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**ZHONG FA ZHAN HOLDINGS LIMITED**

**中發展控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 475)**

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**

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 2016 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 2016*

|                                    |              | <b>Six months ended<br/>30 September</b> |  |
|------------------------------------|--------------|--|--|
|                                    | <i>NOTES</i> | <b>2016<br/>HK\$'000<br/>(unaudited)</b> | <b>2015<br/>HK\$'000<br/>(unaudited)</b> |
| Revenue                            | 3            | <b>5,924</b>                             | 9,742                                    |
| Cost of sales                      |              | <b>(5,859)</b>                           | (9,265)                                  |
| Gross profit                       |              | <b>65</b>                                | 477                                      |
| Other income                       |              | <b>360</b>                               | 81                                       |
| Other gains and losses             | 4            | <b>633</b>                               | 149                                      |
| Distribution costs                 |              | <b>(3)</b>                               | (1,341)                                  |
| Administrative expenses            |              | <b>(14,706)</b>                          | (10,753)                                 |
| Equity-settled share-based payment | 12           | <b>(8,371)</b>                           | –  |

|   |              | <b>Six months ended</b> |                 |
|---|--------------|-------------------------|-----------------|
|   |              | <b>30 September</b>     |                 |
|   |              | <b>2016</b>             | 2015            |
|   | <i>NOTES</i> | <i>HK\$'000</i>         | <i>HK\$'000</i> |
|   |              | <b>(unaudited)</b>      | (unaudited)     |
| Loss before taxation                                  |              | <b>(22,022)</b>         | (11,387)        |
| Taxation  | 5            | <u>—</u>                | <u>—</u>        |
| Loss for the period                                   | 6            | <b>(22,022)</b>         | (11,387)        |
| Other comprehensive expense for the period            |              |                         |                 |
| Item that will not be reclassified to profit or loss: |              |                         |                 |
| Exchange differences arising on translation           |              | <u><b>(1,074)</b></u>   | <u>(367)</u>    |
| Total comprehensive expense for the period            |              | <u><b>(23,096)</b></u>  | <u>(11,754)</u> |
| Loss per share  | 7            |                         |                 |
| Basic and diluted (HK cents)                          |              | <u><b>(6.67)</b></u>    | <u>(3.87)</u>   |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 SEPTEMBER 2016**

|  |    | At<br>30 September<br>2016<br><i>HK\$'000</i><br>(unaudited) | At<br>31 March<br>2016<br><i>HK\$'000</i><br>(audited) |
|--|----|--|--|
| Non-current assets                           |    |  |  |
| Property, plant and equipment                |    | 1,905  | 880  |
| Rental deposits                              |    | <u>399</u>   | <u>399</u>   |
|  |    | <u>2,304</u>   | <u>1,279</u>   |
| Current assets                               |    |  |  |
| Trade receivables                            | 9  | –  | 3,640  |
| Deposits, prepayments and other receivables  |    | 5,179  | 4,921  |
| Bank balances and cash                       |    | <u>49,942</u>  | <u>64,039</u>  |
|  |    | <u>55,121</u>  | <u>72,600</u>  |
| Current liabilities                          |    |  |  |
| Trade and other payables and accruals        | 10 | <u>881</u>   | <u>2,610</u>   |
| Net current assets                           |    | <u>54,240</u>  | <u>69,990</u>  |
| Total assets less current liabilities        |    | <u>56,544</u>  | <u>71,269</u>  |
| Capital and reserves                         |    |  |  |
| Share capital                                | 11 | 3,301  | 3,301  |
| Reserves                                     |    | <u>53,243</u>  | <u>67,968</u>  |
| Equity attributable to owners of the Company |    | <u>56,544</u>  | <u>71,269</u>  |

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**

|  | Share<br>capital<br><i>HK\$'000</i> | Share<br>premium<br><i>HK\$'000</i> | Share<br>options<br>reserve<br><i>HK\$'000</i> | Warrants<br>reserve<br><i>HK\$'000</i> | Exchange<br>reserve<br><i>HK\$'000</i> | Accumulated<br>losses<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|-------------------------------------|-------------------------------------|--|--|--|--|--------------------------|
| At 1 April 2016 (audited)                                  | <u>3,301</u>                        | <u>151,578</u>                      | <u>2,411</u>                                   | <u>8,279</u>                           | <u>6,709</u>                           | <u>(101,009)</u>                         | <u>71,269</u>            |
| Loss for the period  | -                                   | -                                   | -  | -                                      | -                                      | (22,022)                                 | (22,022)                 |
| Other comprehensive<br>expense for the period              | <u>-</u>                            | <u>-</u>                            | <u>-</u>                                       | <u>-</u>                               | <u>(1,074)</u>                         | <u>-</u>                                 | <u>(1,074)</u>           |
| Total comprehensive<br>expense for the period              | <u>-</u>                            | <u>-</u>                            | <u>-</u>                                       | <u>-</u>                               | <u>(1,074)</u>                         | <u>(22,022)</u>                          | <u>(23,096)</u>          |
| Recognition of equity-<br>settled share-based<br>payment   | <u>-</u>                            | <u>-</u>                            | <u>-</u>                                       | <u>8,371</u>                           | <u>-</u>                               | <u>-</u>                                 | <u>8,371</u>             |
| At 30 September 2016<br>(unaudited)                        | <u><b>3,301</b></u>                 | <u><b>151,578</b></u>               | <u><b>2,411</b></u>                            | <u><b>16,650</b></u>                   | <u><b>5,635</b></u>                    | <u><b>(123,031)</b></u>                  | <u><b>56,544</b></u>     |
| At 1 April 2015 (audited)                                  | <u>2,938</u>                        | <u>76,559</u>                       | <u>2,615</u>                                   | <u>-</u>                               | <u>7,581</u>                           | <u>(64,203)</u>                          | <u>25,490</u>            |
| Loss for the period  | -                                   | -                                   | -  | -                                      | -                                      | (11,387)                                 | (11,387)                 |
| Other comprehensive<br>expense for the period              | <u>-</u>                            | <u>-</u>                            | <u>-</u>                                       | <u>-</u>                               | <u>(367)</u>                           | <u>-</u>                                 | <u>(367)</u>             |
| Total comprehensive<br>expense for the period              | <u>-</u>                            | <u>-</u>                            | <u>-</u>                                       | <u>-</u>                               | <u>(367)</u>                           | <u>(11,387)</u>                          | <u>(11,754)</u>          |
| Issue of new shares  | 90                                  | 18,810                              | -  | -                                      | -                                      | -  | 18,900                   |
| Exercise of share options                                  | 3                                   | 660                                 | (204)  | -                                      | -                                      | -  | 459                      |
| Transaction cost<br>attributable to<br>issue of new shares | <u>-</u>                            | <u>(52)</u>                         | <u>-</u>                                       | <u>-</u>                               | <u>-</u>                               | <u>-</u>                                 | <u>(52)</u>              |
| At 30 September 2015<br>(unaudited)                        | <u><b>3,031</b></u>                 | <u><b>95,977</b></u>                | <u><b>2,411</b></u>                            | <u><b>-</b></u>                        | <u><b>7,214</b></u>                    | <u><b>(75,590)</b></u>                   | <u><b>33,043</b></u>     |

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### *FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016*

#### **1. BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 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 (the “Listing Rules”).

#### **2. PRINCIPAL ACCOUNTING POLICIES**

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2016 are the same as those applied in the preparation of the Group’s annual financial statements for the year ended 31 March 2016.

In the current interim period, the Group has applied, for the first time, the following 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 HKFRSs                            | Annual improvements to HKFRSs 2012 - 2014 cycle                         |
| Amendments to HKAS 1                            | Disclosure initiative   |
| Amendments to HKFRS 10,<br>HKFRS 12 and HKAS 28 | Investment entities: Applying the consolidation exception               |
| Amendments to HKFRS 11                          | Accounting for acquisitions of interests in joint operations            |
| Amendments to HKAS 16<br>and HKAS 38            | Clarification of acceptable methods of depreciation and<br>amortisation |
| Amendments to HKAS 16<br>and HKAS 41            | Agriculture: Bearer plants  |

The application of the above 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 operates and manages its business as a single segment of jewelry wholesale business. The newly set up subsidiary in the PRC for solar energy business has not commenced the business during the period. 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.

### 4. OTHER GAINS AND LOSSES

|   | Six months ended |             |
|---|------------------|-------------|
|   | 30 September     |             |
|   | 2016             | 2015        |
|   | HK\$'000         | HK\$'000    |
|   | (unaudited)      | (unaudited) |
| Loss on disposal of property, plant and equipment | –                | (3)         |
| Net foreign exchange gain                         | <u>633</u>       | <u>152</u>  |
|   | <u>633</u>       | <u>149</u>  |

### 5. TAXATION

No provision for Hong Kong Profits Tax had been made as the Group had no assessable profits arising from Hong Kong for both periods.

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

## 6. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging (crediting):

|  | <b>Six months ended</b>  |                          |
|--|--------------------------|--------------------------|
|  | <b>30 September</b>      |                          |
|  | <b>2016</b>              | 2015                     |
|  | <b>HK\$'000</b>          | HK\$'000                 |
|  | <b>(unaudited)</b>       | (unaudited)              |
| Cost of inventories recognised as expense      | <b>5,859</b>             | 9,265                    |
| Depreciation of property, plant and equipment  | <b>316</b>               | 607                      |
| Staff cost (including directors' remuneration) | <b>5,488</b>             | 6,189                    |
| Bank interest income                           | <b>(23)</b>              | (21)                     |
|  | <b><u>          </u></b> | <b><u>          </u></b> |

## 7. 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:

|  | <b>Six months ended</b> |                 |
|--|-------------------------|-----------------|
|  | <b>30 September</b>     |                 |
|  | <b>2016</b>             | 2015            |
|  | <b>HK\$'000</b>         | HK\$'000        |
|  | <b>(unaudited)</b>      | (unaudited)     |
| The Group's loss for the period attributable to owners of the Company for the purposes of calculating basic and diluted earnings per share | <b><u>(22,022)</u></b>  | <u>(11,387)</u> |
|  | <b>'000</b>             | '000            |
| Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share                                | <b><u>330,054</u></b>   | <u>293,882</u>  |

The calculation of diluted loss per share for the six months ended 30 September 2016 does not assume the exercise of the Company's outstanding share options and warrants (six months ended 30 September 2015: share options) as their exercise would result in a decrease in loss per share.

## 8. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the current interim period (2015: nil).

## 9. TRADE RECEIVABLES

At 31 March 2016, the Group allowed a credit period ranging from 30 to 120 days to its customers and included in the Group's trade receivables balance were debtors with aggregate carrying amount of approximately HK\$1,207,000, which were past due at 31 March 2016, for which the Group had not provided for impairment loss. The balance was fully settled during the current interim period.

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<br><b>30 September</b><br><b>2016</b><br><i>HK\$'000</i><br><b>(unaudited)</b> | At<br>31 March<br>2016<br><i>HK\$'000</i><br>(audited) |
|-----------------------------------|---|--|
| Within 1 month                    | –   | 475  |
| Over 1 month but within 3 months  | –   | 2,859  |
| Over 3 months but within 6 months | –   | 306  |
|                                   | <hr/>   | <hr/>  |
|                                   | –   | 3,640  |
|                                   | <hr/>   | <hr/>  |

## 10. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

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

|                                   | At<br><b>30 September</b><br><b>2016</b><br><i>HK\$'000</i><br><b>(unaudited)</b> | At<br>31 March<br>2016<br><i>HK\$'000</i><br>(audited) |
|-----------------------------------|---|--|
| Within 1 month                    | –   | 4  |
| Over 1 month but within 3 months  | –   | –  |
| Over 3 months but within 6 months | –   | 1  |
|                                   | <hr/>   | <hr/>  |
|                                   | –   | 5  |
|                                   | <hr/>   | <hr/>  |

### Other payables and accruals

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



## 11. SHARE CAPITAL

|   | Number of shares<br>'000 | Amount<br>HK\$'000 |
|---|--------------------------|--------------------|
| Ordinary shares with nominal value of HK\$0.01 each                   |                          |                    |
| Authorised:   |                          |                    |
| At 1 April 2015, 31 March 2016, 1 April 2016<br>and 30 September 2016 | <u>10,000,000</u>        | <u>100,000</u>     |
| Issued and fully paid:  |                          |                    |
| At 1 April 2016 (audited) and<br>30 September 2016 (unaudited)        | <u>330,054</u>           | <u>3,301</u>       |

## 12. SHARE OPTION SCHEME AND WARRANTS

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

As the share options were all vested in previous year, no amount was recognised in profit or loss during the current interim period.

### Unlisted warrants

On 2 October 2015, an aggregate of 24,000,000 warrants with an exercise price of HK\$2.5 per warrant share was granted by the Company to Suncool AB under the Suncool subscriptions agreement. The warrants granted are exercisable from 1 October 2016 to 30 September 2018 and are vested in three tranches at the beginning of each exercisable period with (i) 8,000,000 warrants shall become exercisable from 1 October 2016 to 30 September 2018; (ii) 8,000,000 warrants shall become exercisable from 1 April 2017 to 30 September 2018; and (iii) 8,000,000 warrants shall become exercisable from 1 October 2017 to 30 September 2018.

The estimated fair value of warrants determined at the date of grant using the Binomial model was HK\$23,111,000.

An amount of HK\$8,371,000 was recognised as an expense in profit or loss during the current interim period.

No options and warrants were granted during the current interim period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

During the six months ended 30 September 2016 (the “Review Period”), the Group mainly engaged in domestic jewelry wholesale business in the PRC. Given the continued slowdown of the Chinese economy, as well as the more volatile Renminbi exchange rate dampening consumer confidence and weighing on development of the luxury goods market, operating conditions of the business segment further deteriorated. To cope with the severe business environment, the management stepped up effort in exploring other business opportunities with huge potential in its bid to expand the Group’s income sources.

In view of the growing demand for green energy across the globe, plus the mainland government having put forward various policies conducive to environmental protection and energy saving as well as pollution and emission reduction, the management sees green energy related business as a rising industry. As such, the Group ventured into solar energy business last July. Meanwhile, the Group has established close partnership with renowned enterprises, such as Suncool AB, a leading energy conservation technologies development company in Sweden. Suncool AB has a solid foundation as its controlling shareholders include Stiftelsen Industrifonden, a Swedish governmental venture capital fund and leading investor in green technology.

Suncool AB also became a shareholder of the Group last July after signing a subscription agreement with the Group. The management believes the two parties will continue to strengthen cooperation and work together to promote development of the new energy business in the PRC. The Group has been granted the exclusive rights and permission by Suncool AB to use solar heating and cooling collector production technologies with Suncool AB’s CoolStore proprietary products at the core to promote solar-powered interior climate solutions and products in the Greater China region. In addition, China-UK Low Carbon Enterprise (Jiangyin) Investment Management Ltd entered into a consultation agreement with the Group to provide consultation services to the Group.

During the Review Period, a team of the Group’s senior technicians received professional training from Suncool AB in Sweden. Subsequently, Suncool AB also sent several senior technical consultants to the PRC to transfer technology and knowledge to the Yuyao team and assist in the localization of CoolStore cooling pipes and collectors for use in Greater China. The Yuyao team has since mastered the relevant technologies and is currently working on optimizing and testing products to make sure they meet the needs of and specifications required by the PRC market. In the meantime, the two parties continue their pursuit of research and development with the goal of enhancing the efficiency of, hence helping to optimize, the entire solar heating and cooling system.

The temporary production line currently rented short-term by the Group has begun trial production. To boost sales at product launch, the Group has been active in approaching potential customers, such as educational institutions, government entities, hotel chains, hospitals, medicine suppliers and those in the cold chain logistics sectors, to strengthen education on energy conservation and emission reduction and promote the significant benefits of the Group's products. As for the leased factory at Yuyao, construction is still in progress and is expected to be completed in 2017. By then, it will be used as the production arm of the solar energy business of the Group.

## **Prospects**

Looking ahead, the Group will continue to expand its solar energy business, which is expected to become its growth driver in the future. This is the first year of the mainland government's "Thirteenth Five-Year Plan" period and it coincides with the ratification of the Paris Agreement by the international community. These developments together have created an atmosphere favorable for the development of the renewable energy industry. The Group will endeavor to spur the localization program for CoolStore cooling pipelines. Moreover, to enhance the Group's brand awareness and quickly establish marketing channels for its solar energy products, the Group has plan to roll out distributed solar photovoltaic projects at the same time. The Group also actively takes part in industry conferences and had participated in the Asia-Pacific Summit on Low Carbon Technology 2016. The event jointly organized by the Development and Reform Commission of Hunan Province and Asian Development Bank not only facilitated exchange of low carbon technologies at all levels among participants, but also boosted the level of investment in the low carbon technology sector. The mainland government is expected to continue to introduce policies to promote energy conservation and the environmental protection industry. The Group will seize this opportunity and develop its solar energy business at full force so as to maintain its leading position in the solar cooling market of the PRC.

As for the jewelry business, the Group anticipates continuous contraction of the luxury goods market in China in the near future. The Group will run the business with prudence aiming for stable performance and by strictly controlling direct and indirect costs safeguard the competitive edges. Besides, the Group will also continue to vigorously look for new business opportunities in the energy conservation and environmental protection fields to achieve the ultimate goal of creating greater value for shareholders.

## **FINANCIAL REVIEW**

### **Review of Results**

During the Review Period, the Group was affected by the overall economic downturn in the PRC which dragged down growth of the PRC's jewelry market. The stagnant and weak consumer sentiment and adverse industry competition suppressed sales and the profit margin of the Group. Sales revenue of the Group for the Review Period was approximately HK\$5.9 million, representing a decrease of 39% from HK\$9.7 million for the six months ended 30 September 2015 and the gross profit margin also decreased from 4.9% to 1.1%.

The loss for the period of the Group increased by 93% to HK\$22.0 million for the Review Period from HK\$11.4 million for the six months ended 30 September 2015, mainly attributable to the increase in administrative expenses in relation to the commencement of the new solar energy business and recognition of the equity-settled share-based payment of approximately HK\$8.3 million in respect of the warrants granted by the Company to Suncool AB during the Review Period. Basic loss per share was 6.7 HK cents (2015: basic loss per share was 3.9 HK cents).

### **Liquidity and Financial Resources**

As at 30 September 2016, the Group's net current assets and current ratio stood at HK\$54.2 million and 62.6 respectively (31 March 2016: HK\$70.0 million and 27.8 respectively). As at 30 September 2016, the cash and bank balance of the Group amounted to HK\$49.9 million (31 March 2016: HK\$64.0 million).

As at 30 September 2016, the Group had no bank borrowings and no banking facilities (31 March 2016: Nil). The Group's gearing ratio as at 30 September 2016 was nil (31 March 2016: Nil) (total interest bearing borrowings divided by bank balance and cash as a percentage of total equity).

The Group financed the liquidity requirements of its operations with cash flow generated from operations as well as the net proceeds from issue of new shares during the year ended 31 March 2016.

## **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) Low Carbon Technology Development Co., Ltd.\* (中節能(余姚)低碳技術開發有限公司, “CECEP (Yuyao)”) that the construction of the factory to be leased to the Group as a production plant of the cooling-stored pipes (the “Leased Factory”) has been delayed and is expected to be completed in year 2017, development of the solar energy business of the Group is prolonged. Accordingly, the Board is of the view that the upfront expenses including factory rent, leasehold improvement and other related general operating expenses are not significant because of the delay in the commencement of the operation of the Leased Factory, hence the Board intended to change the use of proceeds and allocate part of the proceeds intended to be used for the development of the solar energy business 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 30 September 2016 are as below:

| <b>Proposed use of Net Proceeds</b>     | <b>Original<br/>allocation</b><br><i>(Approximately)</i><br><i>HK\$'000</i> | <b>Revised<br/>allocation</b><br><i>(Approximately)</i><br><i>HK\$'000</i> | <b>Utilisation as<br/>at 30 September<br/>2016</b><br><i>(Approximately)</i><br><i>HK\$'000</i> | <b>Remaining<br/>balance after<br/>revised<br/>allocation</b><br><i>(Approximately)</i><br><i>HK\$'000</i> |
|---|---|--|---|--|
| Repayment of shareholder's loan         | 7,600   | 7,600  | 7,600   | –  |
| Development of solar energy<br>business | 50,000  | 40,000   | 11,000 <i>(Note 1)</i>  | 29,000 <i>(Note 3)</i>   |
| General working capital                 | 17,100  | 27,100   | 19,000 <i>(Note 2)</i>  | 8,100 <i>(Note 4)</i>  |
|   | <u>74,700</u>   | <u>74,700</u>  | <u>37,600</u>   | <u>37,100</u>  |

*Note 1:* As at 30 September 2016, approximately HK\$11 million was used for the development of solar energy business in the PRC, including approximately HK\$4 million for factory rental deposit, approximately HK\$1 million for acquiring fixed assets, approximately HK\$2 million for staff training cost and technical knowledge transfer and supporting service fee paid to Suncool AB according to the License Agreement and approximately HK\$4 million for general working capital of solar energy business.

*Note 2:* As at 30 September 2016, approximately HK\$19 million was used as the general working capital of the existing businesses of the Group, including approximately HK\$10 million for staff cost and office rent and approximately HK\$9 million for other recurring operating expenses.

*Note 3:* In respect of the remaining unutilized proceeds, the Company intends to apply approximately HK\$29 million for developing the solar energy business, including approximately HK\$17 million for acquiring fixed assets, including machinery, equipment and fixture, approximately HK\$3 million for staff training cost and technical knowledge transfer and supporting service fee paid to Suncool AB according to the License Agreement, approximately HK\$2 million for research and development and approximately HK\$7 million for general working capital requirements for about one year after commencement of production, including purchase of inventories and other recurring operating expenses.

*Note 4:* The Company intends to apply approximately HK\$8.1 million for general working capital of the Group in the coming year, including salary and wages, office rent, and other recurring operating expenses.

### **Charges on Group Assets**

As at 30 September 2016 and 31 March 2016, the Group did not have any charges on the Group's assets.

### **Capital expenditure, Commitments and Contingent Liabilities**

Total capital expenditure for the six months ended 30 September 2016 was approximately HK\$1.3 million (2015: HK\$18,000), which was mainly used in the purchase of fixed assets.

As at 30 September 2016, the Group did not have any capital commitments (31 March 2016: Nil) and had HK\$4 million of operating lease commitments (31 March 2016: HK\$4.7 million).

As at 30 September 2016 and 31 March 2016, the Group did not have any significant contingent liabilities.

### **Significant Investments and Acquisitions**

There had been no significant investments and acquisitions during the six months ended 30 September 2016 and 30 September 2015.

### **Human Resources**

As at 30 September 2016, the Group had a total of approximately 26 employees (31 March 2016: 15). The Group remunerates its employees based on their performance and work experience and 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 including share option scheme and corporate contribution to the statutory mandatory provident fund scheme for employees in Hong Kong and the statutory central pension schemes for 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 2016, no forward foreign currency contracts had been designated for hedging against accounting relationships (31 March 2016: Nil).

## **Dividend**

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 September 2016 (2015: 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). 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 2016 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 9 September 2016.

### *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 9 September 2016. 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**

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 2016.

## **CONSTITUTIONAL DOCUMENTS**

Pursuant to a special resolution passed at annual general meeting of the Company held on 9 September 2016, an amended and restated memorandum of association of the Company (the “Memorandum”) and articles of association of the Company (the “Articles”) was approved by the shareholders and adopted in order to update the Memorandum due to the change of Company’s name and to make certain amendments to the Articles for housekeeping purpose and for the purpose of conforming with certain amendments to the Rules Governing the Listing Rules which have become effective since its adoption.

For the details on the amendments to the Memorandum and the Articles, please refer to the circular of the Company dated 28 July 2016. The amended and restated Memorandum and the Articles is available on both the websites of the Company and the Stock Exchange.

## **REVIEW BY AUDIT COMMITTEE AND INDEPENDENT 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 Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed with the management about the internal control and financial reporting matters, including the review of the unaudited interim results for the six months ended 30 September 2016. 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 2016.

## **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 2016.

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

Hong Kong, 22 November 2016

*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.*