



# ZHI CHENG HOLDINGS LIMITED

智城控股有限公司\*

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*  
(Stock Code: 8130)



First Quarterly Report 2013

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors (the “Directors”) of Zhi Cheng Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

## UNAUDITED QUARTERLY RESULTS

The board of Directors (the “Board”) of Zhi Cheng Holdings Limited (the “Company”) presents the unaudited condensed consolidated results (the “Unaudited Consolidated Results”) of the Company and its subsidiaries (the “Group”) for the three months ended 30 June 2013, together with the comparative unaudited figures for 2012 as follows:

### UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Turnover	3	8,973	8,890
Cost of sales		<u>(3,495)</u>	<u>(6,212)</u>
Gross profit		5,478	2,678
Other income	4	4	146
Administrative expenses		<u>(14,254)</u>	<u>(26,288)</u>
<b>Loss from operations</b>	5	<b>(8,772)</b>	<b>(23,464)</b>
Finance costs	6	<u>(3)</u>	<u>(6,272)</u>
Loss before taxation		<b>(8,775)</b>	<b>(29,736)</b>
Income tax expenses	7	<u>(861)</u>	<u>–</u>
Loss for the period		<u><b>(9,636)</b></u>	<u><b>(29,736)</b></u>
<b>Loss for the period attributable to:</b>			
owners of the Company		<b>(10,394)</b>	<b>(29,960)</b>
non-controlling interests		<u>758</u>	<u>224</u>
		<u><b>(9,636)</b></u>	<u><b>(29,736)</b></u>
<b>Loss per share</b>	8	<b>HK cents</b>	<b>HK cents</b>
– Basic and diluted		<u><b>(3.18)</b></u>	<u><b>(9.32)</b></u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
<b>Loss for the period</b>	<b>(9,636)</b>	<b>(29,736)</b>
<b>Other comprehensive income/(expense) for the period</b>		
Exchange differences on translation of financial statements of overseas subsidiaries	266	(1,339)
Fair value changes on available-for-sale investments	-	(3,000)
<b>Total comprehensive expense for the period</b>	<b>(9,370)</b>	<b>(34,075)</b>
<b>Total comprehensive expense attributable to:</b>		
owners of the Company	<b>(10,239)</b>	<b>(34,299)</b>
non-controlling interests	869	224
	<b>(9,370)</b>	<b>(34,075)</b>

## NOTES

### 1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 9 November 2001 and continued in Bermuda on 20 April 2009. The Company's shares have been listed on the GEM of The Stock Exchange since 26 August 2002.

The registered office and principal place of business of the Company are located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Suite 2012, 20th Floor, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong respectively.

The Unaudited Consolidated Results are presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (HK\$'000) except otherwise indicated.

The Company's principal activity is investment holding and the principal activities of its subsidiaries are provision of medical information digitalization system ("MIDS"), property investment, provision of consultancy services, advertising and media related services and provision of project management services.

### 2. BASIS OF PREPARATION AND CONSOLIDATION

The Unaudited Consolidated Results have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and the Hong Kong Companies Ordinance.

The Unaudited Consolidated Results should be read in conjunction with the annual financial statements of the Group for the year ended 31 March 2013.

The accounting policies and basis of preparation adopted in the preparation of the Unaudited Consolidated Results are consistent with those adopted in annual financial statements for the year ended 31 March 2013 except for the impact of the adoption of a number of revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA, which are effective for the financial year beginning on 1 April 2013. The adoption of these new HKFRSs had no material effect on the results of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective. The Directors anticipate that the application of the new and revised HKFRSs will have no material impact on the results and financial position of the Group.

**3. TURNOVER**

	<b>For the three months ended 30 June</b>	
	<b>2013</b>	2012
	<b>(Unaudited) HK\$'000</b>	(Unaudited) HK\$'000
Gross rental income from investment property	455	480
Provision of MIDS	2,146	2,769
Provision of consultancy services	254	244
Provision of advertising and media related services	5,647	5,096
Provision of project management services	471	301
	<u>8,973</u>	<u>8,890</u>

**4. OTHER INCOME**

	<b>For the three months ended 30 June</b>	
	<b>2013</b>	2012
	<b>(Unaudited) HK\$'000</b>	(Unaudited) HK\$'000
Bank interest income	4	120
Interest income on loan to an independent third party	-	26
	<u>4</u>	<u>146</u>

**5. LOSS FROM OPERATIONS**

	<b>For the three months ended 30 June</b>	
	<b>2013</b>	2012
	<b>(Unaudited) HK\$'000</b>	(Unaudited) HK\$'000
Loss from operations has been arrived at after charging:		
Amortisation of intangible assets	5,726	16,419
Depreciation of property, plant and equipment	399	284
Net foreign exchange loss	1	154
Staff costs including directors' emoluments	3,238	4,142
	<u>9,764</u>	<u>21,019</u>

**6. FINANCE COSTS**

	<b>For the three months ended 30 June</b>	
	<b>2013 (Unaudited) HK\$'000</b>	<b>2012 (Unaudited) HK\$'000</b>
Interest on bank loans wholly repayable within five years	<b>3</b>	10
Effective interest expenses on convertible bonds repayable over five years	-	6,262
	<b>3</b>	<b>6,272</b>

**7. INCOME TAX EXPENSES**

- (i) No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits in Hong Kong or the estimated assessable profit was wholly absorbed by tax losses brought forward for the three months ended 30 June 2013 (2012: Nil).
- (ii) PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both periods. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions (2012: Nil).
- (iii) The Group had no significant unprovided deferred tax assets and liabilities at 30 June 2013 (2012: Nil).

**8. LOSS PER SHARE**

The calculation of the basic loss per share is based on the loss attributable to owners of the Company for the three months ended 30 June 2013 of approximately HK\$10.4 million (2012: HK\$30.0 million) and the weighted average of 326,575,066 shares in issue during the three months ended 30 June 2013 (2012: 321,615,066 shares).

For the three months ended 30 June 2013 and 2012, diluted loss per share was not presented as the exercise of share options would have anti-dilutive effect.

## 9. CHANGES IN EQUITY

## Equity attributable to equity shareholders of the Company

	Issued Capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Share Contributed surplus (Unaudited) HK\$'000	Available- for-sale investments revaluation reserve (Unaudited) HK\$'000	Share-based compensation reserve (Unaudited) HK\$'000	Convertible bonds reserve (Unaudited) HK\$'000	Statutory reserves (Unaudited) HK\$'000	Transition reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non- controlling interests (Unaudited) HK\$'000	Total Equity (Unaudited) HK\$'000
At 1 April 2012	3,216	1,207,308	325,798	(10,000)	991	351,687	402	5,396	(1,211,879)	672,919	-	672,919
Comprehensive (expense)/income for the period	-	-	-	-	-	-	-	-	(29,960)	(29,960)	224	(29,736)
Other comprehensive expense for the period	-	-	-	(3,000)	-	-	-	(1,339)	-	(4,339)	-	(4,339)
Total comprehensive (expense)/income for the period	-	-	-	(3,000)	-	-	-	(1,339)	(29,960)	(34,299)	224	(34,075)
Non-controlling interest arising from acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	8,960	8,960
At 30 June 2012	3,216	1,207,308	325,798	(13,000)	991	351,687	402	4,057	(1,241,839)	638,620	9,184	647,804
At 1 April 2013	3,266	1,208,558	325,798	-	2,647	-	605	5,756	(1,196,126)	350,504	8,617	359,121
Comprehensive (expense)/income for the period	-	-	-	-	-	-	-	-	(10,394)	(10,394)	758	(9,636)
Other comprehensive income for the period	-	-	-	-	-	-	-	155	-	155	111	266
Total comprehensive (expense)/income for the period	-	-	-	-	-	-	-	155	(10,394)	(10,239)	869	(9,370)
Transfer to statutory reserve	-	-	-	-	-	-	258	-	(258)	-	-	-
At 30 June 2013	3,266	1,208,558	325,798	-	2,647	-	863	5,911	(1,206,778)	340,265	9,486	349,751



## MANAGEMENT DISCUSSION AND ANALYSIS

### Dividend

The Board does not recommend the payment of any dividend for the three months ended 30 June 2013 (2012: Nil).

### Business Review

#### Provision of medical information digitalisation system

With the key goals for healthcare information technology in 2013 focuses on sharing of healthcare information and medical information system requirements are inclined towards computer infrastructure and hardware, the Group continues to explore co-operation opportunities with PRC domestic healthcare IT providers.

During the period under review, the revenue contributed by such segment was approximately HK\$2.1 million (2012: HK\$2.8 million).

#### Property investment

During the period under review, the revenue contributed by such segment was HK\$0.5 million (2012: HK\$0.5 million) and was mainly derived from the leasing of an investment property located at Canada.

#### Provision of consultancy services

From the key statistics for telecommunications by Office of the Communications Authority, the number of activated pre-paid SIM is showing a slight decline since the beginning of the year while the amount of mobile data usage continues to grow. This is perhaps a sign of instant messaging and social networking via mobile is slowly replacing tradition voice and short message service communications.

During the period under review, the revenue contributed by such segment was HK\$0.3 million (2012: HK\$0.2 million).

#### Advertising and media related services

The advertising and media related services remains stable and have become a pillar segment. Time spent on social media and mobile applications continues to trend upwards and from the advertising prospective, these new media and emerging technologies are influencing the future developments of the industry.

During the period under review, the revenue contributed by such segment was HK\$5.6 million (2012: HK\$5.1 million).

#### Provision of Project Management Services

The next phase of Educational Institution Internal Security Control System (“EIISCS”) is under planning for the upcoming academic year which taps into the growing demographics of smartphone users and taking advantage of the easy to use mobile application on the device.

During the period under review, the revenue contributed by such segment was HK\$0.5 million (2012: HK\$0.3 million).

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### Financial Review

For the period under review, the revenue of the Group for the three months ended 30 June 2013 was approximately HK\$9.0 million (2012: HK\$8.9 million), of which HK\$2.1 million (2012: HK\$2.8 million) was generated from the rollout of MIDS; HK\$0.5 million (2012: HK\$0.5 million) was generated from the leasing of an investment property located at Canada; HK\$5.6 million was generated from provision of advertising and media related services (2012: HK\$5.1 million); HK\$0.3 million was generated from provision of consultancy services (2012: HK\$0.2 million); and HK\$0.5 million (2012: HK\$0.3 million) was generated from the provision of project management services, tantamount to an increase of approximately 0.9% as compared with the period ended 30 June 2012.

Loss attributable to owners of the Company for the three months ended 30 June 2013 amounted to approximately HK\$10.4 million (2012: HK\$30.0 million). The decrease in loss was mainly attributed to:

Finance costs decreased to approximately a nominal HK\$3,000 (2012: HK\$6.3 million) due to the cancellation of convertible bonds issued by the Company the interest on which is no longer payable.

Administrative expenses decreased 45.8% to approximately HK\$14.3 million from HK\$26.3 million in the prior year. Such decrease was mainly attributed to the decrease in amortization expenses of intangible assets to approximately HK\$5.7 million (2012: HK\$16.4 million) and an decrease in staff costs to approximately HK\$3.2 million (2012: HK\$4.1 million).

On 24 June 2013, the Company and SBI E2-Capital Financial Services Limited (the "Placing Agent") entered into a conditional placing agreement, pursuant to which, the Placing Agent has conditionally agreed to, on a best effort basis, for and on behalf of the Company, to place to not less than six independent placees of up to 65,000,000 placing shares at a placing price of HK\$0.427 per placing share. The placing was pursuant to the general mandate granted to Directors by resolution of the shareholders passed at the Company's annual general meeting held on 25 September 2012. The placing was completed on 18 July 2013.

### Future Plans

Amidst the mixed economic signals from different regions, uncertainty related to tapering and overall economic fundamentals continues to cloud the western nations, and Asia remains relatively steady where the PRC is prepared to avoid stimulus and accepts a lower growth to achieve the goal of restructuring towards a consumption based economy. Looking ahead, the Group would explore potential diversify business opportunities for return in the longer run.

## OTHER INFORMATION

### Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debenture of the Company and its Associated Corporations

At 30 June 2013, the interests and short position of the directors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Hong Kong Securities and Futures Ordinance ("SFO")), which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO); or which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Rule 5.46 of the GEM Listing Rules, are as follows:

#### Long positions in ordinary shares of HK\$0.01 each of the Company

Name of director	Interest of underlying shares	Percentage of the Company's issued share capital
Mr. Lien Wai Hung	3,260,000 <i>(Note 1)</i>	1.00%
Mr. Lui Wing Fong, Alexander	3,260,000 <i>(Note 2)</i>	1.00%

#### Notes:

- Mr. Lien Wai Hung, an executive director, is deemed to be interested in 3,260,000 shares which fall to be issued upon exercise of the 3,260,000 share options of the Company.
- Mr. Lui Wing Fong, Alexander, an executive director, is deemed to be interested in 3,260,000 shares which fall to be issued upon exercise of the 3,260,000 share options of the Company.

#### Interest in associated corporations of the Company

Mr. Lui Wing Fong, Alexander, in his capacity as a beneficial owner had, as at 30 June 2013, personal interests in 80 ordinary shares, representing approximately 40% of the then issued share capital in Keen Renown Limited.

**OTHER INFORMATION** (Continued)**Share Option Scheme**

The Company adopted a new share option scheme (the “New Share Option Scheme”) pursuant to a resolution passed at the annual general meeting of the Company on 25 September 2012. The principal terms of the New Share Option Scheme have been set out in note 41 to the financial statements as included in the annual report of the Company for the year ended 31 March 2013.

Details of the Company’s share options granted under the share option scheme are as follows:

Date of grant	Category of eligible persons	Exercise price	Exercise period	Outstanding at 1/4/2013	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding at 30/6/2013
04/12/2012	Directors	HK\$0.197	04/12/2012 to 03/12/2015	6,520,000	-	-	-	-	6,520,000
	Employees	HK\$0.197	04/12/2012 to 03/12/2015	26,080,000	-	-	-	-	26,080,000
				<u>32,600,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,600,000</u>

**Directors and Chief Executives’ Rights to Acquire Shares or Debentures**

Save as disclosed above, at 30 June 2013, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate, and none of the directors and chief executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights.

**OTHER INFORMATION** *(Continued)***Substantial Shareholders**

At 30 June 2013, the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain directors, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

**Long position in ordinary shares of HK\$0.01 each of the Company**

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Interest in shares</b>	<b>Percentage of the Company's issued share capital</b>
Growth Harvest Limited	Beneficial owner <i>(Note 1)</i>	64,640,710	19.79%
Treasure Bonus Limited	Interest of controlled corporation <i>(Note 1)</i>	64,640,710	19.79%
Ms. Tan Ting Ting	Interest of controlled corporation <i>(Note 1)</i>	64,640,710	19.79%
Gold Train Limited	Beneficial owner <i>(Note 2)</i>	44,669,177	13.68%
Ms. Xie Shi Yan	Interest of controlled corporation <i>(Note 2)</i>	44,669,177	13.68%

*Notes:*

- (1) Treasure Bonus Limited ("Treasure Bonus") owns 72% of the issued share capital of Growth Harvest and Treasure Bonus are wholly and beneficially owned by Ms. Tan Ting Ting. Each of Treasure Bonus and Ms. Tan Ting Ting is deemed to be interested in the 64,640,710 shares.
- (2) Gold Train Limited is wholly and beneficially owned by Ms. Xie Shi Yan. Ms. Xie Shi Yan is deemed to be interested in the 44,669,177 shares.

Save as disclosed above, at 30 June 2013, the Company has not been notified of any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which were to be recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

## **OTHER INFORMATION** *(Continued)*

### **Competing Interest**

At 30 June 2013, none of the directors, management, shareholders and substantial shareholders, or their respective associates had any interests in any business which competes or may compete with the business of the Group pursuant to Rule 11.04 of the GEM Listing Rules.

### **Purchase, Sale or Redemption of Listed Securities of the Company**

The Company has not redeemed any of its listed securities during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the three months ended 30 June 2013.

### **Corporate Governance**

Save as disclosed below, the Company complied with Code of Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules for the three months ended 30 June 2013.

- a. Under the Code provision A.4.1, all the non-executive directors should be appointed for a specific term, subject to re-election. The term of office for non-executive directors is subject to retirement from office by rotation and is eligible for re-election in accordance with the provisions of the Company's bye-laws. At each annual general meeting, one-third of the directors for the time being, (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. As such, the Company considers that such provisions are sufficient to meet the underlying objective of this code provision.

## **OTHER INFORMATION** *(Continued)*

### **Audit Committee**

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group. The audit committee comprised the four independent non-executive directors namely, Mr. Ho Chun Ki, Frederick, Mr. Lai Miao Yuan, Mr. Chong Yiu Kan, Sherman and Mr. Tam Kin Yip. The audit committee has reviewed the Group's unaudited consolidated financial statements for the three months ended 30 June 2013.

### **Board of Directors**

At the date of this report, the executive directors are Mr. Lien Wai Hung, Mr. Lui Wing Fong, Alexander and Mr. Yu Qiang; the independent non-executive directors are Mr. Ho Chun Ki, Frederick, Mr. Lai Miao Yuan, Mr. Chong Yiu Kan, Sherman and Mr. Tam Kin Yip.

By Order of the Board  
**Zhi Cheng Holdings Limited**  
**Lien Wai Hung**  
*Chairman*

Hong Kong, 14 August 2013