



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
2017

* 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 GEM 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 2017, together with the comparative unaudited figures for 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the three months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
	Notes		
Continuing operations			
Revenue	3	8,391	3,947
Cost of sales		<u>(6,209)</u>	<u>(2,667)</u>
Gross profit		2,182	1,280
Other income and gains	4	2,405	1,143
Administrative expenses		<u>(20,934)</u>	<u>(14,385)</u>
Loss from operations	5	(16,347)	(11,962)
Loss on disposal of property, plant and equipment		(159)	–
Loss on disposal of financial assets at fair value through profit and loss		(6)	–
Loss on change in fair value of financial assets at fair value through profit or loss		(719)	–
Finance costs	6	<u>(1,507)</u>	<u>(375)</u>
Loss before taxation		(18,738)	(12,337)
Income tax expense	7	<u>(14)</u>	<u>(22)</u>
Loss for the period from continuing operations		<u>(18,752)</u>	<u>(12,359)</u>
Discontinued operations			
Loss for the period from discontinued operations	8	–	(153)
Loss for the period		<u>(18,752)</u>	<u>(12,512)</u>
Loss for the period attributable to:			
owners of the Company		(18,722)	(11,858)
non-controlling interests		<u>(30)</u>	<u>(654)</u>
		<u>(18,752)</u>	<u>(12,512)</u>
Loss per share			
From continuing and discontinued operations	9	<i>HK cents</i>	<i>HK cents</i>
Basic and diluted		<u>(0.67)</u>	<u>(0.46)</u>
From continuing operations			
Basic and diluted		<u>(0.67)</u>	<u>(0.46)</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the three months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	(18,752)	(12,512)
Other comprehensive income/(expense) for the period		
Exchange differences on translation of financial statements of overseas subsidiaries	<u>2,919</u>	<u>(5,031)</u>
Other comprehensive income/(expense) for the period, net of income tax	<u>2,919</u>	<u>(5,031)</u>
Total comprehensive expense for the period	<u>(15,833)</u>	<u>(17,543)</u>
Total comprehensive (expense)/income for the period attributable to:		
owners of the Company	(16,000)	(16,234)
non-controlling interests	<u>167</u>	<u>(1,309)</u>
	<u>(15,833)</u>	<u>(17,543)</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 2602, 26/F., China Insurance Group Building, 141 Des Voeux Road Central, Central, 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, consultancy services, advertising and media related services, project management services, travel agency and related operations.

2. BASIS OF PREPARATION AND CONSOLIDATION

The Unaudited Consolidated Results have been prepared in accordance with the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and with Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Unaudited Consolidated Results should be read in conjunction with the annual financial statements of the Group for the year ended 31 March 2017.

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 2017.

The Group has applied new and amended standards and interpretations of HKFRSs which are mandatory for the accounting periods beginning on or after 1 April 2017 and relevant to its operations. The application of such new and amended standards and interpretations does not have material impact on the Unaudited Consolidated Results and does not result in substantial changes to the Group's accounting policies.

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective but the Directors are in the process of assessing their impact on the results of operation and financial position of the Group.

3. REVENUE

	For the three months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Financial leasing and other financial services	930	562
Provision of advertising and media related services	7,461	3,288
Provision of travel agency and related operations	—	97
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	8,391	3,947

4. OTHER INCOME AND GAINS

	For the three months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Bank interest income	7	–
Interest income on loan to an independent third party	420	–
Management fee income	314	671
Other income	1,664	472
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	2,405	1,143
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5. LOSS FROM OPERATIONS

	For the three months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Loss from operations is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	814	513
Net foreign exchange gain	(14)	(312)
Staff costs including directors' emoluments	11,715	6,896
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6. FINANCE COSTS

Continuing Operations

	For the three months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Interest on corporate bond	298	373
Interest on other borrowing	1,028	–
Hire purchase charges	181	2
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	1,507	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 2017 (2016: 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 (2016: Nil).
- (iii) The Group had no significant unprovided deferred tax assets and liabilities at 30 June 2017 (2016: Nil).

8. DISCONTINUED OPERATIONS

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

	For the three months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue	-	-
Cost of sales	-	-
Gross profit	-	-
Administrative expenses	-	(153)
Loss before taxation	-	(153)
Income tax expense	-	-
Loss for the period from discontinued operations	-	(153)

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 2017 of approximately HK\$18.7 million (2016: HK\$11.9 million) and the weighted average of 2,777,252,599 shares in issue during the three months ended 30 June 2017 (2016: 2,580,852,599 shares).

For the three months ended 30 June 2017 and 2016, 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	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 2016	25,809	1,608,966	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)	(655)	(5,385)
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	1,687	2,842	(1,541,456)	437,480	6,573	444,053
At 1 April 2017	27,773	1,685,889	15,635	1,318	(2,597)	(1,636,564)	417,252	5,033	422,285
Comprehensive expense for the period	-	-	-	-	-	(18,722)	(18,722)	(30)	(18,752)
Other comprehensive income for the period	-	-	-	-	2,722	-	2,722	197	2,919
Total comprehensive income/ (expense) for the period	-	-	-	-	2,722	(18,722)	(16,000)	167	(15,833)
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-
At 30 June 2017	27,773	1,685,889	15,635	1,318	125	(1,655,286)	401,252	5,200	406,452

MANAGEMENT DISCUSSION AND ANALYSIS

Dividend

The Board does not recommend the payment of any dividend for the three months ended 30 June 2017 (2016: Nil).

Business Review

Provision of Financial Leasing and other Financial Services

During the period under review, the revenue contributed by such segment was approximately HK\$0.9 million (2016: HK\$0.6 million) from other financial services and financial leasing in the PRC.

Advertising and media related services

During the period under review, the revenue contributed by such segment was approximately HK\$7.5 million (2016: HK\$3.3 million) from advertising and media services projects in Hong Kong and the PRC.

Travel Agency and Related Operations

Operating results of the travel agency and related operations segment have been significantly affected by the shortage of talents in the competitive market and the Group is seeking potential buyers for the business segment. During the period under review, the revenue contributed by such segment was approximately HK\$Nil (2016: 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 2017 was approximately HK\$8.4 million (2016: HK\$3.9 million); of which approximately HK\$7.5 million (2016: HK\$3.3 million) was generated from provision of advertising and media related services; approximately HK\$0.9 million (2016: HK\$0.6 million) was generated from financial leasing business, and HK\$Nil was generated from travel agency and related operations (2016: HK\$0.1 million) tantamount to an increase of approximately 1.1 times as compared with the period ended 30 June 2016.

Loss attributable to owners of the Company for the three months ended 30 June 2017 amounted to approximately HK\$18.7 million (2016: HK\$11.9 million). The increase in loss was mainly attributed to an increase in administrative expenses to approximately HK\$20.9 million (2016: HK\$14.4 million) for continuing operations.

Finance costs incurred for the period amounted to approximately HK\$1.5 million (2016: HK\$0.4 million). The increase was mainly due to the interest paid on a corporate bond issued by the Company and increased interest expenses.

Administrative expenses amounted to approximately HK\$20.9 million (2016: HK\$14.4 million) and was mainly due to an increase in staff costs to approximately HK\$11.7 million (2016: HK\$6.9 million).

Future Plans

On 7 August 2017, the Company and Shanxidadi Environmental Investments Holding Limited* (山西大地環境投資控股有限公司) (“Shanxidadi”) (collectively, the “Parties”), a state-owned enterprise owned by the People’s Republic of China, entered into a strategic cooperation agreement (the “Strategic Cooperation Agreement”), pursuant to which the Parties intend to establish a comprehensive strategic cooperative partnership. Under the Strategic Cooperation Agreement, the cooperation between the Parties will focus on the projects developed by Shanxidadi in Shanxi Province, including projects on land rehabilitation, projects on solid waste disposal and projects on mine restoration, which accord with the industrial development policies of the People’s Republic of China and show good prospects. The scope of cooperation includes but is not limited to project financing, project development and implementation.

The Group is conducting a review on its businesses segments to determine future directions as well as explore financing options in the near future to strengthen the Group’s financial position. The Group will continue to seek business opportunities that will contribute to and sustain the Group’s future developments on generating better return to shareholders.

* 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

As at 30 June 2017, none of the Directors, chief executives and supervisors of the Company had any interests or short positions 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 are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed, to have such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

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 43 to the financial statements as included in the annual report of the Company for the year ended 31 March 2017.

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 1/4/2017	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding at 30/6/2017
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
13/1/2017	Consultants	HK\$0.275	13/1/2017 to 12/1/2020	61,600,000	-	-	-	-	61,600,000
				<u>109,634,704</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>109,634,704</u>

OTHER INFORMATION *(Continued)*

Directors' and Chief Executives' Rights to Acquire Shares or Debentures

At 30 June 2017, 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 2017, the register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that the following shareholder 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	18.29%

Save as disclosed above, at 30 June 2017, 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 2017, none of the directors, the substantial shareholders nor their respective associates had an interest 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 2017.

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 2017.

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 2017, 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 three independent non-executive directors namely, Mr. Chong Yiu Kan, Sherman, 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 2017.

Board of Directors

At the date of this report, the executive directors are Mr. Lien Wai Hung, Mr. Wu Xiaoming, Dr. Shen Furong, Mr. Wei Shu Jun and Ms. Zhu Qi; the independent non-executive directors are Mr. Wang Hsiang Hung, Mr. Chong Yiu Kan, Sherman, 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, 14 August 2017