

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 GEM of the Stock Exchange 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 INTERIM RESULTS

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 six months ended 30 September 2017, together with the unaudited comparative figures for the six months ended 30 September 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Continuing operations					
Revenue	5	29,673	21,432	38,064	25,379
Cost of sales		(21,417)	(14,279)	(27,626)	(16,946)
Gross profit		8,256	7,153	10,438	8,433
Other income and gains	6	620	1,445	3,025	2,588
Administrative expenses		(21,851)	(19,802)	(42,785)	(34,187)
Loss on disposal of property, plant and equipment		-	-	(159)	-
Gain/(loss) arising on change in fair value of financial assets at fair value through profit or loss		64	-	(661)	-
Gain on disposal of subsidiaries		-	657	-	657
Loss from operations	7	(12,911)	(10,547)	(30,142)	(22,509)
Finance costs	8	(1,538)	(623)	(3,045)	(998)
Loss before taxation		(14,449)	(11,170)	(33,187)	(23,507)
Income tax credit/(expense)	9	101	(420)	87	(442)
Loss for the period from continuing operations		(14,348)	(11,590)	(33,100)	(23,949)
Discontinued operations					
Loss for the period from discontinued operations	10	-	(228)	-	(381)
Loss for the period		(14,348)	(11,818)	(33,100)	(24,330)

	Notes	For the three months ended		For the six months ended	
		30 September		30 September	
		2017	2016	2017	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/profit for the period attributable to:					
owners of the Company		(16,463)	(13,315)	(35,185)	(25,173)
non-controlling interests		2,115	1,497	2,085	843
		<u>(14,348)</u>	<u>(11,818)</u>	<u>(33,100)</u>	<u>(24,330)</u>
Loss per share					
<i>From continuing and discontinued operations</i>					
Basic and diluted	11	<u>(0.59) cents</u>	<u>(0.52) cents</u>	<u>(1.26) cents</u>	<u>(0.98) cents</u>
<i>From continuing operations</i>					
Basic and diluted	11	<u>(0.59) cents</u>	<u>(0.51) cents</u>	<u>(1.26) cents</u>	<u>(0.96) cents</u>
Loss for the period		(14,348)	(11,818)	(33,100)	(24,330)
Other comprehensive income/(expense) for the period					
Exchange differences on translation of financial statements of overseas subsidiaries		8,269	(1,493)	11,188	(6,524)
Reclassification of translation reserve upon disposal of subsidiaries		–	(1,033)	–	(1,033)
Other comprehensive income/(expense) for the period		<u>8,269</u>	<u>(2,526)</u>	<u>11,188</u>	<u>(7,557)</u>
Total comprehensive expense for the period		(6,079)	(14,344)	(21,912)	(31,887)
Total comprehensive (expense)/income for the period attributable to:					
owners of the Company		(9,208)	(15,946)	(25,208)	(32,180)
non-controlling interests		3,129	1,602	3,296	293
		<u>(6,079)</u>	<u>(14,344)</u>	<u>(21,912)</u>	<u>(31,887)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 September 2017	At 31 March 2017
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	12	10,550	11,734
Goodwill		17,221	17,221
Finance lease receivables – net	14	2,590	5,604
		<u>30,361</u>	<u>34,559</u>
Current assets			
Trade and other receivables	13	319,590	294,545
Deposit for film production		109,852	123,624
Deposit for purchase of film rights		31,716	30,481
Finance lease receivables – net	14	5,646	20,464
Financial assets at fair value through profit or loss		4,789	5,189
Bank balances and cash		6,380	13,310
		<u>477,973</u>	<u>487,613</u>
Current liabilities			
Trade and other payables	15	54,738	46,644
Corporate bond		4,000	7,706
Other borrowings	16	30,831	21,409
Obligation under finance leases		897	472
Tax payable		4,654	4,579
		<u>95,120</u>	<u>80,810</u>
Net current assets		<u>382,853</u>	<u>406,803</u>
Total assets less current liabilities		<u>413,214</u>	<u>441,362</u>

		At 30 September 2017	At 31 March 2017
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Capital and reserves			
Share capital	17	27,909	27,773
Reserves		369,212	389,479
		<hr/>	<hr/>
Equity attributable to owners of the Company		397,121	417,252
Non-controlling interests		8,329	5,033
		<hr/>	<hr/>
		405,450	422,285
		<hr/>	<hr/>
Non-current liabilities			
Trade and other payable	15	–	11,281
Other borrowings	16	7,043	6,768
Obligation under finance leases		721	1,028
		<hr/>	<hr/>
		7,764	19,077
		<hr/>	<hr/>
		413,214	441,362
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to equity shareholders of the Company

	Share-based compensation		Statutory reserve	Translation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	Contributed surplus	reserve						
At 1 April 2016	25,809	13,834	1,687	7,572	(1,529,234)	454,432	7,862	462,314
(Loss)/profit for the period	-	-	-	-	(25,173)	(25,173)	843	(24,330)
Other comprehensive expense for the period	-	-	-	(7,007)	-	(7,007)	(550)	(7,557)
Total comprehensive (expense)/income for the period	-	-	-	(7,007)	(25,173)	(32,180)	293	(31,887)
Disposal of subsidiaries	-	-	(402)	-	402	-	-	-
At 30 September 2016	25,809	13,834	1,285	565	(1,554,005)	422,252	8,175	430,427
At 1 April 2017	27,773	15,635	1,318	(2,597)	(1,636,564)	417,252	5,033	422,265
(Loss)/profit for the period	-	-	-	-	(35,185)	(35,185)	2,065	(33,100)
Other comprehensive income for the period	-	-	-	9,977	-	9,977	1,211	11,188
Total comprehensive income/(expense) for the period	-	-	-	9,977	(35,185)	(25,208)	3,296	(21,912)
Lapse of share options	-	(2,306)	-	-	2,306	-	-	-
Exercise of share options	136	(2,306)	-	-	-	5,077	-	5,077
At 30 September 2017	27,909	11,023	1,318	7,380	(1,669,449)	397,121	8,329	405,450

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Operating activities		
Cash used in operations	(14,904)	(260,727)
Tax refunded/(paid)	87	(506)
	<u> </u>	<u> </u>
Net cash used in operating activities	<u>(14,817)</u>	<u>(261,233)</u>
Investing activities		
Net cash inflow from disposal of subsidiary	–	6,085
Other cash flows arising from investing activities	236	(6,364)
	<u> </u>	<u> </u>
Net cash generated from/(used in) investing activities	<u>236</u>	<u>(279)</u>
Financing activities		
Proceeds from other borrowings	20,150	43,954
Repayment of other borrowings	(11,117)	–
Exercise of share options	5,077	–
Other cash flows arising from financing activities	(6,664)	821
	<u> </u>	<u> </u>
Net cash generated from financing activities	<u>7,446</u>	<u>44,775</u>
Net decrease in cash and cash equivalents	(7,135)	(216,737)
Cash and cash equivalents at beginning of period	13,310	226,503
Effect of foreign exchange rate changes	205	2,787
	<u> </u>	<u> </u>
Cash and cash equivalents at end of period	<u>6,380</u>	<u>12,553</u>
Analysis of cash and cash equivalents		
Cash and cash equivalents of the Group	<u>6,380</u>	<u>12,553</u>

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 Growth Enterprise Market (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 Room 2602, 26/F., China Insurance Group Building, 141 Des Voeux 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 provision of consultancy services, advertising and media related services, project management services, travel agency and related operations and financial leasing and other financial services.

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 September 2017 has been prepared in accordance with the Hong Kong Accounting Standards 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants, and applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statement, and should be read in conjunction with those of the annual report for the year ended 31 March 2017.

The condensed consolidated financial statements for the six months ended 30 September 2017 have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated financial statements for the six months ended 30 September 2017 are consistent with those followed in the preparation of the annual consolidated financial statements for the year ended 31 March 2017, except for the adoption of new standards and interpretations effective as of 1 March 2017. 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. SEGMENT INFORMATION

The Group manages its businesses by divisions which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments. No operating segments have been aggregated to form the following reportable segments.

- | | |
|-----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (i) Consultancy services: | Provision of consultancy and advisory services to entities in relation to the rechargeable stored value subscriber identity module ("SIM") card business in Hong Kong. |
| (ii) Advertising and media related services: | Engaged in designing, production, acting as agency and placement of advertisements, information consulting and marketing planning in the PRC. |
| (iii) Project management services: | Provision of PRC project management services to entities in relation to the operation and monitoring of radio frequency identification card system. |
| (iv) Travel agency and related operations: | Rendering travel agency services related to air ticketing and air/hotel packages in Hong Kong. |
| (v) Financial leasing and other financial services: | Provision of financial leasing and other financial services in the PRC. |

The operation of provision of medical information digitalisation system ("MIDS") has been discontinued and the segment information reported does not include any amount for the discontinued operation, which are described more detailed in note 10.

4. SEGMENT INFORMATION (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

For the six months ended 30 September 2017

	Consultancy services HK\$'000 (Unaudited)	Advertising and media related services HK\$'000 (Unaudited)	Project management services HK\$'000 (Unaudited)	Travel agency and related operations HK\$'000 (Unaudited)	Financial leasing and other financial services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue:						
Sales to external customers	-	36,239	-	-	1,825	38,064
Segment results	(3)	5,230	(3)	(162)	(19,823)	(14,761)
Unallocated other income and gains						1,108
Unallocated expenses						(16,489)
Loss from operations						(30,142)
Finance costs						(3,045)
Loss before taxation						(33,187)
Income tax credit						87
Loss for the period						(33,100)

4. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

The following is an analysis of the Group's revenue and results by reportable segment: (Continued)

For the six months ended 30 September 2016

	Consultancy services HK\$'000 (Unaudited)	Advertising and media related services HK\$'000 (Unaudited)	Project management services HK\$'000 (Unaudited)	Travel agency and related operations HK\$'000 (Unaudited)	Financial leasing and other financial services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue:						
Sales to external customers	–	23,630	–	97	1,651	25,378
Segment results	(3)	2,168	562	(475)	516	2,768
Unallocated other income and gains						2,101
Unallocated expenses						(27,378)
Loss from operations						(22,509)
Finance costs						(998)
Loss before taxation						(23,507)
Income tax expense						(442)
Loss for the period						(23,949)

4. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

At 30 September 2017

	Consultancy services HK\$'000 (Unaudited)	Advertising and media related services HK\$'000 (Unaudited)	Project management services HK\$'000 (Unaudited)	Travel agency and related operations HK\$'000 (Unaudited)	Financial leasing and other financial services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment assets	<u>3</u>	<u>322,997</u>	<u>3</u>	<u>359</u>	<u>92,156</u>	<u>415,518</u>
Unallocated assets						<u>92,816</u>
Total assets						<u>508,334</u>
Segment liabilities	<u>-</u>	<u>36,239</u>	<u>-</u>	<u>975</u>	<u>11,685</u>	<u>48,899</u>
Unallocated liabilities						<u>53,985</u>
Total liabilities						<u>102,884</u>

At 31 March 2017

	Consultancy services HK\$'000 (Audited)	Advertising and media related services HK\$'000 (Audited)	Project management services HK\$'000 (Audited)	Travel agency and related operations HK\$'000 (Audited)	Financial leasing and other financial services HK\$'000 (Audited)	Total HK\$'000 (Audited)
Segment assets	<u>1,813</u>	<u>258,103</u>	<u>1</u>	<u>362</u>	<u>136,999</u>	<u>397,278</u>
Unallocated assets						<u>124,894</u>
Total assets						<u>522,172</u>
Segment liabilities	<u>-</u>	<u>23,039</u>	<u>-</u>	<u>958</u>	<u>23,649</u>	<u>47,646</u>
Unallocated liabilities						<u>52,241</u>
Total liabilities						<u>99,887</u>

4. SEGMENT INFORMATION (Continued)

Other segment information

For the six months ended 30 September 2017

	Consultancy services HK\$'000 (Unaudited)	Advertising and media related services HK\$'000 (Unaudited)	Project management services HK\$'000 (Unaudited)	Travel agency and related operations HK\$'000 (Unaudited)	Financial leasing and other financial services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Addition to non-current assets	-	-	-	-	6	6
Depreciation of property, plant and equipment	-	465	-	-	588	1,053

For the six months ended 30 September 2016

	Consultancy services HK\$'000 (Unaudited)	Advertising and media related services HK\$'000 (Unaudited)	Project management services HK\$'000 (Unaudited)	Travel agency and related operations HK\$'000 (Unaudited)	Financial leasing and other financial services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Addition to non-current assets	-	33	-	-	529	562
Depreciation of property, plant and equipment	-	77	-	-	23	100

5. REVENUE

	For the three months ended 30 September		For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Continuing operations				
Financial leasing and other financial services	895	1,090	1,825	1,652
Provision of advertising and media related services	28,778	20,342	36,239	23,630
Provision of travel agency services	-	-	-	97
	<u>29,673</u>	<u>21,432</u>	<u>38,064</u>	<u>25,379</u>

6. OTHER INCOME AND GAINS

	For the three months ended 30 September		For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Continuing operations				
Bank interest income	1	20	8	20
Interest income on loan to independent third parties	404	795	824	795
Management fee income	154	630	2,108	1,301
Other income	61	-	85	472
	<u>620</u>	<u>1,445</u>	<u>3,025</u>	<u>2,588</u>

7. LOSS FROM OPERATIONS

	For the three months ended 30 September		For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
The Group's loss from continuing operation is arrived at after charging/(crediting):				
Cost of sales	21,417	14,279	27,626	16,946
Depreciation of property, plant and equipment	782	661	1,596	1,174
Loss on disposal of property, plant and equipment	-	-	159	-
Gain on disposal of subsidiaries	-	(657)	-	(657)
Loss on fair value changes on financial assets through profit or loss	64	-	661	-
Net foreign exchange loss/(gain)	9	240	(5)	(72)
Minimum lease payment under operating on premises	2,095	3,163	4,300	5,714
Staff costs (including directors' remuneration)	12,100	10,485	23,815	17,381

8. FINANCE COSTS

	For the three months ended 30 September		For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Continuing operations				
Interest on other borrowings	1,276	238	2,458	238
Interest on finance lease	32	8	59	10
Interest on corporate bond	230	377	528	750
Total	1,538	623	3,045	998

9. INCOME TAX (CREDIT)/EXPENSE

	For the three months ended 30 September		For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Continuing operations				
Current tax (credited)/charged:				
PRC Enterprise Income Tax	(101)	420	(87)	442
Total tax (credited)/charged	(101)	420	(87)	442

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 six months ended 30 September 2017 (2016: Nil).

The Group had no significant unprovided deferred tax assets and liabilities at 30 September 2017 (2016: Nil).

10. DISCONTINUED OPERATIONS

MIDS operations

On 13 March 2015 and 26 March 2015, the Group entered into two sale and purchase agreements with purchaser A and purchaser B to dispose of its entire registered capital of Jia Tai Hua Digital Technology (Tianjin) Company Limited* (嘉鈺華數碼科技(天津)有限公司) ("Jia Tai Hua") and Tianjin Yi Chen Electronic Technology Company Limited* (天津市逸晨電子科技有限公司) ("Yi Chen"), wholly owned subsidiaries of the Company, which carried out the Group's MIDS operations at a cash consideration of HK\$11,000,000 and HK\$1,000,000 respectively. The disposal was completed in July 2016.

Financial information relating to MIDS operation (Jia Tai Hua and Yi Chen) for the period to the date of disposal is set out below. The income statement and statement cash flow distinguish discontinued operations from continuing operations.

Income statement and cash flow information

	For the six months ended 30 September 2016 HKD'000 (Unaudited)
Expenses	(199)
Loss on disposal of subsidiaries	(182)
Loss from discontinued operations	(381)
Analysis of the cash flows of discontinued operation is as follows:	
Net cash outflow from operating activities	(13)

* for identification purpose only

11. 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 30 September 2017 of approximately HK\$16,463,000 (2016: HK\$13,315,000) and loss attributable to owners of the Company for the six months ended 30 September 2017 of approximately HK\$35,185,000 (2016: HK\$25,173,000) and the weighted average of 2,788,049,737 shares in issue during the three months ended 30 September 2017 (2016: 2,580,852,599 shares) and the weighted average of 2,782,680,668 shares in issue during the six months ended 30 September 2017 (2016: 2,580,852,599 shares).

Diluted loss per share

Diluted loss per share for the three months and six months ended 30 September 2017 and 2016 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.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group acquired property, plant and equipment of approximately HK\$626,000 (six months ended 30 September 2016: HK\$7,180,000) and items of property, plant and equipment with carrying amounts of approximately HK\$213,000 were disposed of (six months ended 30 September 2016: nil).

13. TRADE AND OTHER RECEIVABLES

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Trade receivables	35,891	24,116
Deposits	82,186	88,589
Prepayments	17,099	9,115
Other receivables	151,598	108,545
Loan receivables	32,816	64,180
	<hr/> 319,590 <hr/>	<hr/> 294,545 <hr/>

An aged analysis of the Group's trade receivables at the end of the reporting period is as follows:

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
0 – 30 days	20,869	2,287
31 – 60 days	–	281
61 – 90 days	8,640	105
Over 90 days	6,382	21,443
	<hr/> 35,891 <hr/>	<hr/> 24,116 <hr/>

14. FINANCE LEASE RECEIVABLES – NET

	At 30 September 2017 <i>HK\$'000</i> (Unaudited)	At 31 March 2017 <i>HK\$'000</i> (Audited)
Current portion	5,646	20,464
Non-current portion	2,590	5,604
	<u>8,236</u>	<u>26,068</u>

Certain rental vehicles and equipment have been leased out or disposed of through finance leases entered into by the Group. The average term of finance leases entered into is 1 to 3 years.

15. TRADE AND OTHER PAYABLES

	At 30 September 2017 <i>HK\$'000</i> (Unaudited)	At 31 March 2017 <i>HK\$'000</i> (Audited)
Trade payables	11,243	14,049
Accruals and other payables	38,762	41,695
Security deposit received	–	1,719
Receipt in advance	4,552	37
Other non-income tax payable	181	425
	<u>54,738</u>	<u>57,925</u>
Analysis as:		
Current	54,738	46,644
Non-current	–	11,281
	<u>54,738</u>	<u>57,925</u>

An aged analysis of the Group's trade payables at the end of the reporting period is as follows:

	At 30 September 2017 <i>HK\$'000</i> (Unaudited)	At 31 March 2017 <i>HK\$'000</i> (Audited)
0 – 30 days	93	868
31 – 60 days	25	408
61 – 90 days	–	4
Over 90 days	11,125	12,769
	<u>11,243</u>	<u>14,049</u>

16. OTHER BORROWINGS

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Unsecured other borrowings	<u>37,874</u>	<u>28,177</u>
The carrying amounts of the above borrowings are repayable:		
Within one year	30,831	21,409
Within a period of more than one year but not exceeding two years	7,043	6,768
Within a period of more than two years but not exceeding five years	<u>-</u>	<u>-</u>
	37,874	28,177
Less: amounts due within one year shown under current liabilities	<u>(30,831)</u>	<u>(21,409)</u>
	<u>7,043</u>	<u>6,768</u>

The other borrowings bear interest rate ranging from 4.8% to 15.0% per annum for the six months ended 30 September 2017 (year ended 31 March 2017: 4.8% to 15.0%).

17. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
At 1 April 2016, 31 March 2017, 1 April 2017 and 30 September 2017, ordinary shares of HK\$0.01 each	<u>20,000,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 1 April 2016, ordinary shares of HK\$0.01 each (Audited)	2,580,852,599	25,809
Exercise of share options	<u>196,400,000</u>	<u>1,964</u>
At 31 March 2017 and 1 April 2017, ordinary shares of HK\$0.01 each (Audited)	2,777,252,599	27,773
Exercise of share options	<u>13,607,352</u>	<u>136</u>
At 30 September 2017, ordinary shares of HK\$0.01 each (Unaudited)	<u>2,790,859,951</u>	<u>27,909</u>

18. COMMITMENTS

Operating lease commitment

The Group as lessee

At the end of the reporting period, the Group was committed to make the following future minimum lease payments in respect of office properties with lease terms under non-cancellable operating leases which are payable as follows:

	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Within one year	6,640	6,669
In the second to fifth years, inclusive	<u>12,736</u>	<u>15,750</u>
	<u>19,376</u>	<u>22,419</u>

Capital commitments

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Capital expenditure in respect of formation of joint venture company contracted for	<u>41,083</u>	<u>39,484</u>

19. MATERIAL RELATED PARTY TRANSACTION

Save as disclosed elsewhere in these condensed consolidated financial statements, the Group had no material transaction with related parties during the period.

20. EVENTS AFTER REPORTING PERIOD

On 25 September 2017, the Company entered into a conditional placing agreement with the placing agent whereby the Company has conditionally agreed to place, through the placing agent, on a best effort basis, a maximum of 450,000,000 ordinary shares at HK\$0.188 per placing share to not fewer than six placees who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons. On 19 October 2017, the Company issued and allotted 450,000,000 shares with the gross and net proceeds of approximately HK\$84,600,000 and HK\$82,000,000 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Dividend

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

Business Review

Advertising and media related services

During the period under review, the revenue contributed by such segment was approximately HK\$36.2 million (2016: HK\$23.6 million) from advertising and media services projects in Hong Kong and the PRC.

Provision of Financial Leasing and other Financial Services

During the period under review, the revenue contributed by such segment was approximately HK\$1.8 million (2016: HK\$1.7 million) from other financial services and financial leasing in the PRC.

Financial Review

For the period under review, the revenue of the Group for the six months ended 30 September 2017 was approximately HK\$38.1 million (2016: HK\$25.4 million), of which HK\$36.2 million was generated from provision of advertising and media related services (2016: HK\$23.6 million) and HK\$1.8 million was generated from provision of financial leasing and other financial services (2016: HK\$1.7 million); tantamount to an increase of approximately 50.0% as compared with the period ended 30 September 2016.

Loss attributable to owners of the Company for the six months ended 30 September 2017 amounted to approximately HK\$35.2 million (2016: HK\$25.2 million). The change was mainly attributed to an increase in administrative expenses to approximately HK\$42.8 million (2016: HK\$34.2 million), wherein was an increase in staff costs to approximately HK\$23.8 million (2016: HK\$17.4 million) and to an increase in advertising and promotion expenses to approximately HK\$1.3 million (2016: HK\$14,000).

Finance costs incurred for the period amounted to approximately HK\$3.0 million (2016: HK\$1.0 million). The increase was mainly due to the interest paid on a corporate bond issued by the Company and increased interest expenses.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Future Plans

The Group has strived to enter into strategic cooperation agreements with large state-owned enterprises, and has also been actively developing long term business cooperation relationships with domestic fund companies with a view to create extensive network and business advantages to facilitate the continuous, stable and healthy development of its core businesses, including the financial leasing and other financial services segment.

Looking forward, the Group will continue to develop its main business lines, targeting Mainland China as its core market to promote development in the Mainland, and establish management and business development centers in Beijing and Shanghai. The Group will further focus on the Beijing-Tianjin-Hebei Region, the Yangtze River Delta Region, the Southwestern Region and the Pearl River Delta Region centering around the Guangdong-Hong Kong-Macau Big Bay Area to form deployment around important strategic regions.

Cultural and sports will become one of the promising businesses in the PRC as a response to the promotion of the cultural and sports sector which is triggered by the domestic development of the One Belt One Road Initiative. As a result, the Group will also actively expand its key strategic industries, seeking and exploring culture media companies with industry characteristics and resource advantages to further extend to the cooperation projects of its two core business segments – “Culture and Sports + Financial Services” in an effort to establish an integrated financial services platform. The Group is currently seeking cooperation opportunities with well-known sports industry development companies engaged in sports education, training and operation in the PRC. The Group aims to explore development opportunities in this cultural and sports industry through its financial leasing and other financial related services business segment.

Liquidity and Financial Resources

At 30 September 2017, the Group had total assets of approximately HK\$508.3 million (31 March 2017: HK\$522.2 million), including cash and bank balances of approximately HK\$6.4 million (31 March 2017: HK\$13.3 million). During the period under review, the Group financed its operation mainly with internally generated cash flow, proceeds from issuance of shares and other borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Capital Structure

Save as disclosed below, there was no change in capital structure of the Group as at 30 September 2017 as compared with that at 31 March 2017.

During the six months period ended 30 September 2017, certain option holders exercised their option rights to subscribe for an aggregate of 13,607,352 shares at HK\$0.373 per share. The net proceeds from the exercise of option rights amounted to approximately HK\$5.1 million.

On 25 September 2017, the Company and the placing agent entered into the placing agreement pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, of up to 450,000,000 placing shares, to not less than six placees who and whose ultimate beneficial owners shall be independent third parties at the placing price of HK\$0.188 per placing share. The placing of 450,000,000 placing shares was completed on 19 October 2017.

Gearing Ratio

The gearing ratio, expressed as percentage of total liabilities over total assets, was 20.2% (31 March 2017: 19.1%). The increase in gearing ratio was mainly attributed to an increase in total liabilities and a decrease of equity during the period.

Charge on the Group's Assets

At 30 September 2017, there was no charge on the Group's assets.

Foreign Exchange Risks

The Group has not used any foreign currency derivative instruments to hedge its exposure to foreign exchange risk. However, the management monitors closely the exposures and will consider hedging the exposures should the need arise.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Commitments

At 30 September 2017, the Group, as a lessor, had operating lease commitments of approximately HK\$Nil (31 March 2017: HK\$Nil) and as a lessee, had operating lease commitment of approximately HK\$19.4 million (31 March 2017: HK\$22.4 million).

Contingent Liabilities

At 30 September 2017, the Group had no contingent liabilities (2016: Nil).

Material Acquisitions and Disposal of Subsidiaries and Affiliated Companies

Save as the acquisition disclosed in the “Management Discussion and Analysis” section, the Group had no other material acquisitions and disposal of subsidiaries and affiliated companies during the period under review.

Employees

At 30 September 2017, the Group had 138 employees (2016: 105). Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practices. The employees in Hong Kong joined the mandatory provident fund scheme. Other benefits include share options granted or to be granted under the share option scheme.

Significant Investment

At 30 September 2017, the Group did not hold any significant investment.

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 September 2017, the interests and short position of the then 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:

OTHER INFORMATION (Continued)

Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debenture of the Company and its Associated Corporations (Continued)

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. Wu Xiaoming	508,000,000 (Note)	18.20%

Note:

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.

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 30/9/2017
22/08/2014	Consultants	HK\$0.373	22/08/2014 to 21/08/2017	27,214,704	-	(13,607,352)	(13,607,352)	-	-
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>109,634,704</u>	<u>-</u>	<u>(13,607,352)</u>	<u>(13,607,352)</u>	<u>-</u>	<u>82,420,000</u>

OTHER INFORMATION *(Continued)*

Directors and Chief Executives' Rights to Acquire Shares or Debentures

Save as disclosed above, at 30 September 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 September 2017, 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 director, 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	18.20%

Save as disclosed above, at 30 September 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 September 2017, 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 six months ended 30 September 2017.

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 six months ended 30 September 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 six months ended 30 September 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. Law Yui Lun, Ms. Chan Wing Yan, Carman and Mr. Yeung Kwong Wai. The audit committee has reviewed the Group's unaudited consolidated financial statements for the six months ended 30 September 2017.

OTHER INFORMATION *(Continued)*

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 Dr. Zhang Wei, Mr. Law Yui Lun, Mr. Wang Hsiang Hung, 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 November 2017