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 2012

The board of directors (the "Board") of Zhong Fa Zhan Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries ("Zhong Fa Zhan" or the "Group") for the year ended 31 March 2012 together with the comparative audited figures for the year ended 31 March 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March

	Notes	**2012** *HK$'000*	2011 *HK$'000* (re-presented)
Continuing operations:			
Turnover	3	**74,358**	46,001
Cost of sales		**(62,394)**	(40,298)
Gross profit		**11,964**	5,703
Other revenue	3	**542**	2,180
Distribution costs		**(9,092)**	(5,932)
Administrative expenses		**(7,483)**	(1,895)
Expenses in relation to group reorganisation		**(5,000)**	—
Other gains and losses	4	**1,633**	(5)
Finance costs	5	**(8)**	(42)
(Loss)/profit before income tax	6	**(7,444)**	9
Income tax expense	7	**—**	—
(Loss)/profit for the year from continuing operations		**(7,444)**	9

	Notes	**2012**	2011
		HK$'000	*HK$'000*
			(re-presented)
Continuing operations:			
(Loss)/profit for the year from continuing operations		**(7,444)**	9
Discontinued operations:			
Profit for the year from discontinued operations	8	**15,950**	5,764
Profit for the year		**8,506**	5,773
Profit attributable to:			
— Owners of the Company		**10,119**	7,613
— Non-controlling interests		**(1,613)**	(1,840)
		8,506	5,773
Other comprehensive income			
Surplus on revaluation of leasehold land and buildings		**—**	6,837
Release of deferred tax liability upon disposal of leasehold land and building		**1,574**	—
Recognition of income tax arising from the revaluation of leasehold land and building upon disposal		**(1,574)**	—
Exchange differences on translating foreign operations		**4,662**	2,597
Other comprehensive income for the year, net of tax		**4,662**	9,434
Total comprehensive income for the year		**13,168**	15,207
Total comprehensive income attributable to:			
— Owners of the Company		**14,781**	17,047
— Non-controlling interests		**(1,613)**	(1,840)
		13,168	15,207
Earnings/(loss) per share			
Basic and diluted *(HK cents)*	10		
— From continuing and discontinued operations		**3.71**	2.80
— From continuing operations		**(2.73)**	—
— From discontinued operations		**6.44**	2.80

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March

	Notes	**2012** *HK$'000*	2011 *HK$'000*
Non-current assets			
Property, plant and equipment		**13,509**	93,636
Associates		—	75,167
Other assets		—	2,161
		13,509	170,964
Current assets			
Inventories		**26,037**	359,810
Accounts receivable	11	**13,765**	132,988
Other receivables, deposits and prepayments		**6,813**	15,810
Amounts due from related parties		—	15,866
Cash at banks and in hand		**10,538**	14,303
		57,153	538,777
Current liabilities			
Borrowings		—	258,064
Accounts payable	12	**14,082**	112,794
Other payables and accrued charges		**4,382**	58,724
Amount due to a related party		—	389
Derivative financial instruments		—	31
Tax payables		—	3,396
		18,464	433,398
Net current assets		**38,689**	105,379
Total assets less current liabilities		**52,198**	276,343
Non-current liabilities			
Deferred tax liabilities		**303**	1,017
Net assets		**51,895**	275,326
Equity			
Share capital		**2,736**	2,717
Reserves		**49,159**	272,609
Total equity		**51,895**	275,326

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability on 25 August 2006 under the Companies Law of the Cayman Islands and acts as an investment company. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its registered office is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

As at 31 March 2012, the directors of the Company consider the ultimate holding company of the Company to be Resources Rich Capital Limited ("RRCL"), which was incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION AND ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(a) Adoption of new/revised HKFRSs — effective 1 April 2011

HKFRSs (Amendments)	Improvements to HKFRSs 2010
Amendments to HK(IFRIC) — Interpretation 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) — Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures

Except as explained below, the adoption of these new or revised standards and interpretations has no significant impact on the Group's financial statements.

HKFRS 3 (Amendments) — Business Combinations

As part of the Improvements to HKFRSs issued in 2010, HKFRS 3 has been amended to clarify that the option to measure non-controlling interests ("NCI") at either fair value or the NCI's proportionate share in the recognised amounts of the acquiree's identifiable net assets is limited to instruments that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of NCI are measured at their acquisition date fair value unless another measurement basis is required by HKFRSs. The Group has amended its accounting policies for measuring NCI but the adoption of the amendment has had no impact on the Group's financial statements.

HKAS 24 (Revised) — Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition and no material impact has been noted for comparative period's disclosure. The adoption of HKAS 24 (Revised) has no impact on the Group's reported profit or loss, total comprehensive income or equity for comparative period presented.

2. BASIS OF PREPARATION AND ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new/revised HKFRSs — effective 1 April 2011 (Continued)

HKAS 24 (Revised) — Related Party Disclosures (Continued)

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets[1]
Amendments to HKAS 1 (Revised)	Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income[2]
Amendments to HKAS 32	Presentation — Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[4]
HKAS 19 (2011)	Employee Benefits[3]
HKAS 27 (2011)	Separate Financial Statements[3]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[3]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 July 2012
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2015

Amendments to HKFRS 7 — Disclosures — Transfers of Financial Assets

The amendments to HKFRS 7 improve the derecognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Amendments to HKAS 1 (Revised) — Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

2. BASIS OF PREPARATION AND ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 9 — Financial Instruments

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains and losses will be recognized in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognize the gains and losses in other comprehensive income. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option. For these fair value option liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the fair value option are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues apply. The Group expects to adopt HKFRS 9 from 1 April 2015.

HKFRS 10 — Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implantation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

2. BASIS OF PREPARATION AND ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 11 — Joint Arrangements

HKFRS 11 replaces HKAS 31 *Interest in Joint Ventures* and HK(SIC)-*Int 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers*. Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting. HKFRS 11 does not allow proportionate consolidation. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under HKAS 31. HKFRS 11 will be applied retrospectively with specific restatement requirements for a joint venture which changes from proportionate consolidation to the equity method and a joint operation which changes from equity method to accounting for assets and liabilities.

HKFRS 12 — Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 — Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as 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 (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors of the Company are not yet in a position to quantify the effects on the Group's financial statements.

3. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION

(a) **Turnover represents the invoiced value of goods sold less returns and discounts.**

Revenues recognised during the year are analysed as follows:

	Continuing operations		Discontinued operations		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover						
Sales	**74,358**	46,001	**413,243**	597,398	**487,601**	643,399
Other revenue						
Sundry income	**491**	2,180	**1,928**	2,983	**2,419**	5,163
Income from wedding etiquette services	**—**	—	**1,812**	1,929	**1,812**	1,929
Bank interest income	**51**	—	**24**	449	**75**	449
Management fee income	**—**	—	**131**	400	**131**	400
	542	2,180	**3,895**	5,761	**4,437**	7,941
Total revenue	**74,900**	48,181	**417,138**	603,159	**492,038**	651,340

(b) Reportable segments

Information regarding the Group's reportable operating segments as provided to the Group's chief operating decision makers for the purposes of resources allocation and assessment of segment performance for the period is only design, manufacture and trading of fine jewelry products.

The Group's turnover derived from design, manufacture and trading of fine jewelry products in different sectors was analysed as follows:

	Continuing operations		Discontinued operations		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Wholesale business						
— in The People's Republic of China, other than Hong Kong ("PRC")	**74,358**	46,001	**—**	—	**74,358**	46,001
— other than PRC	**—**	—	**377,375**	539,817	**377,375**	539,817
Retail and brand business	**—**	—	**22,725**	29,238	**22,725**	29,238
Sales network collaboration	**—**	—	**13,143**	28,343	**13,143**	28,343
Total	**74,358**	46,001	**413,243**	597,398	**487,601**	643,399

3. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION (Continued)

(c) Geographical information

An analysis of the Group's revenue from external customers and certain assets are as follows:

	Continuing operations		Discontinued operations		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
(i) Turnover						
— PRC	**74,358**	46,001	**15,893**	17,474	**90,251**	63,475
— The Middle East	**—**	—	**105,823**	164,991	**105,823**	164,991
— United States of America ("US")	**—**	—	**71,801**	94,568	**71,801**	94,568
— United Kingdom ("UK")	**—**	—	**55,353**	72,922	**55,353**	72,922
— Indonesia	**—**	—	**50,564**	64,733	**50,564**	64,733
— Japan	**—**	—	**18,521**	29,173	**18,521**	29,173
— Africa	**—**	—	**16,089**	16,167	**16,089**	16,167
— Hong Kong	**—**	—	**1,032**	17,153	**1,032**	17,153
— Europe, other than UK	**—**	—	**57,216**	92,226	**57,216**	92,226
— America, other than US	**—**	—	**15,150**	17,127	**15,150**	17,127
— Others	**—**	—	**5,801**	10,864	**5,801**	10,864
Total	**74,358**	46,001	**413,243**	597,398	**487,601**	643,399
(ii) Additions to property, plant and equipment						
— Hong Kong	**14**	—	**650**	29,523	**664**	29,523
— PRC	**28**	1,471	**1,765**	10,710	**1,793**	12,181
— America	**—**	—	**98**	151	**98**	151
— Others	**—**	—	**—**	—	**—**	—
Total	**42**	1,471	**2,513**	40,384	**2,555**	41,855
(iii) Segment assets						
— Hong Kong	**6,261**	160	**—**	443,499	**6,261**	443,659
— PRC	**64,401**	36,614	**—**	129,025	**64,401**	165,639
— America	**—**	—	**—**	65,434	**—**	65,434
— Europe	**—**	—	**—**	30,241	**—**	30,241
— Japan	**—**	—	**—**	4,694	**—**	4,694
— The Middle East	**—**	—	**—**	74	**—**	74
Total	**70,662**	36,774	**—**	672,967	**70,662**	709,741

3. **TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION (Continued)**

(d) Information about major customers

During the year, two customers individually contributed to more than 10% of the Group's total revenue of the continuing operations (2011: two) from whom the aggregate revenue is approximately HK$16,652,000 (2011: HK$17,658,000).

In 2011 and 2012, none of the customers had entered into transactions exceeding 10% of the Group's revenues of the discontinued operations.

4. OTHER GAINS AND LOSSES

	Continuing operations		**Discontinued operations**		**Total**	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Fair value losses on derivative financial instruments:						
— Forward foreign currency contracts and interest rate swap contract that do not qualify as hedges	**—**	—	**(608)**	(31)	**(608)**	(31)
— Loss on settlement of forward foreign currency contracts upon maturity	**—**	—	**—**	(1,781)	**—**	(1,781)
Net losses on derivatives	**—**	—	**(608)**	(1,812)	**(608)**	(1,812)
(Loss)/gain on disposal of property, plant and equipment	**(925)**	—	**5,764**	—	**4,839**	—
Write-off of amount due from a related party	**990**	—	**—**	—	**990**	—
Exchange gains/(losses), net	**1,568**	(5)	**(2,464)**	2,054	**(896)**	2,049
Impairment loss on goodwill of an associate	**—**	—	**(233)**	—	**(233)**	—
Fair value gain on insurance contract	**—**	—	**130**	—	**130**	—
Others	**—**	—	**38**	102	**38**	102
Total	**1,633**	(5)	**2,627**	344	**4,260**	339

5. FINANCE COSTS

	Continuing operations		**Discontinued operations**		**Total**	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest on borrowings						
— wholly repayable within five years	**—**	34	**4,100**	4,796	**4,100**	4,830
— not wholly repayable within five years	**—**	—	**—**	47	**—**	47
	—	34	**4,100**	4,843	**4,100**	4,877
Finance lease charges	**—**	—	**—**	1	**—**	1
Bank charges	**8**	8	**1,216**	1,587	**1,224**	1,595
Total	**8**	42	**5,316**	6,431	**5,324**	6,473

The analysis shows the finance costs of borrowings, including term loans all of which contain a repayment on demand clause, in accordance with the agreed scheduled repayment dates set out in the loan agreements.

6. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is stated after charging the following:

	Continuing operations		Discontinued operations		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Cost of inventories expensed	**62,394**	40,298	**288,872**	451,375	**351,266**	491,673
Depreciation of property, plant and equipment	**1,311**	1,712	**5,763**	8,710	**7,074**	10,422
Staff costs (including directors' remuneration)	**8,010**	4,646	**61,033**	89,548	**69,043**	94,194
Auditor's remuneration	**980**	—	**1,188**	1,374	**2,168**	1,374
Provision for bad and doubtful debts, net	**—**	—	**4,932**	1,195	**4,932**	1,195
Bad debts written off	**—**	—	**1,314**	1,999	**1,314**	1,999

7. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statement of comprehensive income represents:

	Continuing operations		Discontinued operations		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Current tax — Hong Kong profits tax						
— provision for the year	**—**	—	**4,789**	5,333	**4,789**	5,333
— over provision in respect of prior years	**—**	—	**(820)**	(939)	**(820)**	(939)
Current tax — overseas						
— provision for the year	**—**	—	**(1,574)**	62	**(1,574)**	62
— over provision in respect of prior years	**—**	—	**—**	(10)	**—**	(10)
	—	—	**2,395**	4,446	**2,395**	4,446
Deferred tax						
Attributable to the origination and reversal of temporary differences	**—**	—	**(654)**	(41)	**(654)**	(41)
	—	—	**1,741**	4,405	**1,741**	4,405

7. INCOME TAX EXPENSE (Continued)

The amount of income tax expense in the consolidated statement of comprehensive income represents: (Continued)

(i) Hong Kong profits tax

Hong Kong profits tax is calculated at 16.5% (2011: 16.5%) on the estimated assessable profits for the year.

(ii) PRC enterprise income tax

廣州億恒珠寶有限公司 is a wholly foreign-owned enterprise operated in the PRC with applicable tax rate of 25%. It is entitled to two-year tax exemption for 2007 and 2008 and three-year 50% tax relief for 2009 to 2011.

廣州市億鑽珠寶有限公司，廣州芝柏婚慶禮儀服務有限公司 and 上海億炫珠寶有限公司, all of which were distributed in specie on 21 November 2011, were wholly foreign-owned enterprises operated in the PRC with applicable tax rate of 25%.

廣州穗富珠寶有限公司, which was distributed in specie on 21 November 2011, was a company with limited liability operated and established in PRC with applicable tax rate of 25%.

(iii) Overseas income tax

Income tax expense for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

(iv) Tax effect of share of profits of associates

The share of tax charge attributable to associates, amounted to HK$1,831,000 (2011: HK$2,074,000) and is included in "Share of profit of associates, net" on the results of the discontinued operations as disclosed in note 8.

8. GROUP REORGANISATION AND DISCONTINUED OPERATIONS

On 7 September 2011, certain shareholders of the Company and RRCL, as purchaser, entered into an agreement in respect of the acquisition of 72.56% of the then entire issued share capital of the Company (the "Share Sales Agreement"). The Share Sales Agreement is conditional upon, among other things, the completion of the reorganisation of the Group (the "Group Reorganisation"). Following the approval by the shareholders of the Company in an extraordinary general meeting on 20 October 2011, the following transactions (the "Transactions") were completed on 21 November 2011 (the "Date of Distribution"):

(i) As part of the Group Reorganisation, a wholly-owned subsidiary of the Company, Noble Jewelry Investment Limited (the "Privateco"), acquired certain subsidiaries of the Company by issuing shares to the Company. All the shares of the Privateco then held by the Company was distributed in specie (the "Distribution in Specie") to the shareholders of the Company on the basis of one share of the Privateco for one share of the Company held. The Privateco and its subsidiaries (the "Privateco Group") continue to carry on the whole fine jewelry design, manufacture and trading businesses (the "Distributed Business") other than jewelry manufacture and trading business in the PRC (the "Retained Businesses"), for which would be retained by the Group. The Group also terminated the PRC retail business (the "Ceased Business") in the Retained Business in accordance with the Share Sales Agreement.

(ii) To facilitate the distribution in specie as mentioned in (i) above, the share capital of the Privateco was increased to 273,610,000 shares equivalent to the total issued shares of the Company.

The Company continues to be a publicly listed company with its subsidiaries concentrating on the jewelry manufacturing and wholesales business in the PRC.

Subsequent to the Transactions on the Date of Distribution, the Privateco Group has no longer formed part of the Group and RRCL has become a holding company of the Company.

8. GROUP REORGANISATION AND DISCONTINUED OPERATIONS (Continued)

The Distributed Businesses and the Ceased Business were classified as discontinued operations and the related results for the period from 1 April 2011 to 21 November 2011 (the Date of Distribution) and the year ended 31 March 2011 are set out below:

	Notes	**Period ended 21 November 2011** *HK$'000*	Year ended 31 March 2011 *HK$'000*
Turnover	3	**413,243**	597,398
Cost of sales		**(288,872)**	(451,375)
Gross profit		**124,371**	146,023
Other revenue	3	**3,895**	5,761
Distribution costs		**(25,040)**	(37,655)
Administrative expenses		**(70,982)**	(91,411)
Settlement of the dispute with the US customs service *(Note)*		**(16,187)**	(10,480)
Other gains or losses	4	**2,627**	344
Finance costs	5	**(5,316)**	(6,431)
Share of profits of associates, net		**4,323**	4,018
Profit before income tax	6	**17,691**	10,169
Income tax expense	7	**(1,741)**	(4,405)
Profit for the period/year from discontinued operations		**15,950**	5,764

Note:

In year 2010, the US Customs Service (the "US Government") initiated an investigation on the payment of custom duty for shipments to the US on certain group companies. It mainly related to a dispute over the custom duty for goods imported to the Group's wholly-owned subsidiary in the US from other group companies in prior years. Based on the information in respect of those goods imported to the US subsidiary in prior years and after taking professional advice from the Group's US legal adviser, the Group made a provision of HK$13,650,000 for the custom duty under-provided and related damages and penalties as at 31 March 2011. After continuous negotiation with the US Government, a final settlement of US$3,850,000 (equivalent to HK$29,837,000) for such dispute including related damages and penalties was reached on 29 August 2011. Accordingly, the Group made an additional provision of HK$16,187,000 for this dispute. Up to 21 November 2011, US$500,000 (equivalent to HK$3,875,000) had been paid in accordance with the terms of the settlement.

8. GROUP REORGANISATION AND DISCONTINUED OPERATIONS (Continued)

The Company distributed the equity interest in the Privateco to its shareholders and the net assets of the Privateco Group as at 21 November 2011 (the Date of Distribution) were set out below:

	As at 21 November 2011 *HK$'000*
Property, plant and equipment	**49,156**
Associates	**82,686**
Other assets	**2,291**
Deferred tax assets	**1,478**
Inventories	**314,557**
Accounts receivable	**152,180**
Other receivables, deposits and prepayments	**20,093**
Amounts due from related parties	**28,585**
Cash at banks and in hand	**21,268**
Borrowings	**(216,760)**
Accounts payable	**(89,235)**
Other payables and accrued charges	**(75,600)**
Amounts due to related parties	**(41,964)**
Derivative financial instruments	**(639)**
Tax payables	**(6,711)**
Net assets distributed	**241,385**
Add: net liabilities attributable to non-controlling interests	**1,613**
Distribution in specie to the owners of the Company	**242,998**

9. DIVIDENDS

During the year, the Company distributed the net assets of the Privateco Group of HK$241,385,000 in the form of a distribution in specie. Details are set out in note 8. The directors do not recommend any final dividends during the year (2011: Nil).

10. EARNINGS/(LOSS) PER SHARE

The calculations of basic earnings/(loss) per share from continuing and discontinued operations are based on the following data:

	2012	2011
	HK$'000	*HK$'000*
Profit/(loss) for the year attributable to owners of the Company for the purpose of basic earnings per share calculation		
From continuing operations	**(7,444)**	9
From discontinued operations	**17,563**	7,604
	10,119	7,613
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**272,702**	271,700

The basic and diluted earnings per share for the respective years are equal because the exercise price of the Company's share options was higher than the average market price for both 2012 and 2011.

11. ACCOUNTS RECEIVABLE

The Group normally allows a credit period ranging from nil to 180 days (2011: 15 to 180 days) to its customers.

All of the accounts receivable (net of allowance for bad and doubtful debts) are expected to be recovered within one year.

An ageing analysis of accounts receivable (net of allowance for bad and doubtful debts) is as follows:

	2012	2011
	HK$'000	*HK$'000*
Within 1 month	**3,826**	37,996
Over 1 month but within 3 months	**4,748**	50,118
Over 3 months but within 6 months	**5,191**	31,765
Over 6 months but within 1 year	**—**	11,828
Over 1 year	**—**	1,281
	13,765	132,988

12. ACCOUNTS PAYABLE

An ageing analysis of accounts payable of the Group is as follows:

	2012	2011
	HK$'000	*HK$'000*
Within 1 month	**1,160**	25,652
Over 1 month but within 3 months	**12,922**	38,171
Over 3 months but within 6 months	**—**	43,425
Over 6 months	**—**	5,546
	14,082	112,794

All of the accounts payable are expected to be settled within one year.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year under review, the Group has completed the group reorganization, details of which are set out in the circular (the "Circular") issued by the Company to shareholders on 30 September 2011. Unless otherwise stated, capitalized terms used herein shall have the same meanings as those defined in the Circular.

Continuing Operations

Following completion of the Distribution in Specie and the Share Sale Agreement on 21 November 2011, the Group comprises only the Remaining Group, and the Privateco Group no longer forms part of the Group. The Group is now principally engaged in the design, manufacturing and wholesale of fine jewelry products in the PRC.

Operating Results

The Group achieved significant business growth during the year under review. Turnover rose by 61.7% to HK$74.4 million compared with HK$46.0 million in the previous financial year while gross profit grew by 110.5% from HK$5.7 million to HK$12.0 million. However, as a result of the one-off expenses in relation to the Group Reorganisation and the additional administrative expenses which could not be shared with the Privateco Group following the Group Reorganization, the Group recorded a net loss of HK$7.4 million (2011: net profit HK$9,000). Basic loss per share were 2.7 HK cents (2011: basic earnings per share Nil HK cents).

Business Review

Upon the completion of the Group Reorganisation, the Group principally focused on its wholesale business in the PRC. Although the surge in gold and diamond prices continued, the consistently rapid economic development in the PRC and the soaring of demand for jewelry in the PRC contributed primarily to the growth of business of the Group. The Group is able to improve it's gross profit margin from 12.4% to 16.1% as comparing to the last corresponding period.

Discontinued Operations

Following the completion of the Group Reorganisation and Distribution in Specie on the Date of Distribution, the Group has, by way of distribution in specie, discontinued its operations as an integrated jewelry designer, manufacturer and related integrated service provider to jewelry retailers and wholesalers in various countries other than the PRC and retail of fine jewelry in the US and Spain (the "Discontinued Operations").

Operating Results

The Group recorded a turnover of approximately HK$413.2 million for the Discontinued Operations and achieved a gross profit of approximately HK$124.4 million for the period up to the Date of Distribution (the "Review Period"). The net profit for the Discontinued Operations for the Review Period is approximately HK$16.0 million. As the Group discontinued the operation of the Discontinued Operations during the course of the year under review, no relevant comparative figures of the corresponding period is available for analysis.

Business Review

Following the trend of previous year, Middle East and Europe continued to be the major markets. The sales in these markets amounted to approximately HK$218.4 million, making up of approximately 52.9% of the turnover of the Discontinued Operations. The consumption sentiment in America has been restoring slowly, which contributed to a sales of HK$87.0 million. The growth in the newly emerging markets, such as Indonesia, was satisfactory to approximately HK$50.6 million.

Distribution in Specie

On 21 November 2011, a wholly-owned subsidiary of the Company, Noble Jewelry Investment Limited, acquired certain subsidiaries of the Company, which constituted the Discontinued Operations, by issuing shares to the Company. All the shares of Noble Jewelry Investment Limited then held by the Company have been distributed in specie to the shareholders of the Company.

Prospects

Looking forward, in the face of the global unstable economic environment, the rapid economic development of the PRC in particular to the export sectors may not persist in the upcoming financial year and the rising inflation will further drive the operating cost to a higher level. These unfavorable factors may bring about uncertainty to the growth of our business, however, the Group will continue to bolster its production efficiency and design capacity, implement cost control measures and identify opportunities to explore its wholesale network in the PRC to achieve a more promising result.

The Group will closely monitor the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Should suitable investment or business opportunities arise, the Group may consider diversifying the business of the Group with an objective to broaden its income source. Currently no such investment or business opportunities had been identified nor had the Group entered into any agreement, arrangements, understandings, intention or negotiation in relation to injection of any assets or business into the Group.

Liquidity and Financial Resources

As at 31 March 2012, the Group's net current assets and current ratio stood at HK$38.7 million and 3.1 respectively (2011: HK$105.4 million and 1.2 respectively). Net gearing ratio (total interest bearing borrowings net of cash at banks and in hand as a percentage of total equity) was nil as at 31 March 2012 (2011: 88.5%). The significant reduction in the net gearing ratio and increased in current ratio mainly reflects the Group could maintain a satisfactory financial position with its financial resources and liquidity position consistently monitored.

The Group had no bank borrowings as at 31 March 2012 (2011: total bank borrowing including bank overdrafts and bank loans were HK$258.1 million, of which the total bank borrowings in US dollars amounted to US$7.3 million).

The Group had no banking facilities as at 31 March 2012 (2011: HK$316.3 million, comprising bank overdrafts and bank loans, and out of which approximately HK$58.2 million was unutilized).

As at 31 March 2012, the Group's cash at banks and in hand amounted to HK$10.5 million (2011: HK$14.3 million).

Charges on Group Assets

As at 31 March 2012, the Group did not have any charges on the Group's assets (2011: HK$38.0 million).

Capital Structure

For the year ended 31 March 2012, the Group financed its liquidity requirements through cash flow as generated from operation.

Capital Commitment and Contingent Liabilities

As at 31 March 2012, the Group did not have any capital commitments (2011: HK$7.8 million) and had HK$1.1 million of the operating lease commitments (2011: HK$28.7 million).

As at 31 March 2012, the Group did not have any significant contingent liabilities (2011: Nil).

Staff and Remuneration Policy

As at 31 March 2012, the Group had a total of 85 employees (2011: 804), a significant reduction of 719 headcounts (most of them had been continuously employed by the Privateco Group as a result of the group restructuring), comparing with last year end. Staff costs for the year under review was HK$69.0 million, representing a decrease of 26.8% as compared to 2011 of HK$94.2 million. The Group remunerates its employees based on their performance and work experience and the prevailing market rates. Salaries of employees are maintained at competitive levels while bonuses are granted by reference to the performance of the Group and individual employees. Other benefits include share option scheme and contribution to statutory mandatory provident fund scheme to its employees in Hong Kong and the statutory central pension schemes to its employees in the PRC.

Foreign Exchange Fluctuation and Hedges

Currently, the Group was principally based in 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 2012, no forward foreign currency contracts are designated in hedging accounting relationships (2011: Nil).

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 March 2012 (2011: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 15 August 2012 to Friday, 17 August 2012 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify to attend and vote at the forthcoming annual general meeting, 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 14 August 2012.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules. The Company has applied the principles and complied with all the applicable code provisions set out in the Code throughout the year ended 31 March 2012 except for the following deviation.

Under provision E.1.2 of the Code, the chairman of the Board (the "Chairman") should attend the Company's annual general meeting. Owing to another business engagement, Mr. Chan Yuen Hing, the ex-Chairman, was unable to attend the Company's annual general meeting held on 5 August 2011. Mr. Tang Chee Kwong, the ex-chief executive officer of the Company who was present at the annual general meeting, chaired the meeting in accordance with the article of association of the Company.

The Company will continue to review the situation as stated above and to improve the corporate governance practices of the Company when and as it becomes appropriate in future.

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 of the Company, they confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2012, except only for the deviation where the spouse of Mr. Chan Yuen Hing, an ex-director, had disposed of 200,000 shares of the Company during the blackout period prior to the publication of the annual results for the year ended 31 March 2011, and such deviation has been reported to the Stock Exchange.

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 2012.

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 2012.

ANNUAL GENERAL MEETING AND DESPATCH OF 2012 ANNUAL REPORT

The annual general meeting (the "AGM") of the Company will be held on 17 August 2012 at 10:00 a.m. The annual report of the Company together with the notice of convening the AGM will be dispatched to shareholders of the Company and will also be published on the Company's website at www.475hk.com and the Stock's Exchange's website at www.hkexnews.hk in due course.

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

Hong Kong, 22 June 2012

As at the date of this announcement, the Board consists of four executive Directors, namely Mr. Wu Hao, Mr. Hu Yangjun, Mr. Hu Yishi and Mr. Chan Wing Yuen, Hubert; 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.