



中發展控股有限公司
ZHONG FA ZHAN HOLDINGS LIMITED

Incorporated in the Cayman Islands with limited liability
Stock Code : 00475

INTERIM REPORT
2016/17

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Wu Hao (*Chairman*)
Mr. Hu Yangjun
Mr. Hu Yishi
Mr. Chan Wing Yuen, Hubert (*Chief Executive*)
Ms. Kwong Wai Man, Karina (*Chief Financial Officer*)

Non-executive Director

Mr. Li Wei Qi, Jacky

Independent non-executive Directors

Mr. Wu Chi Keung
Mr. Heung Chee Hang, Eric
Ms. Kwok Pui Ha

Audit Committee

Mr. Wu Chi Keung (*Chairman*)
Mr. Heung Chee Hang, Eric
Ms. Kwok Pui Ha

Remuneration Committee

Mr. Wu Chi Keung (*Chairman*)
Mr. Chan Wing Yuen, Hubert
Mr. Heung Chee Hang, Eric

Nomination Committee

Mr. Wu Chi Keung (*Chairman*)
Mr. Chan Wing Yuen, Hubert
Ms. Kwok Pui Ha

Company Secretary

Mr. Chow Chi Shing

Head Office and Principal Place of Business in Hong Kong

23/F., Chinachem Century Tower
178 Gloucester Road
Wanchai
Hong Kong

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Share Registrar

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

The Hong Kong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Shanghai Pudong Development Bank

Legal Advisers

K&L Gates
Angela Ho & Associates

Auditor

Deloitte Touche Tohmatsu

Company Website

www.475hk.com

Stock Code

00475

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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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:

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

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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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 AND OTHER INFORMATION

Share Option Scheme

The Company adopted a share option scheme on 26 February 2007 and will be expired on 25 February 2017 (the "2007 Scheme"). All outstanding options granted under the 2007 Scheme will continue to be valid and exercisable in accordance with the provisions of the 2007 Scheme. The Company adopted a new share option scheme at the annual general meeting of the Company held on 9 September 2016 (the "2016 Scheme"). The purpose of the 2016 Scheme is to facilitate the retention and the recruitment of high-calibre staff of the Group and/or any entities in which the Group holds any equity interests (if applicable) and attract resources that are valuable to the Group or those invested entities and benefit to the Company's future business development.

The maximum number of shares in respect of which options may be granted under the 2016 Scheme and any other share option schemes of the Company shall not in aggregate exceed 33,005,400 representing 10% of the shares in issue as at 9 September 2016 (being the date of the annual general meeting approving the 2016 Scheme) and as at the date of this interim report.

The maximum number of shares of the Company issued and to be issued upon exercise of the options granted to each participant (including both exercised and unexercised options) under the 2016 Scheme and any other share option scheme (if any) adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue unless otherwise approved by the Company's shareholders. Where any grant of options to a substantial shareholder, an independent non-executive director, or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholder or an independent non-executive director or a company beneficially owned by any substantial shareholder or independent non-executive director of the Company) would result in the shares of the Company issued and to be issued upon exercise of all options already granted and to be granted to such person in any 12-month period up to and including the date of the grant:

- (i) representing in aggregate over 0.1% of the total number of shares of the Company in issue; and
- (ii) having an aggregate value, based on the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK\$5 million,

such grant of option shall be subject to prior approval of the shareholders of the Company who are not the grantee, his associates, all core connected persons of the Company as defined in the Listing Rules.

Option granted must be taken up within 28 days from the date of offer, upon payment of HK\$10 by way of consideration for the grant. Subject to terms and conditions upon which the option was granted, options may be exercised at any time from the date of grant of the share option to the 10th anniversary of the date of grant. The exercise price is determined by the Directors, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share. The 2016 Scheme has a life of 10 years and will expire on 8 September 2026.

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

No option has been granted under the 2016 Scheme. Details of options granted, exercised, cancelled/lapsed and outstanding under the 2007 Scheme during the Review Period are as follow:

	Number of share options				Outstanding as at 30 September 2016	Exercise period (both dates inclusive)	Exercise price HK\$	Closing price immediately before the date of grant HK\$
	At 1 April 2016	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period				
Directors:								
Mr. Chan Wing Yuen, Hubert	2,736,000	-	-	-	2,736,000	27 June 2012 to 30 December 2016	1.53	1.53
Mr. Wu Chi Keung	270,000	-	-	-	270,000	27 June 2012 to 30 December 2016	1.53	1.53
Mr. Heung Chee Hang, Eric	270,000	-	-	-	270,000	27 June 2012 to 30 December 2016	1.53	1.53
Ms. Kwok Pui Ha	270,000	-	-	-	270,000	27 June 2012 to 30 December 2016	1.53	1.53
Total Directors	3,546,000	-	-	-	3,546,000			
Total All Categories	3,546,000	-	-	-	3,546,000			

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 September 2016, the interests and short positions of the Directors and their associates in the ordinary shares (the "Share(s)"), underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long Positions

Ordinary Shares of HK\$0.01 each

Name of Director	Capacity	Number of issued ordinary Shares held (Including underlying shares) (Note 1)	Percentage of the issued ordinary share capital of the Company
Mr. Hu Yangjun	(Note 2)	207,454,000	62.85%
Mr. Hu Yishi	(Note 3)	207,454,000	62.85%
Mr. Wu Hao		2,736,000	0.83%
Mr. Chan Wing Yuen, Hubert	(Note 4)	2,736,000	0.83%
Mr. Li Wei Qi, Jacky		2,736,000	0.83%
Mr. Wu Chi Keung	(Note 5)	270,000	0.08%
Mr. Heung Chee Hang, Eric	(Note 5)	270,000	0.08%
Ms. Kwok Pui Ha	(Note 5)	270,000	0.08%

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

Notes:

- (1) The share options granted by the Company to Directors which are outstanding as shown under the section "Share Option Scheme" of this Interim Report have been included in the long positions of respective Directors.
- (2) Mr. Hu Yangjun had a direct interest of 2,736,000 Shares and a deemed interest of 204,718,000 Shares held by Resources Rich Capital Limited ("Resources Rich"), a company 50% owned by Mr. Hu Yangjun, within the meaning of Part XV of the SFO.
- (3) Mr. Hu Yishi had a direct interest of 2,736,000 Shares and a deemed interest of 204,718,000 Shares held by Resources Rich, a company 50% owned by Mr. Hu Yishi, within the meaning of Part XV of the SFO.
- (4) Mr. Chan Wing Yuen, Hubert had a direct interest of 2,736,000 Shares which are outstanding share options granted by the Company to subscribe for 2,736,000 Shares at exercise price of HK\$1.53 per Share.
- (5) Each of Mr. Wu Chi Keung, Mr. Heung Chee Hang, Eric and Ms. Kwok Pui Ha had a direct interest of 270,000 Shares which are outstanding share options granted by the Company to subscribe for 270,000 Shares at exercise price of HK\$1.53 per Share.

Save as disclosed above, as at 30 September 2016, no interest and short position in the Shares, underlying Shares or debentures were held or deemed or taken to be held under Part XV of the SFO by any Director or chief executives of the Company or any of their respective associates which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein.

Substantial Shareholders

As at 30 September 2016, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of Directors and their associates, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Long Positions

Ordinary Shares of HK\$0.01 each

Name of Shareholder	Capacity	Number of issued ordinary Shares held	Percentage of the issued ordinary share capital of the Company
Resources Rich	<i>(Note 1)</i>	204,718,000	62.03%
Mr. Hu Yangjun	<i>(Note 2)</i>	207,454,000	62.85%
Mr. Hu Yishi	<i>(Note 3)</i>	207,454,000	62.85%
Ms. Zhang Qi	<i>(Note 4)</i>	207,454,000	62.85%
Ms. Lin Min, Mindy	<i>(Note 5)</i>	207,454,000	62.85%
Suncool AB	<i>(Note 6)</i>	30,000,000	9.09%
Stiftelsen Industrifonden	<i>(Note 7)</i>	30,000,000	9.09%

Notes:

- (1) 50% of the entire issued share capital of Resources Rich is owned by Mr. Hu Yangjun while the other 50% is owned by Mr. Hu Yishi. Mr. Hu Yangjun and Mr. Hu Yishi are deemed to be interested in all the Shares in which Resources Rich is interested by virtue of the SFO.
- (2) Mr. Hu Yangjun had a direct interest of 2,736,000 Shares and a deemed interest of 204,718,000 Shares held by Resources Rich, a company 50% owned by Mr. Hu Yangjun, within the meaning of Part XV of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

- (3) Mr. Hu Yishi had a direct interest of 2,736,000 Shares and a deemed interest of 204,718,000 Shares held by Resources Rich, a company 50% owned by Mr. Hu Yishi, within the meaning of Part XV of the SFO.
- (4) Ms. Zhang Qi is the spouse of Mr. Hu Yangjun. Accordingly, she is deemed to be interested in the 207,454,000 Shares which Mr. Hu Yangjun is interested in pursuant to the SFO.
- (5) Ms. Lin Min, Mindy is the spouse of Mr. Hu Yishi. Accordingly, she is deemed to be interested in the 207,454,000 Shares which Mr. Hu Yishi is interested in pursuant to the SFO.
- (6) According to the disclosure of interest notices filed by Suncool AB, Suncool AB had a direct interest of 30,000,000 Shares and 24,000,000 Shares of which represent the warrants granted by the Company to subscribe for 24,000,000 Shares at subscription price of HK\$2.5 per Share.
- (7) According to the disclosure of interest notices filed by Stiftelsen Industrifonden, Stiftelsen Industrifonden owned 47% shareholding interest in Suncool AB. Stiftelsen Industrifonden was deemed to be interested in 30,000,000 Shares held by Suncool AB pursuant to the SFO and 24,000,000 Shares of which represent the warrants granted to Suncool AB by the Company to subscribe for 24,000,000 Shares at subscription price of HK\$2.5 per Share.

Save as disclosed above, as at 30 September 2016, there were no other parties, had interests or short positions in the Shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

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:

Mr. Chan Wing Yuen, Hubert, an executive Director, was appointed as an independent non-executive director of Shanghai La Chapelle Fashion Co., Ltd. (Stock Code: 6116, which shares are listed on the Stock Exchange) with effect from 25 July 2016.

Mr. Wu Chi Keung, an independent non-executive Director, was appointed as an independent non-executive director of COFCO Meat Holdings Limited (Stock Code: 1610, which shares are listed on the Stock Exchange on 1 November 2016), and Zhou Hei Ya International Holdings Limited (Stock Code: 1458, which shares are listed on the Stock Exchange on 11 November 2016) with effect from 23 June 2016 and 24 October 2016 respectively.

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

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 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.

On behalf of the Board

Wu Hao

Chairman and Executive Director

Hong Kong, 22 November 2016

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF ZHONG FA ZHAN HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Zhong Fa Zhan Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 13 to 22, which comprise the condensed consolidated statement of financial position as of 30 September 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

22 November 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2016

	NOTES	Six months ended 30 September	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue	3	5,924	9,742
Cost of sales		(5,859)	(9,265)
Gross profit		65	477
Other income		360	81
Other gains and losses	4	633	149
Distribution costs		(3)	(1,341)
Administrative expenses		(14,706)	(10,753)
Equity-settled share-based payment	12	(8,371)	–
Loss before taxation		(22,022)	(11,387)
Taxation	5	–	–
Loss for the period	6	(22,022)	(11,387)
Other comprehensive expense for the period			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation		(1,074)	(367)
Total comprehensive expense for the period		(23,096)	(11,754)
Loss per share	7		
Basic and diluted (HK cents)		(6.67)	(3.87)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Loss before taxation	(22,022)	(11,387)
Adjustment for:		
Depreciation	316	607
Equity-settled share-based payment	8,371	–
Bank interest income	(23)	(21)
Operating cash flows before movements in working capital	(13,358)	(10,801)
Decrease in inventories	–	6,367
Other working capital items	1,462	(2,423)
Net cash used in operating activities	(11,896)	(6,857)
Net cash (used in) from investing activities		
Interest received	23	21
Purchases of property, plant and equipment	(1,349)	(18)
	(1,326)	3
Net cash from financing activities		
Advance from a controlling shareholder	–	793
Proceeds from exercise of share options	–	459
Proceeds from issue of shares	–	18,900
Advance from an investor for subscription of shares	–	5,000
Transaction cost directly attributable to issue of new shares	–	(52)
	–	25,100
Net (decrease) increase in cash and cash equivalents	(13,222)	18,246
Cash and cash equivalents at beginning of the period	64,039	14,758
Effect of foreign exchange rate changes	(875)	(218)
Cash and cash equivalents at end of the period	49,942	32,786

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, 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 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2016

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	633	152
	633	149

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):

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2016

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:

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(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	(22,022)	(11,387)
	'000	'000
Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share	330,054	293,882

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	At
	30 September	31 March
	2016	2016
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Within 1 month	–	475
Over 1 month but within 3 months	–	2,859
Over 3 months but within 6 months	–	306
	–	3,640

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2016

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 30 September 2016 HK\$'000 (unaudited)	At 31 March 2016 HK\$'000 (audited)
Within 1 month	–	4
Over 1 month but within 3 months	–	–
Over 3 months but within 6 months	–	1
	–	5

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2016

12. Share Option Scheme And Warrants

Share option scheme

The Company's old share option scheme was adopted pursuant to a resolution passed on 26 February 2007 (the "2007 Scheme") for the primary purpose of providing incentives to directors, employees and other eligible participants. The 2007 Scheme will be expired on 25 February 2017.

On 27 June 2012, 24,090,000 share options were granted under the 2007 Scheme (the "2007 Options"). The 2007 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 2007 Options determined at the date of grant using the Binomial model was approximately HK\$16,381,000.

As the 2007 Options were all vested in previous year, no amount was recognised in profit or loss during the current interim period.

The Company adopted a new share option scheme at the annual general meeting of the Company held on 9 September 2016 (the "2016 Scheme") for the primary purpose of facilitating the retention and recruitment of high-calibre staff of the Group and/or any entities in which the Group holds any equity interests (if applicable) and attracting resources that are valuable to the Group or those invested entities and benefit to the Company's future business development.

No share options were granted under the 2016 Scheme 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2016

13. Operating Leases Commitments

As lessee

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

	At 30 September 2016 HK\$'000 (unaudited)	At 31 March 2016 HK\$'000 (audited)
Within one year	1,690	1,573
In the second to fifth year	2,310	3,129
Later than five year	–	8
	4,000	4,710

14. Related Party Transactions

The Group had entered into the following related party transactions during the periods:

Compensation of key management personnel

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

	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Short-term employee benefits	4,124	3,978
Post-employment benefit	162	151
	4,286	4,129

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