uneasy to establish a stable customer base, leave alone expanding it. In order to go through the hard time, stringent cost control will continue to be adopted.

The Group will continuously monitor and review its business operations and financial position for the purpose of formulating business plans and strategies for its future business development. In regards to the market situation, we will consider and closely look for opportunities for fund raising activities from time to time with a view to expanding our total asset value base. Should suitable investment or business opportunities arise, the Group may consider diversifying its business with an objective to broaden its income source.

Liquidity and Financial Resources

As at 31 March 2015, the Group's net current assets and current ratio stood at HK$23.1 million and 2.9 respectively (2014: HK$13.5 million and 1.5 respectively). Net gearing ratio (total interest bearing borrowings net of cash at banks and in hand as a percentage of total equity) was nil as at 31 March 2015 (2014: Nil).

The Group had no bank borrowings as at 31 March 2015 (2014: Nil). The Group had no banking facilities and none of the Group's assets were pledged to banks to secure any banking facilities as at 31 March 2015 (2014: Nil).

As at 31 March 2015, the Group's cash at banks and in hand amounted to HK$14.8 million (2014: HK$13.4 million).

Charges on Group Assets

As at 31 March 2015, the Group did not have any charges on the Group's assets (2014: Nil).

Capital Structure

For the year ended 31 March 2015, the Group financed its liquidity requirements through cash flow as generated from operation and loan from a controlling shareholder.

Capital Commitment and Contingent Liabilities

As at 31 March 2015, the Group did not have any capital commitments (2014: Nil) and had HK$2.2 million of operating lease commitments (2014: HK$4.2 million).

As at 31 March 2015, the Group did not have any significant contingent liabilities (2014: Nil).

Fund Raising Activities

During the Review Period, the Company did not conduct any fund raising activities.

Material Acquisition and Disposal

During the Review Period, there was no material acquisition or disposal (including the acquisition or disposal of subsidiaries and associated companies).

Staff and Remuneration Policy

As at 31 March 2015, the Group had a total of 39 employees (2014: 51). Staff costs for the year under review was HK$17.7 million, representing a slight increase of 0.6% as compared to 2014 of HK$17.6 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. Other benefits include 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 Renminbi exchange rate, the Directors considered that the Group's risk exposure to foreign exchange rate fluctuation remained minimal currently.

As at 31 March 2015, no forward foreign currency contracts are designated in hedging accounting relationships (2014: Nil).

REFRESHMENT OF SCHEME MANDATE LIMIT UNDER THE SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") pursuant to a written resolution of the sole shareholder of the Company passed on 26 February 2007 (the "Date of Adoption"). The Share Option Scheme will remain in force for a period of 10 years from the Date of Adoption. The purpose of the Share Option Scheme is to provide incentives or rewards to participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

The refreshment of the Share Option Scheme mandate limit was approved by the Shareholders at the extraordinary general meeting held on 13 February 2015 (the "EGM"), based on 293,754,000 Shares in issue as at the date of the EGM, the Company was allowed to grant further options under the Share Option Scheme of up to a total of 29,375,400 Share Options, representing 10% of the Shares in issue as at the date of EGM. Share options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme) will not be counted for the purpose of calculating the Share Option Scheme Mandate Limit as "refreshed". As at 31 March 2015, apart from the Share Option Scheme, the Company had no other share option scheme in force.

FINAL DIVIDEND

The Board has resolved not to recommend any payment of final dividend for the year ended 31 March 2015 (2014: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Friday, 4 September 2015 to Tuesday, 8 September 2015 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify to attend and vote at the forthcoming annual general meeting to be held on 8 September 2015 (the "Annual General Meeting"), 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 Thursday, 3 September 2015.

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. The Company has applied the principles and complied with all the applicable code provisions set out in the Code throughout the year ended 31 March 2015 except for the deviation from code provision A.6.7 as explained below.

Directors' Attendance

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 and a non-executive Director were unable to attend the EGM and one of the independent non-executive Directors was unable to attend the Company's annual general meeting held on 22 August 2014.

Internal Control

The Board acknowledges its responsibility for maintaining the Group's internal control system to safeguard shareholders' investment and for reviewing the effectiveness of such on an annual basis under Code provision C.2.1.

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 year ended 31 March 2015.

REVIEW OF ANNUAL RESULTS BY 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 and Ms. Kwok Pui Ha. The audit committee has reviewed the Group's annual results for the year ended 31 March 2015.

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 2015.

ANNUAL GENERAL MEETING AND DESPATCH OF 2015 ANNUAL REPORT

The Annual General Meeting of the Company will be held on 8 September 2015 at 10:00 a.m.. The annual report of the Company together with the notice of convening the Annual General Meeting will be dispatched to shareholders of the Company and will also be published on the Company's website at www.475hk.com and the Stock's Exchange's website at www.hkexnews.hk in due course.

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

Hong Kong, 26 June 2015

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.