



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)

* For identification only

Third Quarterly Report

2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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 GEM of the Stock Exchange (the “GEM Listing Rules”) 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.

THIRD QUARTERLY RESULTS (UNAUDITED)

The board of Directors (the “Board”) of Zhi Cheng Holdings Limited (the “Company”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months and the nine months ended 31 December 2018, together with the comparative figures for the corresponding periods in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Notes | For the three months ended 31 December | | For the nine months ended 31 December | |
|--|-------|--|---------------------------------|---------------------------------------|---------------------------------|
| | | 2018 (Unaudited) HK\$'000 | 2017 (Unaudited) HK\$'000 | 2018 (Unaudited) HK\$'000 | 2017 (Unaudited) HK\$'000 |
| Revenue | 4 | 32,047 | 25,443 | 80,809 | 63,507 |
| Cost of sales | | (25,386) | (14,013) | (66,696) | (41,639) |
| Gross profit | | 6,661 | 11,430 | 14,113 | 21,868 |
| Other income and gains | 5 | (31) | 386 | 1,524 | 3,411 |
| Administrative expenses | | (8,198) | (20,638) | (27,771) | (63,423) |
| Gain/(loss) on disposal of property, plant and equipment | | 3 | - | (94) | (159) |
| Loss on disposal of financial assets at fair value through profit and loss | | (2) | - | (1) | - |
| Gain/(loss) arising on change in fair value of financial assets at fair value through profit or loss | | - | 5 | - | (656) |
| Gain on disposal of subsidiaries | | - | 148 | - | 148 |
| Loss from operations | 6 | (1,567) | (8,669) | (12,229) | (38,811) |
| Finance costs | 7 | (897) | (1,090) | (2,876) | (4,135) |
| Loss before taxation | | (2,464) | (9,759) | (15,105) | (42,946) |
| Income tax expense | 8 | (31) | (124) | (44) | (37) |
| Loss for the period | | (2,495) | (9,883) | (15,149) | (42,983) |
| (Loss)/profit for the period attributable to: | | | | | |
| owners of the Company | | (3,310) | (11,032) | (15,133) | (46,217) |
| non-controlling interests | | 815 | 1,149 | (16) | 3,234 |
| | | (2,495) | (9,883) | (15,149) | (42,983) |
| Loss per share | | HK cents | HK cents | HK cents | HK cents |
| Basic and diluted | 9 | (0.10) | (0.35) | (0.47) | (1.59) |

| | For the three months ended 31 December | | For the nine months ended 31 December | |
|---|---|---------------------------------|--|---------------------------------|
| | 2018 (Unaudited) HK\$'000 | 2017 (Unaudited) HK\$'000 | 2018 (Unaudited) HK\$'000 | 2017 (Unaudited) HK\$'000 |
| Loss for the period | (2,495) | (9,883) | (15,149) | (42,983) |
| Other comprehensive income/(expense) for the period | | | | |
| Exchange differences on translation of financial statements of overseas subsidiaries | <u>9,883</u> | 11,565 | <u>(17,750)</u> | 22,753 |
| Other comprehensive income/(expense) for the period | <u>9,883</u> | 11,565 | <u>(17,750)</u> | 22,753 |
| Total comprehensive income/(expense) for the period | <u>7,388</u> | 1,682 | <u>(32,899)</u> | (20,230) |
| Total comprehensive (expense)/income attributable to: | | | | |
| owners of the Company | <u>8,407</u> | (548) | <u>(26,940)</u> | (25,756) |
| non-controlling interests | <u>(1,019)</u> | 2,230 | <u>(5,959)</u> | 5,526 |
| | <u>7,388</u> | 1,682 | <u>(32,899)</u> | (20,230) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Zhi Cheng Holdings Limited (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 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 19/F, Prosperity Tower, No. 39 Queen’s Road Central, Central, Hong Kong respectively.

The condensed consolidated financial statements 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. The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in advertising and media related services and financial leasing and other financial services.

2. BASIS OF PREPARATION AND CONSOLIDATION

The condensed consolidated financial statements for the nine months ended 31 December 2018 (the “Third Quarterly Financial Statements”) 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, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants.

The Third Quarterly Financial Statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 March 2018.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Third Quarterly Financial Statements are consistent with those followed in the preparation of the annual consolidated financial statements for the year ended 31 March 2018, except for the adoption of new standards and interpretations effective as of 1 April 2018. The adoption of the new standards and amendments does not have a material impact on the accounting policies of the Group, and the amounts reported for the current period and prior periods. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. REVENUE

| | For the three months ended 31 December | | For the nine months ended 31 December | |
|---|---|---------------|--|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 |
| Provision of advertising and media related services | 31,963 | 25,232 | 77,918 | 61,471 |
| Financial leasing and other financial services | 84 | 211 | 2,891 | 2,036 |
| | <u>32,047</u> | <u>25,443</u> | <u>80,809</u> | <u>63,507</u> |

5. OTHER INCOME AND GAINS

| | For the three months ended 31 December | | For the nine months ended 31 December | |
|---|---|---------------------------------|--|---------------------------------|
| | 2018 (Unaudited) HK\$'000 | 2017 (Unaudited) HK\$'000 | 2018 (Unaudited) HK\$'000 | 2017 (Unaudited) HK\$'000 |
| Bank interest income | 5 | 2 | 25 | 10 |
| Interest income on loan to independent third parties | (27) | 86 | 1,243 | 910 |
| Management fee income | (5) | 298 | 192 | 2,406 |
| Other (loss)/income | (4) | - | 64 | 85 |
| | <u>(31)</u> | <u>386</u> | <u>1,524</u> | <u>3,411</u> |

6. LOSS FROM OPERATIONS

| | For the three months ended 31 December | | For the nine months ended 31 December | |
|---|---|---------------------------------|--|---------------------------------|
| | 2018 (Unaudited) HK\$'000 | 2017 (Unaudited) HK\$'000 | 2018 (Unaudited) HK\$'000 | 2017 (Unaudited) HK\$'000 |
| The Group's loss from operation is arrived at after charging/(crediting): | | | | |
| Depreciation of property, plant and equipment | 459 | 736 | 1,384 | 2,332 |
| Loss on disposal of property, plant and equipment | 3 | - | 94 | 159 |
| Gain on disposal of subsidiaries | - | (148) | - | (148) |
| (Gain)/Loss on fair value changes on financial assets through profit or loss | - | (5) | - | 656 |
| Net foreign exchange gain/(loss) | 2 | (10) | (41) | (5) |
| Staff costs (including directors' remuneration) | <u>2,856</u> | <u>9,083</u> | <u>11,326</u> | <u>32,898</u> |

7. FINANCE COSTS

| | For the three months ended 31 December | | For the nine months ended 31 December | |
|---|---|---------------------------------|--|---------------------------------|
| | 2018 (Unaudited) HK\$'000 | 2017 (Unaudited) HK\$'000 | 2018 (Unaudited) HK\$'000 | 2017 (Unaudited) HK\$'000 |
| Interest on other borrowings | 897 | 876 | 2,829 | 3,334 |
| Interest on obligation under finance leases | - | 23 | 47 | 82 |
| Interest on corporate bond | - | 191 | - | 719 |
| | <u>897</u> | <u>1,090</u> | <u>2,876</u> | <u>4,135</u> |

8. INCOME TAX EXPENSE

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 nine months ended 31 December 2018 (2017: Nil).

The Group had no significant unprovided deferred tax assets and liabilities at 31 December 2018 (2017: Nil).

9. LOSS PER SHARE

Basic 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 31 December 2018 of approximately HK\$3.3 million (2017: HK\$11.0 million) and loss attributable to owners of the Company for the nine months ended 31 December 2018 of approximately HK\$15.1 million (2017: HK\$46.2 million) and the weighted average of 3,240,859,951 shares in issue during the three months ended 31 December 2018 (2017: 3,152,816,473 shares) and the weighted average of 3,240,859,951 shares in issue during the nine months ended 31 December 2018 (2017: 2,906,507,919 shares).

Diluted loss per share

Diluted loss per share for the three months and nine months ended 31 December 2018 and 2017 are the same as the respective basic loss per share because all potential dilutive ordinary shares would decrease the loss per share and, therefore, is anti-dilutive.

10. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Equity attributable to equity holders 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 2017 | 27,773 | 1,665,889 | 325,798 | 15,635 | 1,318 | (2,597) | (1,636,564) | 417,252 | 5,033 | 422,285 |
| (Loss)/profit for the period | - | - | - | - | - | - | (46,217) | (46,217) | 3,234 | (42,983) |
| Other comprehensive income/ (expense) for the period | - | - | - | - | - | 20,461 | - | 20,461 | 2,292 | 22,753 |
| Total comprehensive income/ (expense) for the period | - | - | - | - | - | 20,461 | (46,217) | (25,756) | 5,526 | (20,230) |
| Lapse of share options | - | - | - | (2,306) | - | - | 2,306 | - | - | - |
| Exercise of share options | 136 | 7,247 | - | (2,306) | - | - | - | 5,077 | - | 5,077 |
| Issue of new shares | 4,500 | 80,100 | - | - | - | - | - | 84,600 | - | 84,600 |
| Share issuing expenses | - | (3,021) | - | - | - | - | - | (3,021) | - | (3,021) |
| At 31 December 2017 | 32,409 | 1,770,215 | 325,798 | 11,023 | 1,318 | 17,864 | (1,680,475) | 478,152 | 10,559 | 488,711 |
| At 1 April 2018 | 32,409 | 1,770,215 | 325,798 | 11,023 | 1,318 | 38,217 | (1,694,297) | 484,883 | 18,316 | 502,999 |
| Loss for the period | - | - | - | - | - | - | (15,133) | (15,133) | (16) | (15,149) |
| Other comprehensive expense for the period | - | - | - | - | - | (11,807) | - | (11,807) | (5,943) | (17,750) |
| Total comprehensive expense for the period | - | - | - | - | - | (11,807) | (15,133) | (26,940) | (5,959) | (32,899) |
| Cancellation of share options | - | - | - | (11,023) | - | - | 11,023 | - | - | - |
| At 31 December 2018 | 32,409 | 1,770,215 | 325,798 | - | 1,318 | 26,410 | (1,698,407) | 457,743 | 12,357 | 470,100 |

MANAGEMENT DISCUSSION AND ANALYSIS

Dividend

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2018 (2017: Nil).

Business Review

Advertising and media related services

On 16 November 2018, the Company entered into a memorandum of cooperation with Beijing Nandou Culture & Media Co., Ltd. (北京南斗文化傳媒有限公司) (“Beijing Nandou”), a wholly owned subsidiary of the China Association of Performing Arts (the “CAPA”), pursuant to which the Company intends to commence business cooperation with Beijing Nandou in the arts and culture industry, each of the parties will actively develop their respective advantages in resources and utilize the areas in which their business operations overlap, so as to enhance the pace of development for resource integration, with a view to achieving mutual benefits.

On 27 December 2018, the Company, through a wholly-owned subsidiary in China (the “Subsidiary”), the Company has jointly formed a joint venture in Beijing (the “JV”) with Beijing Nandou, a wholly-owned subsidiary of CAPA, and Master Planet (Beijing) Culture & Art Development Co., Ltd. (巨匠星球(北京)文化藝術發展有限公司) (“Master Planet”). The registered capital of the JV is RMB10,000,000, of which the Subsidiary, Beijing Nandou and Master Planet agree to contribute RMB5,100,000, RMB2,500,000 and RMB2,400,000, respectively, representing their respective 51%, 25% and 24% equity interest in the JV.

The JV will innovate and create its best business model by converging the Asian advantages of each shareholder and actively integrating their resource chains. Relying on the Company’s cultural industry platform and professional financial service capability and utilizing CAPA’s own artists, performance venues, art drama clubs and other industry resources, the JV is committed to cultural and art education, exceptional cultural content and IP development to create offline, online and streaming media platforms for the promotion of China Performing Arts Exposition. A financial foundation and capital base will also be established by setting up industry funds and their management to support the development of the JV’s business.

On 4 December 2018, the Company entered into a memorandum of cooperation with Beijing Zhongcang-Shengdian Technology Co., Ltd. (北京中藏盛典科技有限公司) (“Zhongcang Shengdian”), pursuant to which the Company intends to commence business cooperation with Zhongcang Shengdian in the culture industry, actively develop their respective advantages in resources, conduct business consolidation, with a view to achieving mutual benefits and enhance business development.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(Continued)*

Advertising and media related services *(Continued)*

On 2 January 2019, the Company entered into a memorandum of cooperation with Beijing Feiyang Shidai Cultural Industry Co., Ltd. (北京飛揚時代文化產業有限公司) (“Feiyang Shidai”), pursuant to which the Company intends to commence business cooperation with Feiyang Shidai in cultural media and publication. Both parties will actively develop their respective advantages in resources to conduct business consolidation, therefore achieving mutual benefits and accelerating business development.

For the period under review, the revenue contributed by such segment was approximately HK\$77.9 million (2017: HK\$61.5 million) from advertising and media services projects in Hong Kong and the PRC.

Financial Leasing and other Financial Services

For the period under review, the revenue contributed by such segment was approximately HK\$2.9 million (2017: HK\$2.0 million) from financial leasing and other financial services in the PRC.

Financial Review

For the period under review, the revenue of the Group for the nine months ended 31 December 2018 was approximately HK\$80.8 million (2017: HK\$63.5 million), of which approximately HK\$77.9 million (2017: HK\$61.5 million) was generated from advertising and media related services; approximately HK\$2.9 million (2017: HK\$2.0 million) was generated from financial leasing and other financial services; representing an increase of approximately 27.24% as compared with the period ended 31 December 2017.

Loss attributable to owners of the Company for the nine months ended 31 December 2018 amounted to approximately HK\$15.1 million (2017: HK\$46.2 million). The change was mainly attributed to a decrease of 56.21% in administrative expenses to approximately HK\$27.8 million (2017: HK\$63.4 million), wherein was a decrease in staff costs to approximately HK\$11.3 million (2017: HK\$32.9 million); and counterbalanced by a decrease in gross profit to approximately HK\$14.1 million (2017: HK\$21.9 million).

Finance costs incurred for the period amounted to approximately HK\$2.9 million (2017: HK\$4.1 million). The decrease was mainly due to the reductions in interests on other borrowings and corporate bond as compared with the period ended 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Significant Investment

At 31 December 2018, the Group did not hold any significant investment.

Future Plans

On 31 January 2019, the Company entered into a subscription agreement with Dadi International Holding Limited (大地國際控股有限公司) (the “Subscriber”), a company incorporated in the British Virgin Islands with limited liability and an indirect non wholly-owned subsidiary of Shanxi Dadi Huanjing Investment Holdings Co., Ltd. (山西大地環境投資控股有限公司) (“Shanxi Dadi”), a state-owned enterprise established in the PRC, pursuant to which the Company agreed to allot and issue, and the Subscriber agreed to subscribe for, an aggregate of 324,085,995 subscription shares at the subscription price of HK\$0.178 per subscription share. The Directors are of the opinion that since (1) Shanxi Dadi’s financial business is highly related to the Company’s financial business; and (2) Shanxi Dadi’s environment protection business will support the incubation and development of new businesses of the Company and exploration of its profit growth drivers, the Directors believe that the subscription will allow the Company and Shanxi Dadi to utilise their respective edges and create synergy effects, which in turn facilitates the future development of the Group. The Directors also believe that the background of Shanxi Dadi as a state-owned enterprise can help enhance the reputation of the Company among domestic and overseas enterprises, while expanding the customer resources of the Company within the PRC as well as its investment and financing capabilities.

The aggregate gross proceeds of the subscription will amount to HK\$57,687,307.11 and the aggregate net proceeds, after the deduction of the related expenses, will be approximately HK\$56,100,000.

The Company intends to apply the net proceeds from the subscription for the purposes and in the amounts set forth below:

- (1) approximately 50% of the net proceeds, or approximately HK\$28.1 million, will be used for environmental protection investment including but not limited to (i) site visits for environmental investment projects; and (ii) preparation work for the establishment of cooperation funds;
- (2) approximately 40% of the net proceeds, or approximately HK\$22.4 million, will be used for the book publishing business under its advertising and cultural media segment, including but not limited to (i) acquisition of resources for the publication of books; (ii) expansion of upstream and downstream media and sales channels; and (iii) payment of expenses incurred during the course of the book publishing business, including the procurement of raw materials, printing and packaging; and
- (3) approximately 10% of the net proceeds, or approximately HK\$5.6 million, will be used for working capital and general corporate purposes of the Group.

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 31 December 2018, the interests and short position of the Directors and chief executive of the Company 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 have been 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 have been entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, are as follows:

Long positions in ordinary shares of HK\$0.01 each (the “Shares”) of the Company

| Name of director | Capacity/Nature of interest | Number of Shares held/interested | Approximate percentage of the Company's issued share capital |
|---------------------|-----------------------------|----------------------------------|--|
| Mr. Wu Xiaoming | Beneficial interest | 508,000,000 (Note 1) | 15.67% |
| Mr. Zhang Zihong | Beneficial owner | 166,000,000 | 5.12% |
| Mr. Zhang Xiongfeng | Beneficial owner | 162,909,900 | 5.03% |
| | Interest of spouse | 2,120,000 (Note 2) | 0.06% |
| | Sub-total | 165,029,900 | 5.09% |

Notes:

1. Mr. Wu Xiaoming (“Mr. Wu”), an executive director of the Company, entered into a sale and purchase agreement with a wholly-owned subsidiary of China Smartpay Group Holdings Limited (the “Vendor”) on 28 September 2017, pursuant to which the Vendor has agreed to sell, and Mr. Wu has agreed to purchase 508,000,000 ordinary shares of the Company. Mr. Wu is deemed to be interested in 508,000,000 shares upon entering of the abovementioned sale and purchase agreement.
2. These shares are owned by the spouse of Mr. Zhang Xiongfeng. Mr. Zhang Xiongfeng is deemed to be interested in all the shares held by his spouse under the SFO.

OTHER INFORMATION (Continued)

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 the annual report of the Company for the year ended 31 March 2018.

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 1/4/2018 | Granted during the period | Exercised during the period | Lapsed during the period | Cancelled during the period | Outstanding at 31/12/2018 |
|---------------|------------------------------|----------------|--------------------------|-------------------------|---------------------------|-----------------------------|--------------------------|-----------------------------|---------------------------|
| 10/03/2016 | Consultants | HK\$0.339 | 10/03/2016 to 09/03/2019 | 20,820,000 | - | - | - | (20,820,000) | - |
| 13/01/2017 | Consultants | HK\$0.275 | 13/01/2017 to 12/01/2020 | 61,600,000 | - | - | - | (61,600,000) | - |
| | | | | <u>82,420,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(82,420,000)</u> | <u>-</u> |

DIRECTORS AND CHIEF EXECUTIVES’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at 31 December 2018, 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.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

At 31 December 2018, so far as the Directors are aware, the following persons (not being a Director or chief executive of the Company) had or were deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO or which were recorded in the register of the Company required to be kept by the Company under Section 336 of the SFO, or who is, directly or indirectly, interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

OTHER INFORMATION *(Continued)*

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES *(Continued)*

Long position in the Shares of the Company

| Name of shareholder | Capacity | Interest in Shares | Percentage of the Company's issued share capital |
|---------------------------------------|------------------------------------|--------------------------------|--|
| China Smartpay Group Holdings Limited | Interest of controlled corporation | 508,000,000 <i>(Note 1)</i> | 15.67% |
| Vast Mega Limited | Interest of controlled corporation | 508,000,000 <i>(Note 1)</i> | 15.67% |
| Joy Grand Investment Limited | Beneficial owner | 508,000,000 <i>(Note 1)</i> | 15.67% |
| Mr. Zhang Zhihong | Beneficial owner | 166,000,000 | 5.12% |
| Mr. Zhang Xiongfeng | Beneficial owner | 162,909,900 | 5.03% |
| | Interest of spouse | 2,120,000 <i>(Note 2)</i> | 0.06% |
| | Sub-total | 165,029,900 | 5.09% |

Notes:

1. Joy Grand Investment Limited was beneficially and wholly-owned by Vast Mega Limited, which was in turn beneficially and wholly-owned by China Smartpay Group Holdings Limited. As such, each of Vast Mega Limited and China Smartpay Group Holdings Limited was deemed to be interested in the Shares held by Joy Grand Investment Limited.
2. These shares are owned by the spouse of Mr. Zhang Xiongfeng. Mr. Zhang Xiongfeng is deemed to be interested in all the shares held by his spouse under the SFO.

Save as disclosed above, as at 31 December 2018, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person or corporation other than the Directors and the Chief Executives whose interests are set out in the section "Directors' and Chief Executives' interests and short positions in Shares, underlying Shares and debenture of the Company and its associated corporations" above, had any interest or short position in the Shares or underlying Shares of the Company that was required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

COMPETING INTEREST

At 31 December 2018, 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.

OTHER INFORMATION *(Continued)*

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 nine months ended 31 December 2018.

CORPORATE GOVERNANCE

The corporate governance principles of the Company emphasise a quality Board, sound internal controls, transparency and accountability to all shareholders. By applying rigorous corporate governance practices, the Group believes that its accountability and transparency will be improved thereby instilling confidence to shareholders and the public. During the nine months ended 31 December 2018, the Group has complied with the code provisions in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the nine months ended 31 December 2018, 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 the non-executive director Mr. Zhang Xiongfeng and three independent non-executive directors namely, Mr. Law Yui Lun (the Chairperson), Dr. Zhang Wei and Dr. Li Zhan. The audit committee has reviewed the Group's unaudited consolidated financial statements for the nine months ended 31 December 2018.

BOARD OF DIRECTORS

At the date of this report, the board of Directors comprises two executive Directors, namely Mr. Wu Xiaoming and Mr. Zhang Zihong, one non-executive Director, namely Mr. Zhang Xiongfeng, and three independent non-executive Directors, namely Dr. Zhang Wei, Dr. Li Zhan and Mr. Law Yui Lun.

By Order of the Board
Zhi Cheng Holdings Limited
Wu Xiaoming
Executive Vice Chairman

Hong Kong, 11 February 2019