



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
2013/14

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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

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. Ng Kwok Kit

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
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

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

Legal Advisers

K&L Gates
Angela Ho & Associates

Auditor

Deloitte Touche Tohmatsu

Company Website

www.475hk.com

Stock Code

00475

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

Zhong Fa Zhan Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) was reporting a mild revenue growth for the six months ended 30 September 2013 (the “Review Period”). The sales turnover of the Group increased by 7.3% from HK\$38.4 million to HK\$41.2 million for the Review Period. The gross profit grew significantly by 72.0% from HK\$2.5 million to HK\$4.3 million with gross profit margin improved to 10.4% during the Review Period as compared to 6.5% of last reporting period.

Despite the increased gross profit, the Group recorded a net loss of HK\$7.2 million for the six months ended 30 September 2013 (2012: net loss of HK\$22.2 million). Basic loss per share were 2.7 HK cents (2012: basic loss per share were 8.1 HK cents). Given the fact that the one-off expense of HK\$16.4 million resulted from the issuance of share options of the Company during the last reporting period in 2012 did not recur during the Review Period, the Group have indeed incurred extra loss from HK\$5.8 million to HK\$7.2 million from its daily operations as compared to the last reporting period.

Business Review

Although the demand for jewelry by the Group’s customers in the People Republic of China (the “PRC”) remained stable during the Review Period, the Group continued to operate in a challenging environment as the growing operating costs put increasing pressure on the Group. Despite the Group was able to record a sales turnover of HK\$41.2 million, representing a slight increase from the last reporting period of HK\$38.4 million, its operating loss (excluding share-based payments) was up by 24.1%, which directly indicated that the competition in business was increasingly intense and indirect cost has kept rising. To better control its operating cost, the Group adopted a more prudent policy for inventory and implemented stringent measures for cost control, including outsourcing the production process, aiming to steer away from the unpredictability in the labour market and at the same time laying a solid foundation for operating cost.

Future Prospects

As the US government continues monetary easing policy and the global economic environment is still volatile, the development of fine jewelry market remains uncertain. We maintain a cautious, “wait and see” position as to the prospective demand in fine jewelry products in the PRC, notwithstanding the continuous appreciation in Renminbi (“RMB”) and the increasingly affluent population there. On the other hand, increasingly intense competition in the jewelry industry will inevitably contract the Group’s profit margin. As such, we will further outsource our production process, with view to minimise the negative impact of the unpredictable labour market to the largest extent. The Group will adhere to its policy of prudence and optimize our resource allocation under the business model of caution, so as to strengthen our business fundamentals for our business operation in China.

The Group will also closely monitor and review our business operations and financial position for the purposes of formulating business plans and strategies for the future business development of the Group. Should suitable investment or business opportunity arise, the Group may consider diversifying the business of the Group in order to broaden its sources of income.

Liquidity and Financial Resources

As at 30 September 2013, the Group’s net current assets and current ratio stood at HK\$25.3 million and 1.9 respectively (31 March 2013: HK\$23.8 million and 2.5 respectively). Net gearing ratio (total interest bearing borrowings net of bank balances and cash as a percentage of total equity) was nil as at 30 September 2013 (31 March 2013: Nil).

As at 30 September 2013, the Group had no bank borrowings (31 March 2013: Nil) and no banking facilities (31 March 2013: Nil). As at 30 September 2013, the Group’s bank balances and cash amounted to HK\$18.2 million (31 March 2013: HK\$7.6 million).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Charges on Group Assets

As at 30 September 2013, the Group did not have any charges on the Group's assets (31 March 2013: Nil).

Capital Structure

For the six months ended 30 September 2013, the Group financed its liquidity requirements through cash flow as generated from operation and loan from a controlling shareholder.

Dividend

The board (the "Board") of directors (the "Directors") of the Company has resolved not to recommend the payment of an interim dividend for the six months ended 30 September 2013.

Capital Commitment and Contingent Liabilities

As at 30 September 2013, the Group did not have any capital commitments (31 March 2013: Nil) and had HK\$4.6 million of operating lease commitments (31 March 2013: HK\$5.8 million). As at 30 September 2013, the Group did not have any significant contingent liabilities (31 March 2013: Nil).

Staff and Remuneration Policy

As at 30 September 2013, the Group had a total of 62 employees (31 March 2013: 62). Staff costs for the Review Period was HK\$7.2 million, representing an increase of 35.8% as compared to the corresponding period ended 30 September 2012 of HK\$5.3 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.

The Group also provides internal training to its employees when necessary and other benefits including share option scheme and contribution to statutory mandatory provident fund scheme to its employees in Hong Kong and the statutory central pension schemes to its employees in the PRC.

Foreign Exchange Fluctuation and Hedges

Currently, the Group was principally based in the PRC and was not significantly exposed to foreign exchange risk. Foreign exchange risk arises from future commercial transaction and recognized assets and liabilities. While the Group would closely monitor the volatility of the RMB exchange rate, the Directors considered that the Group's risk exposure to foreign exchange rate fluctuation remained minimal currently.

As at 30 September 2013, no forward foreign currency contracts are designated in hedging accounting relationships (31 March 2013: Nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

Share Option Scheme

The Group has approved and adopted a share option scheme on 26 February 2007 for the Directors, its employees and other eligible participants with a view to provide an incentive to or as a reward for their contribution to the Group.

Details of the movements of share options granted, exercised or cancelled/lapsed during the period under review and outstanding as at 30 September 2013 are as follows:

	Number of share options				Outstanding as at 30 September 2013	Exercise period (both dates inclusive)	Exercise price HK\$	Closing price immediately before the date of grant HK\$
	At 1 April 2013	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period				
Directors:								
Mr. Wu Hao	2,736,000	—	—	—	2,736,000	27 June 2012 to 30 December 2016	1.53	1.53
Mr. Hu Yangjun	2,736,000	—	—	—	2,736,000	27 June 2012 to 30 December 2016	1.53	1.53
Mr. Hu Yishi	2,736,000	—	—	—	2,736,000	27 June 2012 to 30 December 2016	1.53	1.53
Mr. Chan Wing Yuen, Hubert	2,736,000	—	—	—	2,736,000	27 June 2012 to 30 December 2016	1.53	1.53
Mr. Li Wei Qi, Jacky	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	14,490,000	—	—	—	14,490,000			
Employees	4,200,000	—	—	(50,000)	4,150,000	27 June 2012 to 30 December 2016	1.53	1.53
Total Employees	4,200,000	—	—	(50,000)	4,150,000			
Other Grantees	5,400,000	—	—	—	5,400,000	27 June 2012 to 30 December 2016	1.53	1.53
Total Other Grantees	5,400,000	—	—	—	5,400,000			
Total All Categories	24,090,000	—	—	(50,000)	24,040,000			

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

Directors' Interests and Short Positions in Shares

As at 30 September 2013, the interests and short positions of the Directors and their associates in the shares and underlying shares of the Company ("Shares") as recorded in the register to be kept under Section 352 of the Securities and Futures Ordinance ("SFO") 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. Wu Hao	(Note 2)	2,736,000	1.00%
Mr. Hu Yangjun	(Note 3)	207,454,000	75.82%
Mr. Hu Yishi	(Note 4)	207,454,000	75.82%
Mr. Chan Wing Yuen, Hubert	(Note 2)	2,736,000	1.00%
Mr. Li Wei Qi, Jacky	(Note 2)	2,736,000	1.00%
Mr. Wu Chi Keung	(Note 5)	270,000	0.10%
Mr. Heung Chee Hang, Eric	(Note 5)	270,000	0.10%
Ms. Kwok Pui Ha	(Note 5)	270,000	0.10%

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) Each of Mr. Wu Hao, Mr. Chan Wing Yuen, Hubert and Mr. Li Wei Qi, Jacky 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.
- (3) Mr. Hu Yangjun 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 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.
- (4) Mr. Hu Yishi 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 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.
- (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 2013, no interests and short position in the Shares or underlying Shares were held or deemed or taken to be held under Part XV of the SFO by any Director or chief executive 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

Substantial Shareholders' Interests in Shares

As at 30 September 2013, 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 have notified the Company of relevant interests 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	(Note 1)	204,718,000	74.82%
Ms. Zhang Qi	(Note 2)	207,454,000	75.82%
Ms. Lin Min	(Note 3)	207,454,000	75.82%

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) 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.
- (3) Ms. Lin Min 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.

Save as disclosed above, as at 30 September 2013, no other parties, other than the Directors whose interests are set out in the section "Directors' Interests and Short Positions in Shares" above, had registered an interest or short position in the Shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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 Rules (the "Listing Rules") on the Stock Exchange of Hong Kong Limited. 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 2013.

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 2013.

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

Audit Committee and Independent Review by 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 Group's unaudited interim results for the six months ended 30 September 2013 have been reviewed by the audit committee at an audit committee meeting held on 20 November 2013.

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 2013.

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 2013.

Disposal of Property

Guangzhou Sinoble Jewelry Limited* (廣州億恒珠寶有限公司), an indirect wholly-owned subsidiary of the Company established in the PRC, entered into an agreement with Guangzhou Jin Ye Jewelry Limited* (廣州晉業珠寶有限公司) on 21 August 2013 to dispose of a dormitory unit situated at Block 46, 999 Fulong Road, Shawan Town, Panyu District, Guangzhou City, the PRC (廣州市番禺區沙灣鎮福龍路999號46座) (the "Property") at a consideration of RMB9.6 million. The Property had a carrying amount of approximately RMB9.1 million and was disposed of for net cash proceeds of RMB9.4 million, resulting in a gain on disposal of RMB329,000.

Appointment of Director

Ms. Kwong Wai Man, Karina has been appointed as an executive Director with effect from 1 September 2013.

Change in Information of Director

Mr. Wu Chi Keung, independent non-executive director of the Company, has been appointed as the independent non-executive director and the member of the audit committee and remuneration committee of Huabao International Holdings Limited (stock code: 336) with effect from 8 August 2013.

On behalf of the Board

Wu Hao

Chairman and Executive Director

Hong Kong, 22 November 2013

* For identification purposes only

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



TO THE BOARD OF DIRECTORS OF ZHONG FA ZHAN HOLDINGS LIMITED

(Incorporated in the 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 10 to 20, which comprise the condensed consolidated statement of financial position as of 30 September 2013 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 Main Board Listing 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 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2013

	NOTES	Six months ended 30 September	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Revenue	3	41,177	38,428
Cost of sales		(36,924)	(35,898)
Gross profit		4,253	2,530
Other income		103	846
Other gains and losses	4	485	81
Distribution costs		(2,698)	(3,757)
Administrative expenses		(9,570)	(21,897)
Finance costs	5	(8)	(13)
Loss before taxation		(7,435)	(22,210)
Income tax credit	6	198	–
Loss for the period	7	(7,237)	(22,210)
Other comprehensive income (expense)			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation		210	(389)
Total comprehensive expense for the period		(7,027)	(22,599)
Loss per share	8		
Basic and diluted		HK(2.65) cents	HK(8.12) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2013

	NOTES	At 30 September 2013 HK\$'000 (unaudited)	At 31 March 2013 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	3,817	12,583
Rental deposits		499	499
		4,316	13,082
Current assets			
Inventories		13,136	19,039
Trade receivables	11	22,604	10,076
Deposits, prepayments and other receivables		469	2,817
Bank balances and cash		18,172	7,552
		54,381	39,484
Current liabilities			
Trade payables	12	11,552	13,409
Other payables and accruals		6,571	2,314
Loan from a controlling shareholder	13	10,956	–
		29,079	15,723
Net current assets		25,302	23,761
Total assets less current liabilities		29,618	36,843
Capital and reserves			
Share capital	14	2,736	2,736
Share premium and reserves		26,882	33,909
Equity attributable to owners of the Company		29,618	36,645
Non-current liabilities			
Deferred tax liabilities		–	198
		29,618	36,843

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013

	Share capital HK\$'000	Share premium account HK\$'000	Share options reserve HK\$'000	Revaluation reserve HK\$'000	Exchange reserve HK\$'000	(Accumulated losses) retained profits HK\$'000	Total HK\$'000
At 1 April 2013 (audited)	2,736	32,243	16,381	551	7,410	(22,676)	36,645
Loss for the period	-	-	-	-	-	(7,237)	(7,237)
Other comprehensive income for the period	-	-	-	-	210	-	210
Total comprehensive income (expense) for the period	-	-	-	-	210	(7,237)	(7,027)
Transfer between reserves upon disposal of the property	-	-	-	(551)	-	551	-
Transfer upon forfeiture of share options	-	-	(34)	-	-	34	-
At 30 September 2013 (unaudited)	2,736	32,243	16,347	-	7,620	(29,328)	29,618
At 1 April 2012 (audited)	2,736	32,243	-	878	7,591	8,447	51,895
Loss for the period	-	-	-	-	-	(22,210)	(22,210)
Other comprehensive expense for the period	-	-	-	-	(389)	-	(389)
Total comprehensive expense for the period	-	-	-	-	(389)	(22,210)	(22,599)
Recognition of equity-settled share-based payments	-	-	16,381	-	-	-	16,381
At 30 September 2012 (unaudited)	2,736	32,243	16,381	878	7,202	(13,763)	45,677

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2013

	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash (used to) from operating activities	(9,365)	4,378
Net cash from investing activities		
Interest received	6	21
Purchases of property, plant and equipment	(3,038)	–
Proceeds on disposal of property, plant and equipment	11,998	–
	8,966	21
Net cash from financing activity		
Loan from a controlling shareholder	10,956	–
Net increase in cash and cash equivalents	10,557	4,399
Cash and cash equivalents at beginning of the period	7,552	10,538
Effect of foreign exchange rate changes	63	(104)
Cash and cash equivalents at end of the period	18,172	14,833

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 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 Listing Rules on The Stock Exchange of Hong Kong Limited.

2. Principal Accounting Policies

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2013.

In addition, 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.

HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKAS 1	Presentation of items of other comprehensive income
Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle, except for the amendments HKAS 1
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2013

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's revenue and result is solely derived from a single business operation of jewelry manufacturing and wholesale business in the PRC (the "Wholesale Business"). The financial information for the Wholesale Business as a whole is regularly reviewed by the executive directors of the Company and used for the purposes of assessment of performance and resource allocation. Accordingly, the Wholesale Business as a whole constitute the sole operating segment for the purpose of segment information presentation under HKFRS 8. Accordingly, no segment information was disclosed.

4. Other Gains and Losses

	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Gain on disposal of property, plant and equipment	419	–
Net foreign exchange gain	66	81
	485	81

5. Finance Costs

	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Bank charges	8	13

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2013

6. Income Tax Credit

The income tax credit for current interim period represented the release of deferred tax liability upon disposal of leasehold land and building.

No provision for Hong Kong Profits Tax has been made as there were no assessable profits generated in Hong Kong for both periods.

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

7. Loss for the Period

Loss for the period has been arrived at after charging:

	Six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Cost of inventories recognised as expense	36,924	35,898
Depreciation of property, plant and equipment	372	140
Staff cost (including directors' remuneration)	7,182	5,336
Share-based payments (included in administrative expenses)	–	16,381
Auditor's remuneration	120	120

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2013

8. 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	
	2013	2012
	HK\$'000	HK\$'000
The Group's loss for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share calculation	(7,237)	(22,210)
	'000	'000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	273,610	273,610

The computation of diluted loss per share for the six months ended 30 September 2013 and 30 September 2012 does not assume the exercise of the Company's outstanding share options as their exercise would result in a decrease in loss per share.

9. Dividends

No dividends were paid, declared or proposed during the interim period. The directors have determined that no dividend will be paid in respect of the current interim period (2012: nil).

10. Movements in Property, Plant and Equipment

During the current interim period, the Group disposed of a property with carrying amount of approximately RMB9.1 million (equivalent to HK\$11.6 million) for net cash proceeds of RMB9.4 million (equivalent to HK\$12 million), resulting in a gain on disposal of RMB329,000 (equivalent to HK\$419,000).

In addition, during the current interim period, the Group paid approximately HK\$3,038,000 for decoration and purchases of furniture, fixture and equipment for a new office premise and a motor vehicle.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2013

11. Trade Receivables

The credit terms granted by the Group to its customers normally range from nil to 180 days.

The following is an analysis of the Group's trade receivables by age, presented based on the invoice date, net of allowance for doubtful debts.

	At 30 September 2013 HK\$'000 (unaudited)	At 31 March 2013 HK\$'000 (audited)
Within 1 month	11,127	4,103
Over 1 month but within 3 months	10,536	4,077
Over 3 months but within 6 months	863	1,828
Over 6 months	78	68
	22,604	10,076

12. Trade Payables

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

	At 30 September 2013 HK\$'000 (unaudited)	At 31 March 2013 HK\$'000 (audited)
Within 1 month	1,960	1,974
Over 1 month but within 3 months	7,406	7,177
Over 3 months but within 6 months	2,186	4,192
Over 6 months	–	66
	11,552	13,409

13. Loan From a Controlling Shareholder

The loan is unsecured, interest-free and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2013

14. Share Capital

	Number of shares '000	Amount HK\$'000
Ordinary shares with nominal value of HK\$0.01 each		
Authorised		
As at 31 March 2013 and 30 September 2013	10,000,000	100,000
Issued and fully paid:		
At 1 April 2012 (audited), 31 March 2013 (audited) and 30 September 2013 (unaudited)	273,610	2,736

15. Share-Based Payments

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.

In the prior interim period, 24,090,000 share options were granted on 27 June 2012. The options granted were all vested at the date of grant and exercisable during the period from 27 June 2012 to 30 December 2016. The fair value of the options determined at the date of grant using the Binomial model was approximately HK\$16,381,000.

The table below discloses movement of the Company's share options held by the directors, employees and other eligible participants:

	Number of share options
Outstanding as at 1 April 2013	24,090,000
Lapsed during the period	(50,000)
Outstanding as at 30 September 2013	24,040,000

No options were granted or exercised during the current interim period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 September 2013

16. 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 2013 HK\$'000 (unaudited)	At 31 March 2013 HK\$'000 (audited)
Within one year	1,875	1,961
In the second to fifth year	2,483	3,475
Later than five year	265	319
	4,623	5,755

17. Related Party Transactions

Apart from the loan from a controlling shareholder as disclosed in note 13, the Group had entered into the following related party transactions during the period:

Compensation of key management personnel

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

	Six months ended 30 September 2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Short-term employee benefits	2,657	1,974
Post-employment benefit	72	14
Share-based payments	–	10,057
	2,729	12,045

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