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: 08130)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2018

CHARACTERISTICS OF THE 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.

* *For identification purposes only*

RESULTS

The board of directors (the "Board") of Zhi Cheng Holdings Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2018 together with the comparative figures for corresponding year 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Continuing operations			
Revenue	6	**69,218**	47,648
Cost of sales		**(46,769)**	(30,661)
Gross profit		**22,449**	16,987
Other income and gains, net	7	**4,649**	5,694
Administrative expenses		**(81,344)**	(134,043)
Gain on disposal of subsidiaries		**8,974**	476
(Loss)/gain arising on change in fair value of financial assets at fair value through profit or loss		**(1,957)**	505
Loss from operations	8	**(47,229)**	(110,381)
Finance costs	9	**(5,160)**	(3,480)
Loss before taxation		**(52,389)**	(113,861)
Income tax expense	10	**(697)**	(1,525)
Loss for the year from continuing operations		**(53,086)**	(115,386)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	14	**359**	(456)
Loss for the year		**(52,727)**	(115,842)
Loss for the year attributable to:			
Owners of the Company		**(60,037)**	(113,701)
Non-controlling interests		**7,310**	(2,141)
		(52,727)	(115,842)
Loss per share	11		
From continuing and discontinued operations			
Basic and diluted		**HK(2.01) cents**	HK(4.36) cents
From continuing operations			
Basic and diluted		**HK(2.02) cents**	HK(4.34) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	2018	2017
	HK$'000	*HK$'000*
Loss for the year	**(52,727)**	(115,842)
Other comprehensive income/(expense) for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**46,787**	(9,860)
Reclassification of translation reserve upon disposal of subsidiaries	**–**	(1,017)
Other comprehensive income/(expense) for the year, net of income tax	**46,787**	(10,877)
Total comprehensive expense for the year	**(5,940)**	(126,719)
Total comprehensive expense for the year attributable to:		
Owners of the Company	**(19,223)**	(123,870)
Non-controlling interests	**13,283**	(2,849)
	(5,940)	(126,719)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**7,728**	11,734
Goodwill		**17,221**	17,221
Available-for-sale financial assets		**200**	–
Finance lease receivables – net		**–**	5,604
		25,149	34,559
Current assets			
Trade and other receivables and deposits	*12*	**336,243**	294,545
Deposit for film production		**191,286**	123,624
Deposit for purchase of film rights		**40,426**	30,481
Finance lease receivables – net		**6,315**	20,464
Financial assets at fair value through profit or loss		**2**	5,189
Bank balances and cash		**16,404**	13,310
		590,676	487,613
Current liabilities			
Trade and other payables	*13*	**78,278**	46,644
Corporate bond		**–**	7,706
Other borrowings		**20,688**	21,409
Obligation under finance leases		**399**	472
Tax payable		**5,606**	4,579
		104,971	80,810
Net current assets		**485,705**	406,803
Total assets less current liabilities		**510,854**	441,362

	Notes	**2018**	2017
		HK$'000	*HK$'000*
Capital and reserves			
Share capital		**32,409**	27,773
Reserves		**452,274**	389,479
Equity attributable to owners of the Company		**484,683**	417,252
Non-controlling interests		**18,316**	5,033
		502,999	422,285
Non-current liabilities			
Other payable	*13*	**–**	11,281
Other borrowings		**7,505**	6,768
Obligation under finance leases		**350**	1,028
		7,855	19,077
		510,854	441,362

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Issued capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Share-based compensation reserve HK$'000	Statutory reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2016	25,809	1,608,966	325,798	13,834	1,687	7,572	(1,529,234)	454,432	7,882	462,314
Loss for the year	–	–	–	–	–	–	(113,701)	(113,701)	(2,141)	(115,842)
Other comprehensive expense for the year										
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	–	–	(9,152)	–	(9,152)	(708)	(9,860)
Reclassification of translation Reserve upon disposal of subsidiaries	–	–	–	–	–	(1,017)	–	(1,017)	–	(1,017)
Total comprehensive expense for the year	–	–	–	–	–	(10,169)	(113,701)	(123,870)	(2,849)	(126,719)
Transfer of statutory reserve	–	–	–	–	33	–	(33)	–	–	–
Disposal of subsidiaries	–	–	–	–	(402)	–	402	–	–	–
Recognition of equity-settled share-based payments	–	–	–	32,680	–	–	–	32,680	–	32,680
Lapse of share options	–	–	–	(6,002)	–	–	6,002	–	–	–
Exercise of share options	1,964	76,923	–	(24,877)	–	–	–	54,010	–	54,010
At 31 March 2017 and 1 April 2017	27,773	1,685,889	325,798	15,635	1,318	(2,597)	(1,636,564)	417,252	5,033	422,285
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(60,037)**	**(60,037)**	**7,310**	**(52,727)**
Other comprehensive income/(expense) for the year										
Exchange differences on translation of financial statements of overseas subsidiaries	**-**	**-**	**-**	**-**	**-**	**40,814**	**-**	**40,814**	**5,973**	**46,787**
Total comprehensive expense for the year	**-**	**-**	**-**	**-**	**-**	**40,814**	**(60,037)**	**(19,223)**	**13,283**	**(5,940)**
Lapse of share options	**-**	**-**	**-**	**(2,304)**	**-**	**-**	**2,304**	**-**	**-**	**-**
Exercise of share options	**136**	**7,247**	**-**	**(2,308)**	**-**	**-**	**-**	**5,075**	**-**	**5,075**
Placing of shares	**4,500**	**80,100**	**-**	**-**	**-**	**-**	**-**	**84,600**	**-**	**84,600**
Share issuing expense	**-**	**(3,021)**	**-**	**-**	**-**	**-**	**-**	**(3,021)**	**-**	**(3,021)**
At 31 March 2018	**32,409**	**1,770,215**	**325,798**	**11,023**	**1,318**	**38,217**	**(1,694,297)**	**484,683**	**18,316**	**502,999**

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 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 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 principal activity of the Company is investment holding and the principal activities of its subsidiaries are provision of advertising and media related services and financial leasing and other financial services.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycles

Amendments to Hong Kong Accounting Standard ("HKAS") 7 "Disclosure Initiative"

The Group has applied the amendments to HKAS 7 Disclosure Initiative for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note to the financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note to the financial statements, the application of these amendments has had no impact on the Group's consolidated financial statements.

Except as described above, the application of the other new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. ISSUED BUT NOT YET EFFECTIVE HKFRSS

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKAS 19	Plan amendment, curtailment and settlement[2]
Amendments to HKAS 28	Long-term interests in associates and joint ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKAS 40	Transfer of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual period beginning on or after 1 January 2021

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures. However, they do not anticipate that the application of HKFRS 15 will have a material financial impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it become effective.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to these consolidated financial statements. As at 31 March 2018, the Group's future minimum lease payments under non-cancellable operating leases is approximately HK$23,634,000. The directors of the Company do not expect the application of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's result, but it is expected that certain portion of the lease commitments will be regarded to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

The Group is in the process of assessing the potential impact of the other new and revised HKFRSs upon initial application but is not yet in a position to state whether the above new and revised HKFRSs, will have a significant impact on the Group's results of operations and financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs, which is a collective term that includes all applicable individual HKFRSs, HKASs and Interpretations ("Ints") issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of preparation

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

5. 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 two reportable segments. No operating segments have been aggregated to form the following reportable segments.

(i) Advertising and media related services: Engaged in designing, production, acting as agency and placement of advertisements, information consulting and marketing planning in the PRC.

(ii) Financial leasing and other financial services: Provision of financial leasing and other financial services in the PRC.

Three operations (consultancy services, project management services and travel agency and related operations) were discontinued during the year ended 31 March 2018. The segment information reported does not included any amounts for those discontinued operations, which are described in note 14.

For the purposes of assessing segment performances and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment revenue and results

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessments of segment performance for the years ended 31 March 2018 and 2017 is set out below:

	Advertising and media related services		**Financial leasing and other financial services**		**Total**	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue						
Sales to external customers	**66,852**	42,093	**2,366**	5,555	**69,218**	47,648
Segment results	**3,479**	671	**(30,498)**	(31,831)	**(27,019)**	(31,160)
Unallocated other revenue and gains					**10,853**	3,786
Unallocated expenses					**(31,063)**	(83,007)
Loss from operations					**(47,229)**	(110,381)
Finance costs					**(5,160)**	(3,480)
Loss before taxation					**(52,389)**	(113,861)
Income tax					**(697)**	(1,525)
Loss for the year					**(53,086)**	(115,386)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in both years.

The accounting policies of the reportable segments are the same as the Group's accounting policies as described in the annual report for the year ended 31 March 2018. Segment results represent the profit/(loss) earned/(suffered) by each segment without allocation of central administration cost including directors' remuneration, other revenue and gains, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

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

	Advertising and media related services		Financial leasing and other financial services		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**382,798**	258,103	**165,979**	136,999	**548,777**	395,102
Unallocated assets					**67,048**	127,070
Total assets					**615,825**	522,172
Segment liabilities	**38,729**	23,039	**24,001**	23,649	**62,730**	46,688
Unallocated liabilities					**50,096**	53,199
Total liabilities					**112,826**	99,887

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than available-for-sale investments and other unallocated head office and corporate financial assets. Goodwill is allocated to reportable segments; and

- all liabilities are allocated to reportable segments other than current and deferred tax liabilities, other unallocated head office and corporate financial liabilities and borrowings.

Other segment information

	Advertising and media related services		Financial leasing and other financial services		Subtotal		Unallocated		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest expenses	**–**	–	**–**	–	**–**	–	**(5,160)**	(3,480)	**(5,160)**	(3,480)
Addition to non-current assets*	**(69)**	(3,688)	**(130)**	(7,107)	**(199)**	(10,795)	**(620)**	(1,211)	**(819)**	(12,006)
Depreciation of property, plant and equipment	**(891)**	(484)	**(1,184)**	(742)	**(2,075)**	(1,226)	**(985)**	(2,207)	**(3,060)**	(3,433)

* Non-current assets excluded those relating to financial instruments.

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets* ("specified non-current assets"). The geographical location of customers is based on the location of the revenue derived, and the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, and the location of the operation to which they are allocated, in the case of intangible assets and goodwill.

The Group operates in two principal geographical areas – Hong Kong and the PRC (excluding Hong Kong).

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets*	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**19,647**	22,751	**1,834**	3,980
The PRC	**49,571**	24,911	**23,115**	24,975
Total	**69,218**	47,662	**24,949**	28,955

* Non-current assets excluded those relating to financial instruments.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2018	2017
	HK$'000	*HK$'000*
Customer A[1]	**20,220**	18,653
Customer B[1]	**9,800**	N/A[2]
Customer C[1]	**9,702**	N/A[2]

1 Revenue from advertising and media related services

2 The corresponding revenue did not contribute over 10% of the total revenue of the Group

6. REVENUE

Revenue represents the net amounts received and receivables from goods sold and rendering of services by the Group to customers, after allowances for returns and trade discounts where applicable and services rendered.

	2018 HK$'000	2017 HK$'000
Continuing operations		
Financial leasing and other financial services	**2,366**	5,555
Provision of advertising and media related services	**66,852**	42,093
Total	**69,218**	47,648

7. OTHER INCOME AND GAINS, NET

	2018 *HK$'000*	2017 *HK$'000*
Continuing operations		
Bank interest income	**22**	41
Interest income on loan to independent third parties	**1,871**	2,512
Management fee income	**865**	2,561
Loss on disposal of property, plant and equipment	**(154)**	–
Consultancy fee income	**1,683**	–
Other income	**362**	580
Total	**4,649**	5,694

8. LOSS FROM OPERATIONS

The Group's loss from operation has been arrived at after charging:

	2018 *HK$'000*	2017 *HK$'000*
Continuing operations		
Auditors' remuneration		
Audit service	**1,113**	1,113
Non-audit service	**198**	250
Cost of sales	**46,769**	30,661
Depreciation of property, plant and equipment	**3,060**	3,433
Net foreign exchange loss	**3,611**	9,087
Minimum lease payment under operating lease on premises	**10,798**	11,372
Share-based payment expenses in respect of consultancy services	**–**	32,680
Staff costs (including directors' remuneration)		
Salaries and allowances	**33,246**	38,010
Contribution to retirement benefits scheme	**3,883**	5,384
	37,129	43,394

9. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Interest on corporate bond	**719**	1,429
Interest on other borrowings	**4,336**	1,957
Interest on obligation under finance leases	**105**	94
Total	**5,160**	3,480

10. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Current tax charged:		
Hong Kong Profits tax	**25**	44
PRC Enterprise Income Tax	**672**	1,481
Total tax charge	**697**	1,525

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years.

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.

11. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

From continuing and discontinued operations

	2018	2017
	HK$'000	*HK$'000*
Loss		
Loss attributable to owners of the Company for the purposes of basic and diluted loss per share	**(60,037)**	(113,701)

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,988,950,886**	2,610,664,654

The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options since the exercise would result in a decrease in loss per share both years.

From continuing operations

	2018	2017
	HK$'000	*HK$'000*
Loss		
Loss attributable to owners of the Company for the purposes of basic and diluted loss per share	**(60,396)**	(113,245)

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,988,950,886**	2,610,664,654

The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options since the exercise would result in a decrease in loss per share both years.

From discontinued operations

Basic and diluted earnings per share for the discontinued operations is HK0.01 cents per share (2017: loss per share of HK$0.02 cents per share), based on the profit for the year from the discontinued operations of approximately HK$359,000 (2017: loss of approximately HK$456,000).

During the year ended 31 March 2018 and 2017, the Company's outstanding share options are not included in the calculation of diluted earnings/(loss) per share because the effect of the Company's outstanding share options are anti-dilutive and therefore the diluted earnings/(loss) per share are the same as the basic earnings/(loss) per share.

The denominators used are the same as those detailed above for both basic and dilutive loss per share.

12. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	2018	2017
	HK$'000	*HK$'000*
Trade receivables *(Note)*	**26,737**	24,116
Deposits	**153,471**	88,589
Prepayments	**7,990**	9,115
Other receivables	**78,496**	108,545
Loan receivables	**69,549**	64,180
	336,243	294,545

Note:

An aged analysis of the Group's trade receivables (which included in trade and other receivables), based on the date of revenue recognition and net of allowance for doubtful debts, at the end of the reporting period is as follows:

	2018	2017
	HK$'000	*HK$'000*
0 – 30 days	**1,693**	2,287
31 – 60 days	**212**	281
61 – 90 days	**2,786**	105
Over 90 days	**22,046**	21,443
	26,737	24,116

13. TRADE AND OTHER PAYABLES

	The Group	
	2018	2017
	HK$'000	*HK$'000*
Trade payables *(Note)*	**13,989**	14,049
Accruals and other payables	**51,222**	41,695
Security deposits received	**1,433**	1,719
Receipt in advance	**11,341**	37
Other non-income tax payable	**293**	425
	78,278	57,925
Analysis as:		
Current	**78,278**	46,644
Non-current	**–**	11,281
	78,278	57,925

Note:

An aged analysis of the Group's trade payables presented based on the invoice date at the end of the reporting period is as follows:

	2018	2017
	HK$'000	*HK$'000*
0 – 30 days	**1,157**	868
31 – 60 days	**454**	408
61 – 90 days	**5**	4
Over 90 days	**12,373**	12,769
	13,989	14,049

14. DISCONTINUED OPERATIONS

For the year ended 31 March 2018

Disposal of consultancy services

On 27 March 2018, the Company has entered into a sale and purchase agreement to dispose of its entire equity interest in Activepart Limited, a wholly-owned subsidiary of the Company to an independent third party. The disposal was completed on 27 March 2018.

Analysis of profit for the year from consultancy services operations

The results of the discontinued operations (i.e. consultancy services) included in the loss for the year ended 31 March 2018 and 2017 are set out below. The comparative figures in the consolidated statement of profit or loss have been restated to re-present the consultancy services operation as a discontinued operation.

	2018	2017
	HK$'000	*HK$'000*
Loss for the year from consultancy services operations		
Revenue	**–**	–
Cost of sales	**–**	–
Gross profit	**–**	–
Administrative expenses	**(4)**	(6)
Gain on disposal of subsidiary	**1**	–
Loss from operations	**(3)**	(6)
Income tax expense	**–**	–
Loss for the year	**(3)**	(6)
Cash flow from consultancy services operations:		
Net cash outflows from operating activities	**–**	–

Disposal of project management services

On 27 March 2018, the Company has entered into a sale and purchase agreement to dispose of its entire equity interest in Easy Ace Limited, a wholly-owned subsidiary of the Company to an independent third party. The disposal was completed on 27 March 2018.

Analysis of profit for the year from project management services

The results of the discontinued operations (i.e. project management services) included in the loss for the year ended 31 March 2018 and 2017 are set out below. The comparative figures in the consolidated statement of profit or loss have been restated to re-present the project management services operation as a discontinued operation.

	2018	2017
	HK$'000	*HK$'000*
Loss for the year from project management services operations		
Revenue	**–**	–
Cost of sales	**–**	–
Gross profit	**–**	–
Administrative expenses	**(4)**	(98)
(Loss)/gain on disposal of subsidiary	**(6)**	657
(Loss)/profit from operations	**(10)**	559
Income tax expense	**–**	–
(Loss)/profit for the year	**(10)**	559
Cash flow from project management services operations:		
Net cash outflows from operating activities	**–**	–

Disposal of travel agency and related operations

On 27 March 2018, the Company has entered into a sale and purchase agreement to dispose of its entire equity interest in Global Brilliant Tours (HK) Limited, a wholly-owned subsidiary of the Company to an independent third party. The disposal was completed on 27 March 2018.

Analysis of profit for the year from travel agency and related operations

The results of the discontinued operations (i.e. travel agency and related operations) included in the loss for the year ended 31 March 2018 and 2017 are set out below. The comparative figures in the consolidated statement of profit or loss have been restated to re-present the travel agency and related operations as a discontinued operation.

	2018 ***HK$'000***	2017 *HK$'000*
Loss for the year from travel agency and related operations		
Revenue	**–**	14
Cost of sales	**–**	–
Gross profit	**–**	14
Other income	**–**	–
Administrative expenses	**(292)**	(642)
Gain on disposal of subsidiary	**664**	–
Profit/(loss) from operations	**372**	(628)
Income tax expense	**–**	–
Profit/(loss) for the year	**372**	(628)
Cash flow from travel agency and related operations:		
Net cash outflows from operating activities	**(6)**	(254)

For the year ended 31 March 2017

Disposal of medical information digitalisation system ("MIDS") operations

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

Jia Tai Hua and Yi Chen carried out all of the Group's MIDS operations. The disposal of the Group's MIDS business is to streamline the Group's operations in the PRC.

Analysis of loss for the year from MIDS operations

The results of the discontinued operations, (i.e MIDS operations business) included in the loss for the year ended 31 March 2017 are set out below.

	2017 *HK$'000*
Loss for the year from MIDS operations	
Revenue	–
Cost of sales	–
Gross profit	–
Administrative expenses	(199)
Loss on disposal of subsidiaries	(182)
Loss from operations	(381)
Income tax expense	–
Loss for the year	(381)
Loss for the year from MIDS operations include the following:	
Minimum lease payment under operating lease on premises	27
Salaries and allowances	75
Contribution to retirement benefits schemes	28
Cash flow from MIDS operations:	
Net cash outflows from operating activities	(13)

* *For identification purpose only*

DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 March 2018 (2017: HK$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

Advertising and Media Related Services

In meeting PRC's increased demand for better cultural and publication products, the core output of the pan-entertainment industry have reached multi-hundred billion renminbi in 2017. While there are many interpretations of pan-entertainment, the fusion industry covers literature, animation, video, music, games, virtual reality, derivative merchandises and other forms of transmedia entertainment. The core is based on intellectual property models and its extension and it is generally believed that the upper stream is dominated by online literature and animation, the middle stream are film and television dramas, internet created contents, digital music, and the downstream are games, virtual reality and derivative merchandises. A good example would be PRC's leading technology company expanding into the cultural area. It is lead by the entertainment branch covering the animation, games, film and television, literature, and music and excelling in all areas.

Riding on the trend and policies for film industry promotion in the PRC, the Group is also venturing into investment in film productions and film rights in support to the increased demand for high quality movies and original media contents. On 22 December 2017, the Company entered into a strategic cooperation framework agreement (the "Framework Agreement") with Entertaining Power Co. Limited (the "Cooperation Party"), pursuant to which each of the Company and the Cooperation Party will respectively utilise their edge in the industry to invest, produce, promote and/or distribute relevant media and film related project(s) in Hong Kong, South East Asia and Mainland China. Pursuant to the Framework Agreement, the Company and the Cooperation Party (or their respective relevant subsidiaries) will form strategic cooperation with each other including but not limited to investment in, production, promotion and/or management of relevant media and film related project(s) in Hong Kong, South East Asia and Mainland China. It is expected that the strategic cooperation as contemplated under the Framework Agreement will allow the parties to utilise their respective edges in the industry and will create synergy effects.

Advertising and media related services in the PRC are provided by three subsidiaries of the Company, of which 上海思璇廣告有限公司 (Shanghai Si Xuan Advertisement Company Limited*, "Shanghai Si Xuan") were controlled by contractual arrangements and details and reasons for the contractual arrangements are disclosed in the Company's announcements dated 3 May 2012. The Group is reviewing the contractual arrangements for Shanghai Si Xuan and will consider unwinding the structured contracts when the conditions for a relaxation of foreign-funded advertising enterprise are met. Risks associated with the contractual arrangements included that the PRC Government may determine the structured contracts are not in compliance with applicable PRC laws, rules, regulations or policies; the structured contracts may not provide control as effective as direct ownership; the Group's ability to recover or reclaim any or all of the related

* *For identification purpose only*

interest in the event of breach of contractual terms by the PRC company and its PRC shareholders; and the imposition of additional tax on the structured contracts may be subject to scrutiny by the PRC tax authorities. The Group continues to monitor and arrange annual reviews of the contractual arrangements to mitigate the effects of the above risks.

During the year under review, the revenue contributed by such segment was approximately HK$66.9 million (2017: HK$42.1 million).

Provision of Financial Leasing and other Financial Services

During the year under review, the revenue contributed by this segment was approximately HK$2.4 million (2017: HK$5.6 million), representing a decrease of 57.1%. The loss of this business segment for the year ended 31 March 2018 was approximately HK$30.5 million (2017: HK$31.8 million), representing a decrease of 4.1%. The decrease in revenue was mainly due to a decrease in revenue generated from financial leasing area and the decrease in loss of this business segment was mainly attributable to exercise tighten cost control measures.

Financial Review

For the year under review, the revenue from continuing operations of the Group was approximately HK$69.2 million (2017: HK$47.6 million), of which approximately HK$66.9 million (2017: HK$42.1 million) was generated from advertising and media related services; approximately HK$2.4 million (2017: HK$5.6 million) was generated from provision of financial leasing and other financial services, thus representing an increase of approximately 45.4% as compared with that of the year ended 31 March 2017. Other income and gains amounted to approximately HK$4.6 million (2017: HK$5.7 million), a decrease of approximately 19.3% over the prior year.

Administrative expenses decreased by 39.3% to approximately HK$81.3 million from HK$134.0 million in prior year. The decrease was mainly attributed to a number of reasons: a decrease in share-based payment expenses to HK$Nil (2017: approximately HK$32.7 million); a decrease in staff costs to approximately HK$37.1 million (2017: HK$43.4 million); a decrease in consultancy expenses to approximately HK$6.5 million (2017: HK$13.0 million); a decrease in payment under operating lease on premises to approximately HK$10.8 million (2017: HK$11.4 million) and also a decrease in travelling, motor vehicle and office expenses amounting to approximately HK$6.0 million (2017: HK$10.1 million).

Finance costs increased to HK$5.2 million (2017: HK$3.5 million). The increase was mainly due to interest paid on a corporate bond issued by the Company and interest expenses paid on other borrowings.

Loss attributable to owners of the Company was approximately HK$60.0 million (2017: HK$113.7 million). The change was mainly attributed to a decrease in administrative expenses amounting to approximately HK$81.3 million (2017: HK$134.0 million) as mentioned above.

Prospects

The Group keeps to review on its business segments to determine future directions. In the future, with the view on more popularity in internet advertisement and in order to enhance the performance of advertising and media related segment, the Group started to operate online advertisement business in the second quarter of 2018. At the same time, the Group continued to remain cost conscious through stringent cost control measures in order to improve performance of the Group.

Looking ahead, the Group will continue to leverage on its experience, skillset and know-how to build new growth drivers and initiate new value-adding services. The Group will proactively seek business opportunities that will contribute and sustain the Group's future development on generating better return to shareholders.

Liquidity and Financial Resources

At 31 March 2018, the Group had total assets of approximately HK$615.8 million (2017: HK$522.2 million), including net cash and bank balances of approximately HK$16.4 million (2017: HK$13.3 million). The decrease in cash and bank balances coincided with impending business activities and operations of the Group during the year.

During the year under review, the Group financed its operations with internally generated cash flows and the proceeds from the issuance of new shares.

Capital Structure

During the year ended 31 March 2018, 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.

Save as disclosed below, there was no change in the capital structure of the Group at 31 March 2018 as compared with that at 31 March 2017.

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.

The net proceeds from the placing of approximately HK$81.6 million was utilized as to (i) approximately HK$29.0 million towards financial leasing and other financial services business segment as loans to independent third parties; (ii) approximately HK$29.0 million towards advertising and media business segment as deposits for media projects; and (iii) approximately HK$23.6 million as general working capital of the Group, of which approximately HK$13.3 million towards staff costs, approximately HK$6.5 million towards payment under operating lease on premises, approximately HK$3.1 million towards consultancy expenses and approximately HK$0.7 million towards travelling.

Charge on the Group Assets

As at 31 March 2018, the Group did not have any charge on its assets (2017: Nil).

Foreign Exchange Risk

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.

Commitments

At 31 March 2018, the Group, as a lessor, did not have operating lease commitments (2017: HK$Nil) and as a lessee, had operating lease commitment of approximately HK$23.6 million (2017: HK$22.4 million). The Group also had capital commitment in respect of the formation of joint venture company contracted for of approximately HK$43.8 million (2017: HK$39.5 million).

Contingent Liabilities

At 31 March 2018, the Group had no contingent liabilities (2017: HK$Nil).

Significant Investment

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

Material Acquisitions and Disposal of Subsidiaries and Affiliated Companies

On 23 January 2018, the Company entered into a non-legally binding memorandum of understanding (the "MOU") with a company established in the PRC. Details of the MOU are set out in the Company's announcement dated 23 January 2018.

For the year under review, the Group recorded a gain on disposal of subsidiaries amounted to approximately HK$9.6 million, which represented the aggregated amount of the loss on disposal of the entire registered capital of Sunny Chance Limited and its subsidiary; the gain on disposal of the entire registered capital of United Falcon Limited and its subsidiaries; the gain on disposal of the entire registered capital of Global Brilliant Tours (HK) Limited; the gain on disposal of the entire registered capital of Activepart Limited and the gain on disposal of the entire registered capital of Cheer Union Limited. For the corresponding year under review, the Group recorded a gain on disposal of subsidiaries amounted to approximately HK$1.0 million, which represented the aggregated amount of the gain on disposal of the entire registered capital of Jia Tai Hua Digital Technology (Tianjin) Company Limited* (嘉鈦華數碼科技（天津）有限公司); the loss on disposal of the entire registered capital of Tianjin Yi Chen Electronic Technology Company Limited* (天津市逸晨電子科技有限公司); the gain on disposal of the entire registered capital of Guangzhou Xun Zhi Tong Information Technology Company Limited* (廣州迅置通信息科技有限公司) and the gain on disposal of the entire registered capital of Shanghai Wangshi Jinfu Information Service Company Limited* (上海網實金服資料服務有限公司).

Save as disclosed above, the Group did not make any material acquisitions and disposal of subsidiaries and affiliated companies during the year ended 31 March 2018.

Purchase, sale or redemption of shares

During the year ended 31 March 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

* *For identification purpose only*

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 and one non-executive director namely, Mr. Law Yui Lun, Dr. Zhang Wei, Dr. Li Zhan and Mr. Zhang Xiongfeng. During the year, the audit committee held 4 meetings to review the Group's annual report, half year report and quarterly reports. The Group's annual results for the year ended 31 March 2018 have been reviewed by the audit committee.

Corporate Governance Practices

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 year ended 31 March 2018.

Terms of non-executive Directors

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.

Compliance with Rules 5.48 to 5.67 of the GEM Listing Rules

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors have complied with such code of conduct and the required standard of dealings regarding directors' securities throughout the year ended 31 March 2018.

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

Hong Kong, 28 June, 2018

As at the date of this announcement, the Board of the Company comprises three executive Directors, namely Mr. Lien Wai Hung, 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.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the Company's website at www.zhicheng-holdings.com.