



**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 2014

\* For identification only

## **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 2014, together with the comparative unaudited figures for 2013 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the three months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Turnover	3	6,846	8,973
Cost of sales		<u>(5,118)</u>	<u>(3,495)</u>
Gross profit		1,728	5,478
Other income and gains	4	10	4
Administrative expenses		<u>(14,356)</u>	<u>(14,254)</u>
Loss from operations	5	(12,618)	(8,772)
Finance costs	6	<u>-</u>	<u>(3)</u>
Loss before taxation		(12,618)	(8,775)
Income tax expense	7	<u>(3)</u>	<u>(861)</u>
Loss for the period		<u>(12,621)</u>	<u>(9,636)</u>
<b>(Loss)/profit for the period attributable to:</b>			
owners of the Company		(12,429)	(10,394)
non-controlling interests		<u>(192)</u>	<u>758</u>
		<u>(12,621)</u>	<u>(9,636)</u>
<b>Loss per share</b>	8	<b>HK cents</b>	<b>HK cents</b>
Basic and diluted		<u>(2.84)</u>	<u>(3.18)</u>

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

	For the three months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>Loss for the period</b>	<b>(12,621)</b>	(9,636)
<b>Other comprehensive income for the period</b>		
Exchange differences on translation of financial statements of overseas subsidiaries	<u>989</u>	<u>266</u>
<b>Total comprehensive expense for the period</b>	<b><u>(11,632)</u></b>	<b><u>(9,370)</u></b>
<b>Total comprehensive (expense)/income for the period attributable to:</b>		
owners of the Company	<b>(11,514)</b>	(10,239)
non-controlling interests	<b><u>(118)</u></b>	<u>869</u>
	<b><u>(11,632)</u></b>	<b><u>(9,370)</u></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 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 Company's principal activity is investment holding and the principal activities of its subsidiaries are provision of medical information digitalisation system, property investments, provision of consultancy services, advertising and media related services, provision of project management services, travel agency and related operations and decoration and interior design 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 2014.

The accounting policies and basis of preparation adopted in the preparation of the Unaudited Consolidated Results are consistent with those adopted in the annual financial statements for the year ended 31 March 2014 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 2014. 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**

	For the three months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Gross rental income from investment properties	518	455
Provision of medical information digitalisation system	–	2,146
Provision of consultancy services	225	254
Provision of advertising and media related services	1,885	5,647
Provision of project management services	252	471
Provision of travel agency services	3,822	–
Provision of decoration and interior design services	144	–
	<u>6,846</u>	<u>8,973</u>

**4. OTHER INCOME AND GAINS**

	For the three months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Bank interest income	–	4
Other income	10	–
	<u>10</u>	<u>4</u>

**5. LOSS FROM OPERATIONS**

	For the three months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Loss from operation is arrived at after charging:		
Amortisation of intangible assets	4,166	5,726
Depreciation of property, plant and equipment	518	399
Net foreign exchange loss	164	1
Staff costs including directors' emoluments	3,875	3,238

**6. FINANCE COSTS**

	For the three months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Interest on bank loans wholly repayable within five years	–	3
	<u>–</u>	<u>3</u>

**7. INCOME TAX EXPENSE**

- (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 2014 (2013: 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 (2013: Nil).
- (iii) The Group had no significant unprovided deferred tax assets and liabilities at 30 June 2014 (2013: 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 2014 of approximately HK\$12.4 million (2013: HK\$10.4 million) and the weighted average of 437,337,703 shares in issue during the three months ended 30 June 2014 (2013: 326,575,066 shares).

For the three months ended 30 June 2014 and 2013, 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	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
<b>At 1 April 2013</b>	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 income/(expense) for the period	-	-	-	-	-	-	-	155	(10,394)	(10,239)	869	(9,370)
<b>Transfer to statutory reserve</b>	-	-	-	-	-	-	258	-	(258)	-	-	-
<b>At 30 June 2013</b>	3,266	1,208,558	325,798	-	2,647	-	863	5,911	(1,206,778)	340,265	9,486	349,751
<b>At 1 April 2014</b>	4,174	1,255,370	325,798	-	8,032	-	1,951	4,817	(1,309,941)	290,201	9,873	300,074
Comprehensive expense for the period	-	-	-	-	-	-	-	-	(12,429)	(12,429)	(192)	(12,621)
Other comprehensive income for the period	-	-	-	-	-	-	-	915	-	915	74	989
Total comprehensive income/(expense) for the period	-	-	-	-	-	-	-	915	(12,429)	(11,514)	(118)	(11,632)
Exercise of share options	39	4,365	-	-	(1,500)	-	-	-	-	2,904	-	2,904
Placing of shares	300	24,000	-	-	-	-	-	-	-	24,300	-	24,300
Shares issuing expense	-	(331)	-	-	-	-	-	-	-	(331)	-	(331)
<b>At 30 June 2014</b>	4,513	1,283,404	325,798	-	6,532	-	1,951	5,732	(1,322,370)	305,560	9,755	315,315



## MANAGEMENT DISCUSSION AND ANALYSIS

### Dividend

The Board does not recommend the payment of any dividend for the three months ended 30 June 2014 (2013: Nil).

### Business Review

#### Provision of medical information digitalisation system

The challenges faced by small to medium scale foreign healthcare information technology provider persists and the seeking of cooperation opportunities with domestic PRC providers continues. During the period under review, the revenue for such segment was HK\$Nil (2013: HK\$2.1 million).

#### Property investments

During the period under review, the revenue contributed by such segment was HK\$0.5 million (2013: HK\$0.5 million) and was mainly derived from the leasing of an investment property located in Canada.

#### Provision of consultancy services

The recent successful merger of Hong Kong mobile telecommunication service providers has triggered a round of price hike and with the gradual reduction of players in the mobile telecommunications industry in Hong Kong, the operating environment has become a seller's market. During the period under review, the revenue contributed by such segment was HK\$0.2 million (2013: HK\$0.3 million).

#### Advertising and media related services

Our advertising and media related projects are burgeoning alongside the Yangtze River Delta area with promising promotional activities in the upcoming periods. During the period under review, the revenue contributed by such segment was HK\$1.9 million (2013: HK\$5.6 million).

#### Provision of Project Management Services

With the change in deployment model offered by the technology provider, new strategic options are being explored for the project management services business. During the period under review, the revenue contributed by such segment was HK\$0.3 million (2013: HK\$0.5 million).

#### Travel Agency and Related Operations

The demand for travel agency services continues to be strong before the mid-year peak travel season and the travel information and services platform remains under development. During the period under review, the revenue contributed by such segment was HK\$3.8 million (2013: HK\$Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### Business Review *(Continued)*

#### Decoration and Interior Design Services

The decoration and interior design service segment continues to develop in small scale decoration and interior design projects in Hong Kong. During the period under review, the revenue contributed by such segment was HK\$0.1 million (2013: HK\$Nil).

#### Financial Review

For the period under review, the revenue of the Group for the three months ended 30 June 2014 was approximately HK\$6.8 million (2013: HK\$9.0 million), of which HK\$Nil (2013: HK\$2.1 million) was generated from the rollout of medical information digitalisation system; HK\$0.5 million (2013: HK\$0.5 million) was generated from the leasing of investment properties located in Canada; HK\$1.9 million (2013: HK\$5.6 million) was generated from provision of advertising and media related services; HK\$0.2 million (2013: HK\$0.3 million) was generated from provision of consultancy services; HK\$0.3 million (2013: HK\$0.5 million) was generated from the provision of project management services; HK\$3.8 million (2013: HK\$Nil) was generated from travel agency and related operations; and HK\$0.1 million (2013: HK\$Nil) was generated from decoration and interior design services, tantamount to a decrease of approximately 23.7% as compared with the period ended 30 June 2013.

Loss attributable to owners of the Company for the three months ended 30 June 2014 amounted to approximately HK\$12.4 million (2013: HK\$10.4 million). The increase in loss was mainly attributed to a decrease of revenue from the medical information digitalisation system and advertising segments relative to the period under review.

Finance costs decreased to HK\$Nil (2013: HK\$3,000). Administrative expenses increased by 0.7% to approximately HK\$14.4 million from HK\$14.3 million in the prior year. Such an increase was mainly attributed to a decrease in amortisation expenses of intangible assets to approximately HK\$4.2 million (2013: HK\$5.7 million) and an increase in staff costs to approximately HK\$3.9 million (2013: HK\$3.2 million).

On 30 April 2014, the vendor, the Company and the placing agent entered into the top-up placing and subscription agreement pursuant to which the vendor has agreed to place, through the placing agent, up to 30,000,000 top-up placing shares, on a best effort basis, to not less than six independent placees at a top-up placing price of HK\$0.81 per top-up placing share; and the vendor has conditionally agreed to subscribe for such number of top-up subscription shares which is equivalent to the number of top-up placing shares placed under the top-up placing, at a top-up subscription price of HK\$0.81 per top-up subscription share. The top-up placing and subscription was completed on 13 May 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Future Plans

On 30 June 2014, the Company entered into a conditional placing agreement with Kingston Securities Limited (the “Placing Agent”), under which the Placing Agent will use its best efforts to place up to 47,000,000 placing shares to a not fewer than six placees who are independent third parties, at a placing price of HK\$0.40 per placing share. The placing was completed on 16 July 2014.

Witnessing the boom in e-Commerce in the past few years being propelled by the gradual penetration of internet access, and coupled with the commoditisation of mobile and tablet devices for using the internet, in the area of financial services, the Group is actively sourcing an e-Commerce payment solution platform which is one of the important building blocks in the e-Commerce world to allow universal and seamless flow of payment from consumers to business and also in the payment collection protocol in business to business transactions.

### 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 2014, 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 (Note 1)	0.72%
Mr. Lui Wing Fong, Alexander	3,260,000 (Note 2)	0.72%

#### 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.

## 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 June 2014, personal interests in 80 ordinary shares, representing approximately 40% of the 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 40 to the financial statements as included in the annual report of the Company for the year ended 31 March 2014.

Details of the Company’s share options granted under the New Share Option Scheme are as follows:

Date of grant	Category of eligible persons	Exercise price	Exercise period	Outstanding at 1/4/2014	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding at 30/6/2014
04/12/2012	Directors	HK\$0.197	04/12/2012 to 03/12/2015	6,520,000	-	-	-	-	6,520,000
04/12/2013	Employees	HK\$0.73	04/12/2013 to 03/12/2016	3,980,000	-	-	-	-	3,980,000
	Consultants	HK\$0.73	04/12/2013 to 03/12/2016	15,920,000	-	(3,980,000)	-	-	11,940,000
				<u>26,420,000</u>	<u>-</u>	<u>(3,980,000)</u>	<u>-</u>	<u>-</u>	<u>22,440,000</u>

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

Save as disclosed above, at 30 June 2014, 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 2014, 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)</i>	64,640,710	14.32%
Treasure Bonus Limited	Interest of controlled corporation <i>(Note)</i>	64,640,710	14.32%
Ms. Tan Ting Ting	Interest of controlled corporation <i>(Note)</i>	64,640,710	14.32%

*Note:*

Treasure Bonus Limited ("Treasure Bonus") owns 72% of the issued share capital of Growth Harvest Limited and Treasure Bonus is 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 June 2014, 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 2014, 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 2014.

### **Corporate Governance**

Save as disclosed below, the Company complied with the Code of Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules for the three months ended 30 June 2014.

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 comprises 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 2014.

### **Board of Directors**

At the date of this report, the executive directors are Mr. Lien Wai Hung, Mr. Lui Wing Fong, Alexander, Mr. Wei Shu Jun and Mr. Chan Wai Kwong, Peter; 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 2014