



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 2015



* 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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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 2015, together with the comparative unaudited figures for 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the three months ended 30 June	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Continuing operations			
Turnover	3	5,860	6,328
Cost of sales		(4,500)	(5,118)
Gross profit		1,360	1,210
Other income and gains	4	662	10
Administrative expenses		(10,082)	(10,051)
Loss from operations	5	(8,060)	(8,831)
Finance costs	6	-	-
Loss before taxation		(8,060)	(8,831)
Income tax expense	7	(41)	(3)
Loss for the period from continuing operations		(8,101)	(8,834)
Discontinued operations			
Loss for the period from discontinued operations	8	(1,046)	(3,787)
Loss for the period		(9,147)	(12,621)
Loss for the period attributable to:			
owners of the Company		(9,129)	(12,429)
non-controlling interests		(18)	(192)
		(9,147)	(12,621)
Loss per share			
From continuing and discontinued operations	9	HK cents	HK cents
Basic and diluted		(1.49)	(2.84)
From continuing operations			
Basic and diluted		(1.32)	(1.98)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the three months ended 30 June	
	2015	2014
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Loss for the period	(9,147)	(12,621)
Other comprehensive income for the period		
Exchange differences on translation of financial statements of overseas subsidiaries	<u>18</u>	<u>989</u>
Other comprehensive income for the period, net of income tax	<u>18</u>	<u>989</u>
Total comprehensive expense for the period	<u>(9,129)</u>	<u>(11,632)</u>
Total comprehensive (expense)/income for the period attributable to:		
owners of the Company	(9,269)	(11,514)
non-controlling interests	<u>140</u>	<u>(118)</u>
	<u>(9,129)</u>	<u>(11,632)</u>

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 Room 3203, 32nd Floor, Tower 1, Admiralty Centre, 18 Harcourt Road, 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 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 2015.

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 2015.

The Group has not early applied new and revised Hong Kong Financial Reporting Standards ("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	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Provision of consultancy services	–	225
Provision of advertising and media related services	2,862	1,885
Provision of project management services	–	252
Provision of travel agency services	2,992	3,822
Provision of decoration and interior design services	6	144
	5,860	6,328

4. OTHER INCOME AND GAINS

	For the three months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income on loan to an independent third party	290	–
Management fee income	367	–
Other income	5	10
	662	10

5. LOSS FROM OPERATIONS

	For the three months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss from operation is arrived at after charging:		
Amortisation of intangible assets	1,566	1,653
Depreciation of property, plant and equipment	811	477
Net foreign exchange loss	4	170
Staff costs including directors' emoluments	2,800	3,161

6. FINANCE COSTS

There is no finance costs during the period (2014: HK\$Nil).

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 2015 (2014: 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 (2014: Nil).
- (iii) The Group had no significant unprovided deferred tax assets and liabilities at 30 June 2015 (2014: Nil).

8. DISCONTINUED OPERATIONS

An analysis of the result of discontinued operations is as follows:

	For the three months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover	376	518
Administrative expenses	<u>(1,422)</u>	<u>(4,305)</u>
Loss before taxations	(1,046)	(3,787)
Income tax expense	<u>-</u>	<u>-</u>
Loss for the period from discontinued operations	<u>(1,046)</u>	<u>(3,787)</u>

9. 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 2015 of approximately HK\$9.1 million (2014: HK\$12.4 million) and the weighted average of 613,542,978 shares in issue during the three months ended 30 June 2015 (2014: 437,337,703 shares).

For the three months ended 30 June 2015 and 2014, diluted loss per share was not presented as the exercise of share options would have anti-dilutive effect.

10. CHANGES IN EQUITY

	Equity attributable to equity shareholders of the Company							Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000	
	Issued Capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Share-based compensation reserve (Unaudited) HK\$'000	Statutory reserve (Unaudited) HK\$'000	Translation reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000			Total (Unaudited) HK\$'000
At 1 April 2014	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)
At 30 June 2014	4,513	1,283,404	325,798	6,532	1,951	5,732	(1,322,370)	305,560	9,755	315,315
At 1 April 2015	6,112	1,356,192	325,798	15,489	1,966	2,207	(1,465,316)	242,446	8,876	251,322
Comprehensive (expense)/income for the period	-	-	-	-	-	-	(9,286)	(9,286)	139	(9,147)
Other comprehensive income for the period	-	-	-	-	-	17	-	17	1	18
Total comprehensive income/(expense) for the period	-	-	-	-	-	17	(9,286)	(9,269)	140	(9,129)
Exercise of share options	99	7,286	-	(2,305)	-	-	-	5,080	-	5,080
At 30 June 2015	6,211	1,363,478	325,798	13,184	1,966	2,224	(1,474,604)	238,257	9,016	247,273

MANAGEMENT DISCUSSION AND ANALYSIS

Dividend

The Board does not recommend the payment of any dividend for the three months ended 30 June 2015 (2014: Nil).

Business Review

Property investments

During the period under review, the revenue contributed by such segment was HK\$0.4 million (2014: HK\$0.5 million) and was mainly derived from the leasing of an investment property located in Canada. The revenue from this segment is now reclassified as revenue from discontinued operations.

Provision of consultancy services

Operating challenges continues and the Group is planning the next directions for this business segment. During the period under review, the revenue contributed by such segment was HK\$Nil (2014: HK\$0.2 million).

Advertising and media related services

The operating results of the advertising and media related services segment remains stable with projects in the Yangtze River Delta area. During the period under review, the revenue contributed by such segment was HK\$2.9 million (2014: HK\$1.9 million).

Provision of Project Management Services

The Group continues the renegotiation on the cooperation arrangements with the technology provider in view of the change of market dynamics to determine the next step for this business segment. During the period under review, the revenue contributed by such segment was HK\$Nil (2014: HK\$0.3 million).

Travel Agency and Related Operations

Competition in the travel industry remains fierce with the growing number of low-cost carrier for air travel and alternative travel accommodation based on the sharing economy. During the period under review, the revenue contributed by such segment was HK\$3.0 million (2014: HK\$3.8 million).

Decoration and Interior Design Services

Most resources in this business segment are engaged in the medium size decoration and interior design project in the new territories areas and the project is still in progress. During the period under review, the revenue contributed by such segment was HK\$6,000 (2014: HK\$0.1 million).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Review

For the period under review, the revenue of the Group from continuing operations for the three months ended 30 June 2015 was approximately HK\$5.9 million (2014: HK\$6.3 million); HK\$2.9 million (2014: HK\$1.9 million) was generated from provision of advertising and media related services; HK\$Nil (2014: HK\$0.2 million) was generated from provision of consultancy services; HK\$Nil (2014: HK\$0.3 million) was generated from the provision of project management services; HK\$3.0 million (2014: HK\$3.8 million) was generated from travel agency and related operations; and HK\$6,000 (2014: HK\$0.1 million) was generated from decoration and interior design services, tantamount to a decrease of approximately 7.5% as compared with the period ended 30 June 2014.

The operation relating to the leasing of an investment property located in Canada is reclassified as discontinued operation for financial statements purposes. The revenue and net loss of the discontinued operations are approximately HK\$0.4 million (2014: HK\$0.5 million) and HK\$1.4 million (2014: HK\$4.8 million) respectively.

Loss attributable to owners of the Company for the three months ended 30 June 2015 amounted to approximately HK\$9.1 million (2014: HK\$12.4 million). The decrease in loss was mainly attributed to a reduction in loss from reclassified discontinued operations of approximately HK\$1.0 million for current period from HK\$3.8 million in the prior period.

There is no finance costs during the period (2014: HK\$Nil). Administrative expenses for continuing operations amounted to HK\$10.1 million, an increase of approximately 0.3% as compared to prior period.

During the three months period ended 30 June 2015, certain option holders exercised their option rights to subscribe for an aggregate of 9,960,000 shares at HK\$0.51 per share. The proceeds from the exercise of option rights amounted to approximately HK\$5.1 million.

Future Plans

With the recent volatility in both the equity and foreign exchange markets under influences from government policies, the overall investment sentiments will remain cautious in the near future due to lingering concerns. The Group is conducting a review on business segments and also observing current business trends to identify the future strategic way forward for a sustainable medium to long term return.

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 2015, 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	Personal Interest	Percentage of the Company's issued share capital
Mr. Lien Wai Hung	3,260,000	0.52%

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 39 to the financial statements as included in the annual report of the Company for the year ended 31 March 2015.

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 1/4/2015	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding at 30/6/2015
4/12/2013	Consultants	HK\$0.73	4/12/2013 to 3/12/2016	15,920,000	-	-	-	-	15,920,000
22/8/2014	Consultants	HK\$0.51	22/8/2014 to 21/8/2017	39,840,000	-	(9,960,000)	-	-	29,880,000
				55,760,000	-	(9,960,000)	-	-	45,800,000

OTHER INFORMATION *(Continued)*

Directors and Chief Executives' Rights to Acquire Shares or Debentures

Save as disclosed above, at 30 June 2015, 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.

Substantial Shareholders

At 30 June 2015, no person had an interest or a short position of 5% or more in the issued share capital of the Company as 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, or as the Company is aware.

Competing Interest

At 30 June 2015, 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 2015.

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 2015.

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 three independent non-executive directors namely, Mr. Chong Yiu Kan, Sherman, Ms. Feng Lei and Ms. Chan Wing Yan, Carman. The audit committee has reviewed the Group's unaudited consolidated financial statements for the three months ended 30 June 2015.

Board of Directors

At the date of this report, the executive directors are Mr. Lien Wai Hung, Mr. Wei Shu Jun and Mr. Mao Hua Feng; the independent non-executive directors are Mr. Chong Yiu Kan, Sherman Ms. Feng Lei and Ms. Chan Wing Yan, Carman.

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

Hong Kong, 14 August 2015