



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 2016

* 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 2016, together with the comparative unaudited figures for 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the three months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
	Notes		
Continuing operations			
Revenue	3	3,947	5,854
Cost of sales		<u>(2,667)</u>	<u>(4,494)</u>
Gross profit		1,280	1,360
Other income and gains	4	1,143	662
Administrative expenses		<u>(14,385)</u>	<u>(9,227)</u>
Loss from operations	5	(11,962)	(7,205)
Finance costs	6	<u>(375)</u>	<u>–</u>
Loss before taxation		(12,337)	(7,205)
Income tax expense	7	<u>(22)</u>	<u>(41)</u>
Loss for the period from continuing operations		<u>(12,359)</u>	<u>(7,246)</u>
Discontinued operations			
Loss for the period from discontinued operations	8	<u>(153)</u>	<u>(1,901)</u>
Loss for the period		<u>(12,512)</u>	<u>(9,147)</u>
Loss for the period attributable to:			
owners of the Company		(11,858)	(9,286)
non-controlling interests		<u>(654)</u>	<u>139</u>
		<u>(12,512)</u>	<u>(9,147)</u>
Loss per share			
	9	HK cents	HK cents (Restated)
From continuing and discontinued operations Basic and diluted		<u>(0.46)</u>	<u>(1.24)</u>
From continuing operations Basic and diluted		<u>(0.45)</u>	<u>(0.98)</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the three months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	(12,512)	(9,147)
Other comprehensive (expense)/income for the period		
Exchange differences on translation of financial statements of overseas subsidiaries	<u>(5,031)</u>	<u>18</u>
Other comprehensive (expense)/income for the period, net of income tax	<u>(5,031)</u>	<u>18</u>
Total comprehensive expense for the period	<u>(17,543)</u>	<u>(9,129)</u>
Total comprehensive (expense)/income for the period attributable to:		
owners of the Company	<u>(16,234)</u>	<u>(9,269)</u>
non-controlling interests	<u>(1,309)</u>	<u>140</u>
	<u>(17,543)</u>	<u>(9,129)</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 financial leasing and other financial services, provision of consultancy services, advertising and media related services, provision of project management services; and travel agency and related operations.

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 2016.

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 2016.

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. REVENUE

	For the three months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Finance lease income	562	–
Provision of consultancy services	–	–
Provision of advertising and media related services	3,288	2,862
Provision of project management services	–	–
Provision of travel agency services	97	2,992
	3,947	5,854

4. OTHER INCOME AND GAINS

	For the three months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interest income on loan to an independent third party	-	290
Management fee income	671	367
Other income	472	5
	<hr/>	<hr/>
	1,143	662
	<hr/>	<hr/>

5. LOSS FROM OPERATIONS

	For the three months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Loss from operations is arrived at after charging/(crediting):		
Amortisation of intangible assets	-	1,006
Depreciation of property, plant and equipment	513	603
Net foreign exchange (gain)/loss	(312)	4
Staff costs including directors' emoluments	6,896	2,736
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6. FINANCE COSTS

Continuing Operations

	For the three months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interest on corporate bond	373	-
Hire purchase charges	2	-
	<hr/>	<hr/>
	375	-
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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 2016 (2015: 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 (2015: Nil).
- (iii) The Group had no significant unprovided deferred tax assets and liabilities at 30 June 2016 (2015: Nil).



8. DISCONTINUED OPERATIONS

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

	For the three months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue	–	382
Cost of sales	–	(6)
Gross profit	–	376
Administrative expenses	(153)	(2,277)
Loss before taxation	(153)	(1,901)
Income tax expense	–	–
Loss for the period from discontinued operations	(153)	(1,901)

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 2016 of approximately HK\$11.9 million (2015: HK\$9.3 million) and the weighted average of 2,580,852,599 shares in issue during the three months ended 30 June 2016 (2015: 751,758,704 shares).

The weighted average number of ordinary shares for the three months ended 30 June 2015 for the purposes of calculating basic and diluted loss per share have been adjusted and restated for the issuance of new shares upon open offer which took place on 9 December 2015.

For the three months ended 30 June 2016 and 2015, 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

	Issued Capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Share-based compensation reserve (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	Non- controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 April 2015	6,112	1,356,192	15,489	325,798	15,489	1,966	2,207	(1,485,318)	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	13,184	325,798	13,184	1,966	2,224	(1,474,604)	238,257	9,016	247,273
At 1 April 2016	25,809	1,608,966	13,834	325,798	13,834	1,687	7,572	(1,529,234)	454,432	7,882	462,314
Comprehensive expense for the period	-	-	-	-	-	-	-	(11,858)	(11,858)	(654)	(12,512)
Other comprehensive expense for the period	-	-	-	-	-	-	(4,730)	-	(4,730)	(665)	(5,395)
Total comprehensive expense for the period	-	-	-	-	-	-	(4,730)	(11,858)	(16,588)	(1,309)	(17,897)
Acquisition of subsidiary	-	-	-	-	-	-	-	(364)	(364)	-	(364)
At 30 June 2016	25,809	1,608,966	13,834	325,798	13,834	1,687	2,842	(1,541,456)	437,480	6,573	444,053



MANAGEMENT DISCUSSION AND ANALYSIS

Dividend

The Board does not recommend the payment of any dividend for the three months ended 30 June 2016 (2015: Nil).

Business Review

Provision of Financial Leasing and other Financial Services

The Group started to generate finance lease income in early 2016 and the revenue contributed by such segment during the period under review was approximately HK\$0.6 million (2015: HK\$Nil) from the finance lease of electric and hybrid vehicles and solar plant equipment in the PRC.

Advertising and media related services

The operating results of the advertising and media related services segment remains stable with projects from advertising clientele in the lifestyle and apparel industry. During the period under review, the revenue contributed by such segment was approximately HK\$3.3 million (2015: HK\$2.9 million).

Travel Agency and Related Operations

Competition in the travel industry remains fierce with large-scale promotions of online travel booking platforms that offer services like real-time price comparison. During the period under review, the revenue contributed by such segment was approximately HK\$0.1 million (2015: HK\$3.0 million).

Provision of Project Management Services

During the period under review, the revenue contributed by such segment was HK\$Nil (2015: HK\$Nil).

Provision of Consultancy Services

During the period under review, the revenue contributed by such segment was HK\$Nil (2015: HK\$Nil).

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 2016 was approximately HK\$3.9 million (2015: HK\$5.9 million); approximately HK\$3.3 million (2015: HK\$2.9 million) was generated from provision of advertising and media related services; approximately HK\$0.6 million (2015: HK\$Nil) was generated from financial leasing business; approximately HK\$0.1 million (2015: HK\$3.0 million) was generated from travel agency and related operations, tantamount to a decrease of approximately 32.6% as compared with the period ended 30 June 2015.

Loss attributable to owners of the Company for the three months ended 30 June 2016 amounted to approximately HK\$11.9 million (2015: HK\$9.3 million). The increase in loss was mainly attributed to an increase in administrative expenses to approximately HK\$14.4 million (2015: HK\$9.2 million) for continuing operations.

Finance costs incurred for the period amounted to approximately HK\$0.4 million (2015: HK\$Nil). The increase was mainly due to the interest paid on a corporate bond issued by the Company. Administrative expenses for continuing operations amounted to approximately HK\$14.4 million (2015: HK\$9.2 million), represented by an absolute decrease of amortisation of intangible assets to HK\$Nil (2015: HK\$1.0 million) and counterbalanced by an increase in staff cost to approximately HK\$6.9 million (2015: HK\$2.7 million).

Future Plans

On 18 July 2016, a wholly-owned subsidiary of the Company entered into an acquisition of rentals receivable under finance lease arrangement. According to the arrangement, Shenzhen City Jia Ying Financial Leasing Company Limited* (深圳市嘉盈融資租賃有限公司) (“Shenzhen Jia Ying”) purchased approximately RMB34.8 million of rentals receivable for RMB30 million from the transferor under a finance lease of water supply infrastructure equipment.

In the future, the Group will continue to develop its main business lines, including the financial leasing and other financial services segment. Public-Private Partnership, especially those in urban infrastructure, healthcare, energy to public transportation and other industries, is an emerging business model in PRC and is expected to grow strongly in the foreseeable future. The Group is exploring opportunities to develop in the sector through its financial leasing and other financial related services business segment.

* For identification purposes only



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 2016, none of the directors and chief executive of the Company and their associates had interests and short position 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

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 38 to the financial statements as included in the annual report of the Company for the year ended 31 March 2016.

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 1/4/2016	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding at 30/6/2016
4/12/2013	Employees	HK\$0.534	4/12/2013 to 3/12/2016	5,437,476	-	-	-	-	5,437,476
	Consultants	HK\$0.534	4/12/2013 to 3/12/2016	16,312,428	-	-	-	-	16,312,428
22/8/2014	Consultants	HK\$0.373	22/8/2014 to 21/8/2017	27,214,704	-	-	-	-	27,214,704
10/3/2016	Consultants	HK\$0.339	10/3/2016 to 9/3/2019	20,820,000	-	-	-	-	20,820,000
				<u>69,784,608</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,784,608</u>

OTHER INFORMATION *(Continued)*

Directors and Chief Executives' Rights to Acquire Shares or Debentures

Save as disclosed above, at 30 June 2016, 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 2016, 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
China Smartpay Group Holdings Limited	Beneficial owner	508,000,000	19.68%
UBS SDIC Asset Management (Hong Kong) Company Limited	Beneficial owner	229,000,000	8.87%

Save as disclosed above, at 30 June 2016, the Company has not been notified by any persons (other than the directors and chief executives 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 June 2016, 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 2016.



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 three months ended 30 June 2016.

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 three months ended 30 June 2016, 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 comprises four independent non-executive directors namely, Mr. Chong Yiu Kan, Sherman, Ms. Feng Lei, Ms. Chan Wing Yan, Carman and Mr. Yeung Kwong Wai. The audit committee has reviewed the Group's unaudited consolidated financial statements for the three months ended 30 June 2016.

Board of Directors

At the date of this report, the executive directors are Mr. Lien Wai Hung, Mr. Wei Shu Jun, Ms. Zhu Qi and Dr. Shen Furong; the independent non-executive directors are Mr. Chong Yiu Kan, Sherman, Ms. Feng Lei, Ms. Chan Wing Yan, Carman and Mr. Yeung Kwong Wai.

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

Hong Kong, 12 August 2016