# 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 2016

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 2016 together with the comparative audited figures for the year ended 31 March 2015 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 March 2016*

| | | **2016** | 2015 |
|---|---|---|---|
| | *NOTES* | ***HK$'000*** | *HK$'000* |
| Revenue | *4* | **17,765** | 57,092 |
| Cost of sales | | **(17,301)** | (49,870) |
| Gross profit | | **464** | 7,222 |
| Other income | | **127** | 402 |
| Other gains and losses | *5* | **324** | 190 |
| Distribution costs | | **(2,320)** | (5,910) |
| Administrative expenses | | **(27,122)** | (24,058) |
| Equity-settled share-based payment | *14* | **(8,279)** | – |

| | NOTES | **2016** | 2015 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| Loss before taxation | | **(36,806)** | (22,154) |
| Income tax | *6* | **–** | – |
| Loss for the year | *7* | **(36,806)** | (22,154) |
| **Other comprehensive expense for the year** | | | |
| Item that will not be reclassified subsequently to profit or loss | | | |
| Exchange differences arising on translation to presentation currency | | **(872)** | (466) |
| Total comprehensive expense for the year | | **(37,678)** | (22,620) |
| Loss per share | *8* | | |
| Basic and diluted (HK cents) | | **(11.84)** | (7.69) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 March 2016*

| | NOTES | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | | **880** | 2,384 |
| Rental deposits | | **399** | – |
| | | **1,279** | 2,384 |
| Current assets | | | |
| Inventories | | **–** | 11,607 |
| Trade receivables | *10* | **3,640** | 7,605 |
| Other receivables, deposits and prepayments | *10* | **4,921** | 1,487 |
| Bank balances and cash | | **64,039** | 14,758 |
| | | **72,600** | 35,457 |
| Current liabilities | | | |
| Trade and other payables and accruals | *11* | **2,610** | 5,398 |
| Loan from a controlling shareholder | *12* | **–** | 6,953 |
| | | **2,610** | 12,351 |
| Net current assets | | **69,990** | 23,106 |
| | | **71,269** | 25,490 |
| Capital and reserves | | | |
| Share capital | *13* | **3,301** | 2,938 |
| Reserves | | **67,968** | 22,552 |
| | | **71,269** | 25,490 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2016*

## 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 Group is currently preparing to expand its principle business activities to include solar energy business which has yet commenced up during the year ended 31 March 2016.

The functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), as the Company's shares are listed on the Stock Exchange, 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 issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"):

| | |
|---|---|
| Amendments to HKAS 19 | Defined benefit plans: Employee contributions |
| Amendments to HKFRSs | Annual improvements to HKFRSs 2010 - 2012 cycle |
| Amendments to HKFRSs | Annual improvements to HKFRSs 2011 - 2013 cycle |

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

**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[2] |
| HKFRS 15 | Revenue from contracts with customers[2] |
| HKFRS 16 | Leases[3] |
| 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[4] |
| 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 HKFRS 15 | Clarification of revenue from contracts with customers[2] |
| 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] |

[1] Effective for annual periods beginning on or after 1 January 2016.
[2] Effective for annual periods beginning on or after 1 January 2018.
[3] Effective for annual periods beginning on or after 1 January 2019.
[4] Effective for annual periods beginning on or after a date to be determined.

**HKFRS 15 Revenue from contracts with customers**

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 impact 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.

**HKFRS 16 Leases**

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of many of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to these financial statements.

Except as described above, the directors of the Company anticipate that the application of new and revised HKFRSs in issue but not yet effective will have no material impact on Group's financial performance and position and/or on the disclosures set out in the consolidated financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits and to streamline with HKFRSs and became effective for the Company for the financial year ended 31 March 2016. Accordingly, the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 March 2016 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 March 2015 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

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

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 jewelry design, manufacturing and wholesale 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. During the year ended 31 March 2016, the Group scaled down the operation of jewelry business to wholesale only. The newly set up subsidiary in the PRC for solar energy business has not commenced the business during the year. 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.

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| The PRC | **24** | 528 |
| Hong Kong | **856** | 1,856 |
| | **880** | 2,384 |

*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:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Customer A | **Note** | 5,730 |
| Customer B | **2,994** | Note |
| Customer C | **5,381** | 7,407 |
| Customer D | **3,955** | 8,060 |

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

## 5. OTHER GAINS AND LOSSES

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss on disposal of property, plant and equipment | **(103)** | (55) |
| Net exchange gain | **427** | 262 |
| Others | **–** | (17) |
| | **324** | 190 |

## 6. INCOME TAX

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

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

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

## 7. LOSS FOR THE YEAR

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss for the year has been arrived at after charging (crediting): | | |
| Auditor's remuneration | **627** | 591 |
| Write down of inventories | **113** | – |
| Operating lease payments in respect of rented properties | **1,487** | 2,491 |
| Staff costs (including directors' remuneration): | | |
| Salaries and allowances and benefits | **12,542** | 16,844 |
| Retirement benefit scheme contributions | **485** | 877 |
| Total staff costs | **13,027** | 17,721 |
| Cost of inventories recognised as an expense | **15,654** | 44,472 |
| Interest income | **(48)** | (26) |

## 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:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss for the purposes of calculating basic and diluted loss per share: | | |
| Loss for the year attributable to owners of the Company | **(36,806)** | (22,154) |

| | **2016** | 2015 |
|---|---|---|
| Number of shares | | |
| Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share | **310,804,000** | 288,014,340 |

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

## 9. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2016, nor has any dividend been proposed since the end of the reporting period (2015: nil).

## 10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

**Trade receivables**

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **3,640** | 7,605 |

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:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 1 month | **475** | 1,172 |
| Over 1 month but within 3 months | **2,859** | 2,280 |
| Over 3 months but within 6 months | **306** | 4,153 |
| | **3,640** | 7,605 |

At 31 March 2016, the Group allowed a credit period ranging from 30 to 120 days (2015: 30 to 120 days) to its customers. Included in the Group's trade receivables balance were debtors with aggregate carrying amount of approximately HK$1,207,000 (2015: HK$7,131,000), 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

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Past due within 1 month | **276** | 4,768 |
| Past due over 1 month but within 3 months | **513** | 2,349 |
| Past due over 3 months but within 6 months | **418** | 14 |
| | **1,207** | 7,131 |

**Other receivables**

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

**Deposits**

Included in deposits is an amount of RMB3,795,000 (equivalent to approximately HK$4,541,000) (2015: nil) which is a deposit representing six months of rent payable paid to a landlord in respect of entering into a lease under a framework tenancy agreement. A controlling shareholder, who is also an executive director, of the Company is an indirect beneficial owner having significant influence over the landlord and, therefore, the deposit paid by the Group to the landlord is a related party transaction. Pursuant to the agreement, the Group can enter into the tenancy for the factory for a lease term from 18 December 2015 to 31 August 2017 after the completion of construction. The factory is expected to complete in the third quarter of year 2016. The deposit can be either utilised as rental for the first two quarters upon the commencement of the lease term of the tenancy or refundable when the lease term expires. In the opinion of directors of the Company, the Group will utilise the deposit when the lease term of the tenancy commences.

## 11. TRADE AND OTHER PAYABLES AND ACCRUALS

### Trade payables

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade payables | **5** | 2,110 |

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

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 1 month | **4** | 88 |
| Over 1 month but within 3 months | **–** | 299 |
| Over 3 months but within 6 months | **1** | 1,719 |
| Over 6 months but within 12 months | **–** | 4 |
| | **5** | 2,110 |

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

### Other payables and accruals

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

## 12. LOAN FROM A CONTROLLING SHAREHOLDER

The loan was unsecured, interest-free and repayable within 60 days upon the receipt of written notice of repayment. During the year ended 31 March 2016, the Group repaid the entire balance of the loan.

## 13. SHARE CAPITAL

| | Number of ordinary shares of HK$0.01 each | | Nominal value | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | | | ***HK$'000*** | *HK$'000* |
| Authorised: | | | | |
| At beginning and end of the year | **10,000,000,000** | 10,000,000,000 | **100,000** | 100,000 |
| Issued and fully paid: | | | | |
| At beginning of the year | **293,754,000** | 273,610,000 | **2,938** | 2,736 |
| Exercise of share options | **300,000** | 20,144,000 | **3** | 202 |
| Issue of new shares | **36,000,000** | – | **360** | – |
| At end of the year | **330,054,000** | 293,754,000 | **3,301** | 2,938 |

## 14. UNLISTED WARRANTS

On 2 October 2015, an aggregate of 24,000,000 warrants with an exercise price of HK$2.5 per warrant share at nil consideration was granted by the Company to a technology provider under the Suncool subscription agreement dated 1 July 2015 entered into between the Company and the technology provider. 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.

During the year ended 31 March 2016, the Group recognised the total expense of HK$8,279,000 in relation to the warrants granted by the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Group mainly engaged in the domestic fine jewelry business in China during the year ended 31 March 2016 (the "Current Year"). However, the slowdown in China's economic growth has hit the nationwide luxury goods market hard. Facing the fierce market competition, the Group has adopted a pragmatic business development strategy as its business scale has remained relatively modest. This has limited the Group's bargaining power, resulting in less favorable operating conditions.

To ensure stable growth of its business, the Group has proactively explored potential new business opportunities to diversify its operations and broaden its income sources. The increasing global demand for greener energy, complemented by a series of policies launched by the PRC government which emphasize environmental protection, energy conservation, as well as pollution and emissions reduction has provided great encouragement for the renewable energy industry to achieve a new round of rapid growth. On 1 July 2015, the Group announced its entry into the new energy business by signing a subscription agreement (the "Suncool Subscriptions") with Suncool AB (a Swedish company owned by ClimateWell AB (publ) ("ClimateWell")) to allot and issue 6,000,000 new shares of the Company to Suncool AB at a 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 an exercise price of HK$2.50 per warrant share (the "Warrant(s)"). The Group also signed subscription agreements ("Investors Subscriptions") with six independent investors to allot and issue an aggregate of 36,000,000 new shares of the Company to six independent investors at a subscription price of HK$2.10 per share.

On the same day, Suncool AB entered into a license agreement (the "License Agreement") with Nation Power Group Limited ("Nation Power"), a wholly-owned subsidiary of the Company, granting exclusive rights and permissions to Nation Power to use solar heating and cooling collector production technologies with CoolStore proprietary products at the core to promote solar-powered interior climate solutions and products in the Greater China region for 15 years. In addition, also on the same day, the Group entered into a consultation agreement (the "Consultation Agreement") with China-UK Low Carbon Enterprise (Jiangyin) Investment Management Ltd ("CULCE (Jiangyin)"), a company owned by China Energy Conservation and Environmental Protection Group ("CECEP") for using the consultation services of CULCE (Jiangyin).

For details regarding the Suncool Subscriptions, the Investors Subscriptions, the License Agreement and Consultation Agreement, please refer to the Company's announcement dated 5 July 2015 and the circular dated 13 August 2015.

As at 2 November 2015, the Group had completed the subscription for a total of 36,000,000 shares, which generated total gross proceeds of approximately HK$75,600,000. After deducting related expenses payable by the Company, the net proceeds (which represent the total gross proceeds less relevant expenses) are used for the following purposes: (i) approximately HK$50.0 million for the development of new energy business in the PRC; (ii) approximately HK$7.6 million for the repayment of loan from a controlling shareholder of the Company; and (iii) the remaining total net proceeds for general working capital purpose of the Group. During the Current Year, approximately 31% of the net proceeds had been utilized, approximately HK$6.5 million for developing solar energy business in the PRC, approximately HK$7.6 million was used to repay the loan from a controlling shareholder of the Company and the remaining was used as general working capital of the Group. The unused net proceeds remain available for intended use.

The support from Suncool AB and CULCE (Jiangyin) has expedited development of the Group's new energy business. During the Current Year, the Group gathered together a team of sophisticated solar technology experts. Senior technicians in the team were sent to Sweden to receive professional training and the most up-to-date knowledge in the new energy industry technology. These technicians and the team have helped laid a solid foundation for the Group to localize the CoolStore cooling pipe and promote new solar collector products effectively.

Apart from the core technical team, the Group has also established an operation and management team in Yuyao, which comprises members with extensive experience in the industry. The functions of the operation and management team are: (i) operation and production; (ii) research and development; (iii) engineering and applications; and (iv) finance and administration. The Group is confident that the Yuyao team will be able to closely collaborate and establish effective communication with its overseas partners, and ensure the research and development of technologies, production, and promotion of engineering service are carried out in good order, thereby help boost the Group's development.

**Prospects**

Looking ahead, the Group anticipates the luxury goods market in China will continue to shrink in the near future. The Group will maintain a prudent approach to the jewelry business, and reduce direct and indirect costs to maintain a stable operating environment. To strengthen its competitiveness, the Group will also explore more business opportunities in the jewelry wholesale and retail markets in Hong Kong through various channels, in addition to developing its existing jewelry wholesale business in China.

After devoting considerable attention to energy and climate issues in the 12th Five-Year Plan ("FYP"), China's leaders have formulated plans to limit emissions in the 13th FYP. China's next FYP is set to develop the policy framework for increasing the proportion of non-fossil fuels to more than 20 percent in China's energy usage mix by 2030 while sharply cutting the carbon footprint of its energy consumption. As CO2 emissions from air-conditioning and heating systems in commercial and residential buildings account for a considerable percentage of total emissions, the Group's technical competence can contribute to realizing this vision to reduce emissions.

The Group's new cooling pipe production line is expected to commence operation in the second half of year 2016 and start contributing revenue to the Group in the coming year. For the time being before production begins, to pave way for the business, the Group will rent a production line short-term and, as planned, with spare parts purchased from Suncool AB, assemble solar collectors with CoolStore cooling pipe components to sell to target customers such as educational institutions and government entities. The Group has set up the demonstration kits in its PRC office where visitors and potential customers can better comprehend the principles of CoolStore cooling pipes and the effectiveness of the collectors. The Group also hopes to enable customers to understand the importance of energy conservation and emission reduction as well as the significant economic benefits brought by its products. Through public education and public relations and marketing activities, the Group aims to effect rapid development of its new business and at the same time contribute to the country achieving her emission reduction targets.

In view of the increasing demand for greener energy, the PRC government is giving greater support to the energy conservation and environmental protection industry. The Group will seize this opportunity and step up effort to develop its solar energy business, striving to quickly enhance its share in the solar cooling market of the PRC. The Group will also continue to proactively seek 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*

Sales revenue of the Group for the Current Year was HK$17.8 million (2015: HK$57.1 million), representing a drop of approximately 68.8% as compared to that for the year ended 31 March 2015 (the "Previous Year"). Decrease in the Group's revenue was mainly attributable to the poor consumer sentiment and decreasing demand for fine jewelry in the PRC.

Gross profit of the Group for the Current Year was HK$0.5 million (2015: HK$7.2 million), representing a decrease of approximately 93.6% as compared to that for the Previous Year. Gross profit margin of the Group for the year was approximately 2.6% (2015: 12.6%), representing a decrease of approximately 79.4%. The decrease was mainly due to the intense industry competition and the adverse business environment of the jewelry sector in the PRC domestic market.

During the Current Year, the Company issued 24,000,000 Warrants to Suncool AB (details as set out in the section "Capital Structure" below) with the aggregated estimated fair value of the Warrants amounted to HK$23.1 million determined by an independent qualified professional valuer. The amounts are expensed over the vesting period and approximately HK$8.3 million was recognized as equity-settled share-based payment expenses (2015: Nil) during the Current Year (details are set out in note 14 to the financial statements). The Group recorded a net loss of HK$36.8 million for the Current Year (2015: net loss of HK$22.2 million). Basic loss per share were 11.8 HK cents (2015: basic loss per share were 7.7 HK cents).

## Liquidity and Financial Resources

As at 31 March 2016, the Group had net current assets and current ratio stood at HK$70.0 million and 27.8 respectively (2015: HK$23.1 million and 2.9 respectively). The Group's gearing ratio as at 31 March 2016 was nil (2015: Nil) (total interest bearing borrowings divided by bank balance and cash as a percentage of total equity).

As at 31 March 2016, the inventories reduced to nil (2015: HK$11.6 million) as result of the scaled down of the operation of jewelry business to wholesale only, the fixed assets in relation to jewelry manufacturing were also disposed in order to reduce the direct cost incurred. The Group will maintain a prudent approach in the jewelry business.

As at 31 March 2016, the trade receivable amounted to HK$3.6 million (2015: HK$7.6 million) and most of the amounts have been collected subsequently up to the date of this announcement, the Group had not provided for any impairment loss. As at 31 March 2016, the cash and bank balance amounted to HK$64 million (2015: HK$14.8 million).

As at 31 March 2016, the Group had no bank borrowings (2015: Nil). As at 31 March 2016, 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 2016 (2015: Nil). The Group financed its liquidity operations requirements through cash flow generated from operations as well as through the loans from a controlling shareholder and the net proceeds from issue of new shares during the Current Year.

**Capital Structure**

During the Current Year, a total of 30,000,000 and 6,000,000 ordinary shares of the Company at par value of HK$0.01 each (the "Share(s)") had been allotted and issued by the Company to various independent investors and Suncool AB respectively at a price of HK$2.10 per share pursuant to the Investors Subscriptions and the Suncool Subscriptions with gross proceeds of HK$75.6 million in aggregated. In addition, on 2 October 2015, the Company issued 24,000,000 Warrants at nil consideration to Suncool AB pursuant to the Suncool Subscriptions (details of which were set out in the announcement of the Company dated 5 July 2015, the circular of the Company dated 13 August 2015, and the announcement on progress update dated 30 September 2015, 4 October 2015, 19 October 2015 and 2 November 2015).

The total net proceeds, after deduction of related expenses from the total gross proceeds, are intended to be used as to (i) approximately HK$50.0 million for the development of the solar business in the PRC; (ii) approximately HK$7.6 million for the repayment of the loan from a controlling shareholder of the Company; and (iii) the remaining total net proceeds for the general working capital purposes of the Group. The utilization of net proceeds during the Current Year is set out in the section "Business Review". The unused net proceeds remain available for the intended use.

During the Current Year, 300,000 Shares had been issued and allotted by the Company as a result the exercise of share options at an exercise price of HK$1.53. The gross proceeds of approximately HK$0.5 million were used as general working capital for the Group.

As a result of the exercising of share options and the Suncool Subscriptions and the Investors Subscriptions, the number of Shares increased from 293,754,000 Shares as at 31 March 2015 to 330,054,000 Shares as at 31 March 2016.

**Charges on Group Assets**

As at 31 March 2016, the Group did not have any charges on the Group's assets (2015: Nil).

**Commitments and Contingent Liabilities**

As at 31 March 2016, the Group did not have any capital commitments (2015: Nil) and had HK$4.7 million of operating lease commitments (2015: HK$2.2 million).

As at 31 March 2016, the Group did not have any significant contingent liabilities (2015: Nil).

**Human Resources**

As at 31 March 2016, the Group had a total of 15 employees (2015: 39) in order to streamline the organisation structure and strengthen cost control. Staff costs for the Current Year was HK$13.0 million, representing a decrease of 26.5% as compared to the Previous Year of HK$17.7 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.

**The Share Option Scheme**

A share option scheme adopted by the shareholders of the Company on 26 February 2007 pursuant to which the Company may grant options to the directors and employees of the Group and other eligible participants to acquire shares of the Company. The Directors consider that the share option scheme assists in recruiting and retaining high calibre employees.

**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 2016, no forward foreign currency contracts are designated in hedging accounting relationships (2015: Nil).

## Material Acquisition and Disposal

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

## FINAL DIVIDEND

The Board has resolved not to recommend any payment of final dividend for the year ended 31 March 2016 (2015: Nil).

## ANNUAL GENERAL MEETING

The 2016 Annual General Meeting (the "2016 AGM") is to be held on Friday, 9 September 2016 and the notice of the 2016 AGM will be published and dispatched to the shareholders of the Company within the prescribed time and in such manner as required by the Listing Rules.

## CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 7 September 2016 to Friday, 9 September 2016 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify to attend and vote at the 2016 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 6 September 2016.

## CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules. The Company has applied the principles and complied with all the applicable code provisions set out in the CG Code throughout the year ended 31 March 2016 except for the deviation from code provision A.6.7 as explained below.

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 and extraordinary general meeting, both held on the same day on 8 September 2015.

### 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 as set out in the CG Code.

## 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 2016.

## 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 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 year ended 31 March 2016.

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

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.475hk.com). The annual report of the Company for the year ended 31 March 2016 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and posted on the above websites in due course.

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

Hong Kong, 24 June 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.*