



# 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)



Interim Report 2013

\* For identification only

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

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**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 INTERIM RESULTS

The board of directors of Zhi Cheng Holdings Limited (the “Company”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2013, together with the comparative unaudited figures for 2012 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Turnover	5	8,337	9,852	17,310	18,742
Cost of sales		(4,160)	(6,629)	(7,655)	(12,841)
Gross profit		4,177	3,223	9,655	5,901
Other income and gains	6	-	106	4	252
Administrative expenses		(11,891)	(28,312)	(26,145)	(54,600)
Impairment loss recognised in respect of intangible assets		-	(139,538)	-	(139,538)
Gain on cancellation of convertible bonds	19	-	212,705	-	212,705
<b>(Loss)/profit from operations</b>	7	<b>(7,714)</b>	48,184	<b>(16,486)</b>	24,720
Finance costs	8	(16)	(5,816)	(19)	(12,088)
<b>(Loss)/profit before taxation</b>		<b>(7,730)</b>	42,368	<b>(16,505)</b>	12,632
Income tax expense	9	(604)	-	(1,465)	-
<b>(Loss)/profit for the period</b>		<b>(8,334)</b>	42,368	<b>(17,970)</b>	12,632
<b>(Loss)/profit for the period attributable to:</b>					
owners of the Company		(8,952)	42,976	(19,346)	13,016
non-controlling interests		618	(608)	1,376	(384)
		<b>(8,334)</b>	42,368	<b>(17,970)</b>	12,632
<b>(Loss)/earnings per share</b>					
Basic and diluted	10	<b>(2.38) cents</b>	13.34 cents	<b>(5.50) cents</b>	4.04 cents

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended		For the six months ended	
	30 September	2012	30 September	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/profit for the period	(8,334)	42,368	(17,970)	12,632
<b>Other comprehensive income/</b>				
<b>(expense) for the period</b>				
Exchange differences				
on translation of financial				
statements of foreign				
subsidiaries	106	1,356	372	17
Fair value changes on				
available-for-sale investments	-	300	-	(2,700)
	<u>106</u>	<u>1,656</u>	<u>372</u>	<u>(2,683)</u>
Other comprehensive income/				
(expense) for the period	106	1,656	372	(2,683)
	<u>106</u>	<u>1,656</u>	<u>372</u>	<u>(2,683)</u>
<b>Total comprehensive (expense)/</b>				
<b>income for the period</b>	<b>(8,228)</b>	<b>44,024</b>	<b>(17,598)</b>	<b>9,949</b>
	<u>(8,228)</u>	<u>44,024</u>	<u>(17,598)</u>	<u>9,949</u>
<b>Total comprehensive (expense)</b>				
<b>/income attributable to:</b>				
owners of the Company	(8,806)	44,593	(19,045)	10,294
non-controlling interests	578	(569)	1,447	(345)
	<u>(8,228)</u>	<u>44,024</u>	<u>(17,598)</u>	<u>9,949</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 September 2013 (Unaudited) HK\$'000	At 31 March 2013 (Audited) HK\$'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	11	4,624	4,667
Investment properties		25,412	25,715
Goodwill	12	47,248	47,248
Intangible assets	13	160,836	172,155
Deposits for investment		17,000	17,000
Available-for-sale investments	14	6,000	6,000
		<u>261,120</u>	<u>272,785</u>
<b>Current assets</b>			
Trade and other receivables	15	112,212	83,684
Bank balances and cash		13,633	24,886
		<u>125,845</u>	<u>108,570</u>
<b>Current liabilities</b>			
Trade and other payables	16	12,596	17,562
Bank loan	17	111	373
Tax payable		2,064	741
		<u>14,771</u>	<u>18,676</u>
<b>Net current assets</b>		<u>111,074</u>	<u>89,894</u>
<b>Total assets less current liabilities</b>		<u>372,194</u>	<u>362,679</u>
<b>Capital and reserves</b>			
Share capital	18	3,987	3,266
Reserves		354,626	347,238
Equity attributable to owners of the Company		<u>358,613</u>	<u>350,504</u>
Non-controlling interests		10,064	8,617
		<u>368,677</u>	<u>359,121</u>
<b>Non-current liabilities</b>			
Convertible bonds	19	–	–
Deferred tax liabilities		3,517	3,558
		<u>3,517</u>	<u>3,558</u>
		<u>372,194</u>	<u>362,679</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity shareholders of the Company											
	Issued capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	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 reserve (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	5,896	(1,211,879)	672,919	-	672,919
Loss for the period	-	-	-	-	-	-	-	-	13,016	13,016	(384)	12,632
Other comprehensive (expense)/income for the period	-	-	-	(2,700)	-	-	-	(22)	-	(2,722)	39	(2,683)
Total comprehensive income for the period	-	-	-	(2,700)	-	-	-	(22)	13,016	10,294	(345)	9,949
Non-controlling interest arising from acquisition of subsidiaries	-	-	-	-	-	-	-	177	-	177	8,519	8,696
Exercise of share options	50	1,250	-	-	(248)	-	-	-	-	1,052	-	1,052
Cancellation of share options	-	-	-	-	(743)	-	-	-	743	-	-	-
Cancellation of convertible bonds	-	-	-	-	-	(351,687)	-	-	351,687	-	-	-
At 30 September 2012	3,266	1,208,558	325,798	(12,700)	-	-	402	5,551	(846,433)	684,442	8,174	692,616
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
Loss for the period	-	-	-	-	-	-	-	-	(19,346)	(19,346)	1,376	(17,970)
Other comprehensive (expense)/income for the period	-	-	-	-	-	-	-	301	-	301	71	372
Total comprehensive income for the period	-	-	-	-	-	-	-	301	(19,346)	(19,045)	1,447	(17,598)
Transfer of statutory reserves	-	-	-	-	-	-	439	-	(439)	-	-	-
Placing of new shares	591	24,628	-	-	-	-	-	-	-	25,219	-	25,219
Share issue expenses	-	(633)	-	-	-	-	-	-	-	(633)	-	(633)
Exercise of share option	130	3,497	-	-	(1,059)	-	-	-	-	2,568	-	2,568
At 30 September 2013	3,987	1,236,050	325,798	-	1,588	-	1,044	6,057	(1,215,911)	358,613	10,064	368,677

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Net cash used in operating activities	<b>(34,377)</b>	(14,365)
Net cash used in investing activities	<b>(3,730)</b>	(29,910)
Net cash generated from financing activities	<b>26,824</b>	782
Net decrease in cash and cash equivalents	<b>(11,283)</b>	(43,493)
Cash and cash equivalents at beginning of period	<b>24,886</b>	100,480
Effect of foreign exchange rate changes	<b>30</b>	40
Cash and cash equivalents at end of period, represented by bank balance and cash	<b>13,633</b>	57,027

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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 Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (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 Suites 802-4, 8th Floor, Ocean Centre, Harbour City, 5 Canton Road, Tsim Sha Tsui, Kowloon, 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 principal activity of the Company is investment holding and the principal activities of its subsidiaries are property investment, provision of medical information digitalisation system, provision of consultancy services, advertising and media related services and provision of project management services.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The accounting policies used in the preparation of the Unaudited Consolidated Results are consistent with those used in the annual financial statements of the Group for the year ended 31 March 2013, except for the impact of the adoption of the new and revised Hong Kong Accounting Standard ("HKAS"), Hong Kong Financial Reporting Standards and interpretation described below.

In the current period, the Group has applied, for the first time, the following new and revised standards and interpretations (collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). A summary of the new and revised HKFRSs adopted by the Group is set out as follows:

HKAS 1 (Amendments)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
HKAS 19 (Revised)	Employee Benefits
HKAS 27 (Revised)	Separate Financial Statement
HKAS 28 (Revised)	Investments in Associates and Joint Ventures
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle Issued in June 2012
HKFRS 1 (Amendments)	Government Loans
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurements
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HK (IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

The adoption of the new and revised HKFRSs has no material effect on the Unaudited Consolidated Results for the current or prior accounting period.



### 3. BASIS OF PREPARATION AND CONSOLIDATED

The Unaudited Consolidated Results have been prepared in accordance with all applicable HKFRSs, which is a collective term that includes all applicable individual HKFRSs, HKASs and Interpretations (“Ints”) issued by the HKICPA. In addition, the Unaudited Consolidated Results include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) and by the Hong Kong Companies Ordinance.

The measurement basis used in the preparation of the Unaudited Consolidated Results is the historical cost convention, as modified for the revaluation of certain financial instruments and investment property which are stated at their fair values.

The preparation of Unaudited Consolidated Results in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

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.

All intra-group transactions, balances, incomes and expenses are eliminated in full on consolidation. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests in subsidiaries are presented separately from the Group’s equity therein.

### 4. SEGMENT INFORMATION

The Group manages its businesses by divisions. In a manner consistent with the way in which information is reported internally to the Group’s most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments.

- |  |  |
|--|--|
| (i) Property investments:                    | Leasing of properties to generate rental income. Currently, the Group’s properties investments portfolio is located in Canada.   |
| (ii) MIDS:                                   | Provision of radio-frequency identification system (“RFID system”), hospital information system (“HIS system”) and picture archiving and communication system (“PACS”). Currently, the Group’s MIDS portfolio is located in the PRC.                           |
| (iii) Consultancy services:                  | Provision of consultancy and advisory services to entities in relation to the rechargeable stored value subscriber identity module (“SIM”) card business. Currently, the Group’s prepaid SIM cards consultancy and advisory services is provided in Hong Kong. |
| (iv) Advertising and media related services: | Provision of advertising and media related services to entities. Currently, the Group’s advertising and media related services are provided in Hong Kong and the PRC.  |
| (v) Project management services:             | Provision of project management services to entities in relation to the operation and monitoring of RFID card system. Currently, the Group’s project management services are provided in the PRC.  |

#### 4. SEGMENT INFORMATION (Continued)

##### Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Property investments		MIDS		Consultancy services		Advertising and media related services		Project management services		Total	
	For the six months ended 30 September 2013		For the six months ended 30 September 2012		For the six months ended 30 September 2013		For the six months ended 30 September 2012		For the six months ended 30 September 2013		For the six months ended 30 September 2012	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Turnover</b>												
Sales to external customers	976	878	4,006	6,033	451	541	10,873	10,742	1,004	548	17,310	18,742
Segment results	(147)	(449)	(8,017)	(172,157)	(2,791)	(2,700)	4,539	(6,339)	(1,701)	(74)	(8,117)	(181,719)
Unallocated other revenue and gains											-	212,904
Unallocated expenses											(8,369)	(6,465)
(Loss)/profit from operations											(16,486)	24,720
Finance costs											(19)	(12,088)
(Loss)/profit before taxation											(16,505)	12,632
Income tax expense											(1,465)	-
(Loss)/profit for the period											(17,970)	12,632
Other information:												
Interest expenses	(19)	(18)	-	-	-	-	-	-	-	-	(19)	(18)
Depreciation of property, plant and equipment	-	(9)	(686)	(534)	-	-	(80)	(73)	(18)	-	(784)	(616)
Amortisation of intangible assets	-	-	(7,559)	(24,347)	(3,239)	(3,239)	(42)	(5,732)	(621)	(621)	(11,461)	(33,939)

#### 5. TURNOVER

	For the three months ended 30 September 2013		For the six months ended 30 September 2013	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Gross rental income from investment properties	521	398	976	878
Provision of MIDS	1,860	3,264	4,006	6,033
Provision of consultancy services	197	297	451	541
Provision of advertising and media related services	5,226	5,646	10,873	10,742
Provision of project management services	533	247	1,004	548
<b>Total</b>	<b>8,337</b>	<b>9,852</b>	<b>17,310</b>	<b>18,742</b>

**6. OTHER INCOME AND GAINS**

	For the three months ended 30 September		For the six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Bank interest income	-	84	4	204
Interest income on loan to an independent third party	-	-	-	26
Other income	-	22	-	22
	<u>-</u>	<u>106</u>	<u>4</u>	<u>252</u>

**7. (LOSS)/PROFIT FROM OPERATIONS**

	For the three months ended 30 September		For the six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
The Group's (loss)/profit from operation is arrived at after charging/(crediting):				
Gross rental income from investment properties	(521)	(398)	(976)	(878)
Less: Direct operating expenses from investment property that generate rental income during the period	<u>93</u>	<u>149</u>	<u>194</u>	<u>149</u>
	<u>(428)</u>	<u>(249)</u>	<u>(782)</u>	<u>(729)</u>
Amortisation of intangible assets	5,735	17,520	11,461	33,939
Cost of sales	4,160	6,629	7,655	12,841
Depreciation of property, plant and equipment	385	332	784	616
Net foreign exchange (gain)/loss	(137)	148	(136)	302
Minimum lease payment under operating on premises	773	773	1,641	1,400
Staff costs (including directors' remuneration)	<u>2,899</u>	<u>4,534</u>	<u>6,137</u>	<u>8,676</u>

**8. FINANCE COSTS**

	For the three months ended 30 September		For the six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Interest on bank loan wholly repayable within five years	16	8	19	18
Effective interest expenses on convertible bonds wholly repayable over five years	–	5,808	–	12,070
	<u>16</u>	<u>5,816</u>	<u>19</u>	<u>12,088</u>

**9. INCOME TAX EXPENSE**

	For the three months ended 30 September		For the six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Current tax charged: PRC Enterprise Income Tax	604	–	1,465	–
Total tax charged	<u>604</u>	<u>–</u>	<u>1,465</u>	<u>–</u>

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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 six months ended 30 September 2013 (2012: Nil).

No provision for overseas income tax was made as the Company’s overseas subsidiaries did not have taxable income for the six months ended 30 September 2013 (2012: Nil).

The Group had no significant unprovided deferred tax assets and liabilities at 30 September 2013 (2012: Nil).

**10. (LOSS)/EARNINGS PER SHARE**

The calculation of the basic (loss)/earnings per share is based on the loss attributable to owners of the Company for the three months ended 30 September 2013 of approximately HK\$9.0 million (2012: earnings attributable to owners of the Company of approximately HK\$43.0 million) and loss attributable to owners of the Company for the six months ended 30 September 2013 of approximately HK\$19.3 million (2012: earnings attributable to owners of the Company of approximately HK\$13.0 million) and the weighted average of 375,430,501 shares in issue during the three months ended 30 September 2013 (2012: 322,154,196 shares) and the weighted average of 351,136,268 shares in issue during the six months ended 30 September 2013 (2012: 321,886,104 shares).

**11. PROPERTY, PLANT AND EQUIPMENT**

	(Unaudited) HK\$'000
<b>Cost</b>	
At 1 April 2012	4,424
Acquisition of subsidiaries (note 20(a) and (b))	238
Addition	2,692
Written off for the year	(33)
Exchange adjustments	35
	<hr/>
At 31 March 2013 and 1 April 2013	7,356
Addition	735
Exchange adjustment	27
	<hr/>
At 30 September 2013	<b>8,118</b>
	<hr/>
<b>Accumulated depreciation and impairment</b>	
At 1 April 2012	1,474
Depreciation for the year	1,209
Written off for the year	(11)
Exchange adjustments	17
	<hr/>
At 31 March 2013 and 1 April 2013	2,689
Depreciation for the period	784
Exchange adjustments	21
	<hr/>
At 30 September 2013	<b>3,494</b>
	<hr/>
<b>Carrying amount</b>	
<b>At 30 September 2013</b>	<b>4,624</b>
	<hr/>
At 31 March 2013	4,667
	<hr/>

## 12. GOODWILL

	(Unaudited) HK\$'000
<b>Cost</b>	
At 1 April 2012	1,449
Acquisition of subsidiaries (note 20(a) and (b))	47,248
	<hr/>
At 31 March 2013, 1 April 2013 and 30 September 2013	48,697
	<hr/>
<b>Accumulated impairment losses</b>	
At 1 April 2012	1,449
Impairment loss recognised for the year/period	-
	<hr/>
At 31 March 2013, 1 April 2013 and 30 September 2013	1,449
	<hr/>
<b>Carrying amount</b>	
At 30 September 2013	<b>47,248</b>
	<hr/>
At 31 March 2013	47,248
	<hr/>

For the purpose of impairment testing, goodwill has been allocated to the following cash generating units identified according to operating segment.

	<b>At 30 September 2013 HK\$'000</b>	At 31 March 2013 HK\$'000
Properties investments	<b>1,449</b>	1,449
Advertising and media related services	<b>47,248</b>	47,248
	<hr/>	<hr/>

## 13. INTANGIBLE ASSETS

	(Unaudited) HK\$'000
<b>Cost</b>	
At 1 April 2012	1,464,160
Exchange adjustments	236
	<hr/>
At 31 March 2013 and 1 April 2013	1,464,396
Exchange adjustments	224
	<hr/>
At 30 September 2013	<b>1,464,620</b>
	<hr/>
<b>Accumulated amortisation and impairment</b>	
At 1 April 2012	796,387
Amortisation for the year	62,374
Impairment loss recognised for the year	433,431
Exchange adjustments	49
	<hr/>
At 31 March 2013 and 1 April 2013	1,292,241
Amortisation for the period	11,461
Exchange adjustments	82
	<hr/>
At 30 September 2013	<b>1,303,784</b>
	<hr/>
<b>Carrying amount</b>	
At 30 September 2013	<b>160,836</b>
	<hr/>
At 31 March 2013	172,155
	<hr/>

The master services agreement, co-operation agreement and strategic co-operation agreement, licensing agreement, consultancy agreement, advertising and media related services agreement and project management services agreement were purchased through acquisition of subsidiaries with a finite useful life.

The following estimated useful lives are used in the calculation of amortisation:

Master services agreement	15 years
Co-operation agreement and strategic co-operation agreement	10 years
Licensing agreement	15 years
Consultancy agreement	5 years
Advertising and media related services agreement	4 years
Project management services agreement	8 years
Computer software	5 years

**14. AVAILABLE-FOR-SALE INVESTMENTS**

	At 30 September 2013 (Unaudited) HK\$'000	At 31 March 2013 (Audited) HK\$'000
Unlisted shares		
– Equity securities incorporated in Hong Kong	6,000	6,000

**15. TRADE AND OTHER RECEIVABLES**

	At 30 September 2013 (Unaudited) HK\$'000	At 31 March 2013 (Audited) HK\$'000
Trade receivables	44,586	49,027
Deposits	37,328	12,197
Prepayments	11,521	8,486
Other receivables	18,777	13,974
	<u>112,212</u>	<u>83,684</u>

An aged analysis of the Group's trade receivables at the end of the reporting period is as follows:

0 – 30 days	8,879	21,469
31- 60 days	107	263
61- 90 days	2,833	2,561
Over 90 days	32,767	24,734
	<u>44,586</u>	<u>49,027</u>

**16. TRADE AND OTHER PAYABLES**

	At 30 September 2013 (Unaudited) HK\$'000	At 31 March 2013 (Audited) HK\$'000
Trade payables	8,612	8,904
Accruals and other payables	2,088	6,901
Tenant deposits	45	46
Receipt in advance	118	40
Amounts due to key officer	340	188
Other non-income tax payable	1,393	1,483
	<u>12,596</u>	<u>17,562</u>



**16. TRADE AND OTHER PAYABLES** *(Continued)*

An aged analysis of the Group's trade payables at the end of the reporting period is as follows:

	<b>At 30 September 2013 (Unaudited) HK\$'000</b>	<b>At 31 March 2013 (Audited) HK\$'000</b>
0 – 30 days	1,926	717
31 – 60 days	456	110
61 – 90 days	512	91
Over 90 days	5,718	7,986
	<hr/> <b>8,612</b> <hr/>	<hr/> <b>8,904</b> <hr/>

**17. BANK LOAN**

	<b>At 30 September 2013 (Unaudited) HK\$'000</b>	<b>At 31 March 2013 (Audited) HK\$'000</b>
Bank loan:		
Secured	111	373
Repayable:		
On demand or within one year	111	373
	<hr/> <b>111</b> <hr/>	<hr/> <b>373</b> <hr/>
Less: current portion	<b>(111)</b>	<b>(373)</b>
	<hr/> <b>-</b> <hr/>	<hr/> <b>-</b> <hr/>

The bank loan was secured by investment properties of the Group.

**18. SHARE CAPITAL**

	Number of shares	Amount HK\$'000
<b>Authorised:</b>		
At 1 April 2013 and 30 September 2013, ordinary shares of HK\$0.01 each	<u>20,000,000,000</u>	<u>200,000</u>
<b>Issued and fully paid:</b>		
At 1 April 2013, Ordinary shares of HK\$0.01 each	326,575,066	3,266
Placing of new shares	59,060,000	591
Exercise of share options	<u>13,040,000</u>	<u>130</u>
At 30 September 2013, ordinary shares of HK\$0.01 each	<u>398,675,066</u>	<u>3,987</u>

**19. CONVERTIBLE BONDS**

Pursuant to sale and purchase agreement entered into between the Group and Growth Harvest Limited (the "Vendor") in relation to the acquisition of Sunny Chance Limited and its subsidiaries (the "Sunny group"), the Vendor warrants that the EBITDA of the Sunny Group shall not be less than the guaranteed EBITDA of HK\$500 million.

In the event that the EBITDA during the predetermined period is less than the guaranteed EBITDA, the shortfall shall be settled by the Vendor to the Group. The shortfall shall be deducted against the outstanding principal amount of convertible bonds issued to the Vendor by the Group upon the acquisition of Sunny Group.

The predetermined period was passed during the six months ended 30 September 2012 and the convertibles bonds were cancelled due to the shortfall in EBITDA.

## 20. ACQUISITION OF SUBSIDIARIES

### (a) Acquisition of Joint Vision Limited and its subsidiaries (the “Joint Vision group”)

On 3 May 2012, the Group entered into a sale and purchase agreement with an independent third party for the acquisition of 100% equity interests in Joint Vision Group at a consideration of HK\$30,000,000, which was settled by cash. The acquisition of Joint Vision Group was completed on 11 July 2012 (the “date of acquisition”). Details of the acquisition are set out in the Company’s announcement dated 3 May 2012.

The amount of identified assets, liabilities recognised and assumed at the date of acquisition are as follows:

	<i>HK\$’000</i>
Property, plant and equipment	1
Trade receivables	49
Bank balances and cash	115
Accruals and other payables	(170)
Amounts due to shareholders	(22)
	<hr/>
Net liabilities acquired	(27)
Goodwill arising on acquisition	30,027
	<hr/>
Consideration transferred	30,000
	<hr/>

Goodwill arose in the acquisition of Joint Vision Group because the cost of the acquisition included a control premium. In addition, the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Joint Vision Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

The consideration of the acquisition settled by cash and the consideration had been fully paid by the Group during the year ended 31 March 2013.

	<i>HK\$’000</i>
Cash consideration paid	30,000
Less: bank balances and cash acquired	(115)
	<hr/>
Net cash outflow on acquisition	29,885
	<hr/>

Acquisition-related costs of approximately HK\$358,000 have been charged as “administrative expenses” in the consolidated income statement for the year ended 31 March 2013.

Since the acquisition, Joint Vision Group contributed approximately HK\$1,078,000 and HK\$396,000 to the Group’s revenue and profit for the year ended 31 March 2013 respectively.

Had the combination taken place to the Group at the beginning of the year ended 31 March 2013, the revenue and the profit of Joint Vision Group for the year ended 31 March 2013 would have been approximately HK\$1,085,000 and HK\$682,000 respectively.

**20. ACQUISITION OF SUBSIDIARIES (Continued)****(b) Acquisition of Keen Renown Limited and its subsidiaries (the "Keen Renown group")**

On 20 February 2012, the Group entered into a sale and purchase agreement with an independent third party for the acquisition of 60% equity interests in Keen Renown Limited at a consideration of HK\$30,000,000. The acquisition of Keen Renown Limited was completed on 20 April 2012 (the "date of acquisition") and the abovementioned control agreement is effective from 20 April 2012. Details of which are set out in the Company's announcement dated on 20 February 2012.

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of acquisition are as follows:

	<i>HK\$'000</i>
Property, plant and equipment	237
Deposit for investment	12,278
Deposits, prepayment and other receivables	12,162
Bank balances and cash	63
Trade payables	(549)
Accruals and other payables	(2,693)
Receipt in advances	(103)
Amounts due to shareholders	(97)
	<hr/>
Net assets acquired	21,298
Non-controlling interest	(8,519)
Goodwill arising on acquisition	17,221
	<hr/>
Consideration transferred	30,000

Goodwill arose in the acquisition of Keen Renown Group because the cost of the acquisition included a control premium. In addition, the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Keen Renown Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

The consideration of the acquisition was settled by cash and the consideration had been fully paid as deposit for investment by the Group during the year ended 31 March 2012.

	<i>HK\$'000</i>
Deposit paid in prior year	30,000
Less: bank balances and cash acquired	(63)
	<hr/>
Net cash outflow	29,937

The non-controlling interests in Keen Renown Group were determined by using the net assets value of Keen Renown Group at the date of acquisition.

Acquisition-related costs of approximately HK\$435,000 have been charged to "administrative expenses" in the consolidated income statement for the year ended 31 March 2013.

Since the acquisition, Keen Renown Group contributed approximately HK\$9,985,000 and HK\$174,000 to the Group's revenue and loss for the year ended 31 March 2013 respectively.

Had the combination taken place at the beginning of the year ended 31 March 2013, the revenue and the loss of the Keen Renown Group for the year ended 31 March 2013 would have been approximately HK\$10,031,000 and HK\$225,000 respectively.

**21. COMMITMENTS****Operating lease commitment*****The Group as lessor***

The Group leases out investment property under operating leases. At the end of the reporting period, the Group had contracted with tenants for the future minimum lease payments under non-cancellable operating leases receivable as follows:

	<b>At 30 September 2013 (Unaudited) HK\$'000</b>	<b>At 31 March 2013 (Audited) HK\$'000</b>
Within one year	1,715	1,697
In the second to fifth years, inclusive	<u>2,359</u>	<u>3,182</u>
	<u><b>4,074</b></u>	<u><b>4,879</b></u>

***The Group as lessee***

At the end of the reporting period, the Group was committed to make the following future minimum lease payments in respect of office properties with lease terms under non-cancellable operating leases which are payable as follows:

	<b>At 30 September 2013 (Unaudited) HK\$'000</b>	<b>At 31 March 2013 (Audited) HK\$'000</b>
Within one year	2,161	2,539
In the second to fifth years, inclusive	<u>2,849</u>	<u>1,062</u>
	<u><b>5,010</b></u>	<u><b>3,601</b></u>

**Other commitments**

	<b>At 30 September 2013 (Unaudited) HK\$'000</b>	<b>At 31 March 2013 (Audited) HK\$'000</b>
Capital expenditure in respect of the acquisition of subsidiaries contracted for	<u>5,000</u>	<u>5,000</u>

**22. MATERIAL RELATED PARTY TRANSACTION**

Save as disclosed elsewhere in Interim Financial Statements, the Group had no material transaction with related parties during the period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Interim Dividend

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

### Business Review

#### *Provision of medical information digitalisation system*

To implement the direction of further strengthening the supervision of social welfare project funds, a notice was issued to local healthcare authorities to raise the awareness and understanding on the importance of financial supervision on funds allocated for healthcare reform projects and to improve the safety and efficiency in the use of funds. The local healthcare authorities are urged to improve the monitoring functions; establish system on work performance appraisals; and implement measures to monitor and regulate healthcare project funds. There will also be spot-checks and inspections from the central authorities on these monitoring measures, this in turn have asserted tremendous pressure on healthcare information technology projects outside the scope of the roadmap and standardization plans where extra effort is required to demonstrate the effectiveness and efficient use of project funds.

During the period under review, the revenue contributed by such segment was approximately HK\$4.0 million (2012: HK\$6.0 million).

#### *Property investment*

During the period under review, the revenue contributed by such segment was HK\$1.0 million (2012: HK\$0.9 million) and was mainly derived from the leasing of an investment property located at Canada.

#### *Provision of consultancy services*

With the commoditization of 3G mobile data service where several mobile telecommunications providers have introduced low cost monthly subscription plan for unlimited data usage at slower speed, and the increasing popularity of 4G LTE mobile devices, the mobile data usage per customer continues to surge in 2013. Voice and short message services are becoming less important when selecting mobile telecommunications service as there are equivalent internet telephony and instant messaging apps that can be used as substitutions.

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

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Business Review (Continued)

#### *Advertising and media related services*

Tracking the success of social media networks and microblogging platforms in the western world, where the platforms transformed from startups to multi-billion dollar multi-national corporations, apart from the typical indoors and outdoors advertising media, areas such as online media platforms and design facet of the media services are being explored as ongoing development for the segment.

During the period under review, the revenue contributed by such segment was HK\$10.9 million (2012: HK\$10.7 million).

#### *Provision of project management services*

At the beginning of each academic year, a fresh batch of student ID cards is issued to new enrolling students and the subscription to the Educational Institution Internal Security Control System ("EIISCS") begins accordingly. The current iteration of the EIISCS taps into the smartphone demographics by utilizing the messaging feature on microblogging service platform that reduces the dependency on the short message services provided by mobile telecommunications operators which can be costly.

During the period under review, the revenue contributed by such segment was HK\$1.0 million (2012: HK\$0.5 million).

### Financial Review

For the period under review, the revenue of the Group for the six months ended 30 September 2013 was approximately HK\$17.3 million (2012: HK\$18.7 million), of which HK\$4.0 million (2012: HK\$6.0 million) was generated from the rollout of MIDS; HK\$1.0 million (2012: HK\$0.9 million) was generated from the leasing of an investment property located at Canada; HK\$10.9 million was generated from provision of advertising and media related services (2012: HK\$10.7 million); HK\$0.5 million was generated from provision of consultancy services (2012: HK\$0.5 million); and HK\$1.0 million (2012: HK\$0.5 million) was generated from the provision of project management services, tantamount to a decrease of approximately 7.6% as compared with the period ended 30 September 2012.

Loss attributable to owners of the Company for the six months ended 30 September 2013 amounted to approximately HK\$19.3 million (2012: profit attributable to owners of the Company HK\$13.0 million). The change was mainly attributed to a substantial gain arising from the cancellation of convertible bonds in the prior period and no such gain was recorded during the current period.

Finance costs decreased to approximately HK\$19,000 (2012: HK\$12.1 million). The decrease was mainly due to the cancellation of convertible bonds issued by the Company and the interest on which is no longer payable.

Administrative expenses decreased 52.1% to approximately HK\$26.1 million from HK\$54.6 million in the prior year. Such a decrease was mainly attributed to the decrease of amortization expenses of intangible assets approximately HK\$11.5 million (2012: HK\$33.9 million) and a decrease in staff costs of approximately HK\$6.1 million (2012: HK\$8.7 million).

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### Future Plans

Markets continues with the wait and see approach as the US fiscal negotiations subsided and continues with quantitative easing rather than tapering until the US economic is ready; indications that the worst of the recession is over and business activity and confidence data suggests the PRC's economy is taking a soft landing. Taking into account the market environments around the globe, the Group will continue to develop its existing business segments for stable incomes and also to explore potential business opportunities to enhance the earning base of the Group.

### Liquidity and Financial Resources

At 30 September 2013, the Group had total assets of approximately HK\$387.0 million (31 March 2013: HK\$381.4 million), including cash and bank balances of approximately HK\$13.6 million (31 March 2013: HK\$24.9 million). During the period under review, the Group financed its operation mainly with internally generated cash flow and proceeds from issuing of shares.

### Capital Structure

Save as disclosed below, there was no change in capital structure of the Group as at 30 September 2013 as compared with that at 31 March 2013.

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, 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 of 59,060,000 placing shares was completed on 18 July 2013.

During the six months period ended 30 September 2013, certain option holders exercised their option rights to subscribe for an aggregate of 13,040,000 shares at an exercise price of HK\$0.197 per share. The proceeds from the exercise of option rights amounted to approximately HK\$2.6 million.

### Gearing Ratio

The gearing ratio, expressed as percentage of total liabilities over total assets, was 4.7% (31 March 2013: 5.8%). The decrease in gearing ratio was mainly attributed to the increase in total assets was more than the decrease of total liabilities during the period.



## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **Charge on the Group's Assets**

At 30 September 2013, the Group did not have any charge on its assets.

### **Foreign Exchange Risks**

The Group has not used any foreign currency derivative instruments to hedge its exposure to foreign exchange risk. However, the management monitors closely the exposures and will consider hedging the exposures should the need arise.

### **Commitments**

At 30 September 2013, the Group, as a lessor, had operating lease commitments of approximately HK\$4.1 million (31 March 2013: HK\$4.9 million) and as a lessee, had operating lease commitment of approximately HK\$5.0 million (31 March 2013: HK\$3.6 million).

### **Contingent Liabilities**

At 30 September 2013, the Group had no contingent liabilities (2012: Nil).

### **Material Acquisitions and Disposal of Subsidiaries and Affiliated Companies**

Save as the acquisition disclosed in the "Management Discussion and Analysis" section, the Group had no other material acquisitions and disposal of subsidiaries and affiliated companies during the period under review.

### **Employees**

At 30 September 2013, the Group had 42 employees (2012: 55). Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practices. The employees in Hong Kong joined the mandatory provident fund scheme. Other benefits include share options granted or to be granted under the share option scheme.

### **Significant Investment**

At 30 September 2013, the Group did not hold any significant investment.

## 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 September 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> )	0.82%
Mr. Lui Wing Fong, Alexander	3,260,000 ( <i>Note 2</i> )	0.82%

#### *Notes:*

1. 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.
2. 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.

## OTHER INFORMATION (Continued)

### Interest in associated corporations of the Company

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

### 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 30/9/2013
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	-	13,040,000	-	-	13,040,000
				<u>32,600,000</u>	<u>-</u>	<u>13,040,000</u>	<u>-</u>	<u>-</u>	<u>19,560,000</u>

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

Save as disclosed above, at 30 September 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 September 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*

Name of shareholder	Capacity	Interest in shares	Percentage of the Company's issued share capital
Growth Harvest Limited	Beneficial owner (Note 1)	64,640,710	16.21%
Treasure Bonus Limited	Interest of controlled corporation (Note 1)	64,640,710	16.21%
Ms. Tan Ting Ting	Interest of controlled corporation (Note 1)	64,640,710	16.21%

#### *Note:*

1. Treasure Bonus Limited ("Treasure Bonus") owns 72% of the issued share capital of Growth Harvest Limited 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.

Save as disclosed above, at 30 September 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.

### Competing Interest

At 30 September 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 six months ended 30 September 2013.

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

### **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 six months ended 30 September 2013.

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.

### **Code of Conduct Regarding Securities Transactions by Directors**

During the six months ended 30 September 2013, the Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, all the Directors confirmed they have complied with the required standards of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company.

### **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 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 six months ended 30 September 2013.

### **Board of Directors**

At the date of this report, the executive directors are Mr. Lien Wai Hung and Mr. Lui Wing Fong, Alexander; 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*