

ZEBRA STRATEGIC HOLDINGS LIMITED

施伯樂策略控股有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 8260

THIRD QUARTERLY REPORT 2013



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

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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 “Director”) of Zebra Strategic Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects 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 THIRD QUARTERLY RESULTS

The board of Directors (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and nine months ended 31 December 2013 together with the comparative unaudited figures for the corresponding period in 2012 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 31 December 2013

	Notes	(Unaudited) For the three months ended		(Unaudited) For the nine months ended	
		31 December 2013 HK\$'000	31 December 2012 HK\$'000	31 December 2013 HK\$'000	31 December 2012 HK\$'000
Revenue	3	47,659	48,072	144,470	133,118
Direct costs		(44,538)	(42,221)	(133,928)	(116,539)
Gross profit		3,121	5,851	10,542	16,579
Other income	3	–	–	286	472
General and administrative expenses		(3,511)	(2,423)	(9,734)	(6,821)
Other operating expense		–	–	–	(1,583)
Operating (loss)/profit		(390)	3,428	1,094	8,647
Finance costs	4	(38)	(120)	(223)	(776)
(Loss)/Profit before income tax		(428)	3,308	871	7,871
Income tax expense	5	–	–	(233)	(336)
(Loss)/Profit for the period		(428)	3,308	638	7,535
Other comprehensive income for the period		–	–	–	–
Total comprehensive (expense)/income for the period attributable to owners of the Company		(428)	3,308	638	7,535
Earnings per share for (loss)/profit attributable to owners of the Company — Basic and diluted (HK cents)	6	(0.001)	0.010	0.002	0.023

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

Zebra Strategic Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 24 February 2012 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company’s registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company’s principal place of business is located at 5th Floor, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The principal activity of the subsidiaries (together with the Company referred to as the “Group”) is the provision of staff outsourcing services. The Group is also engaged in the provision of executive/staff search services and other human resources support services.

The Company’s shares were listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 10 April 2013 (the “Listing”).

2. BASIS OF PREPARATION

The unaudited accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and complied with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They are prepared under the historical cost conversion.

The unaudited consolidated results for the nine months ended 31 December 2013 have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

The accounting policies and basis of preparation used in the preparation of the unaudited consolidated results are consistent with those used in the Company’s annual financial statements for the year ended 31 March 2013. It should be noted that accounting estimates and assumptions are used in preparation of unaudited consolidated results. Although these estimates are based on management’s best knowledge and judgement to current events and actions, actual results may ultimately differ from those estimates.

The HKICPA has issued certain new and revised HKFRSs. For those which are effective for accounting period beginning on 1 April 2013, the adoption of the new HKFRSs had no material impact on how the result and financial positions for the current and prior periods have been prepared and presented. For those which are not effective and have not been early adopted in prior accounting periods, the Group is in the process of assessing their impact on the Group’s results and financial position.

3. REVENUE AND OTHER INCOME

The Group is principally engaged in the provision of staff outsourcing services and the provision of executive/staff search services and other human resources support services.

An analysis of the Group's revenue and other income is as follows:

	(Unaudited) For the three months ended		(Unaudited) For the nine months ended	
	31 December 2013 HK\$'000	31 December 2012 HK\$'000	31 December 2013 HK\$'000	31 December 2012 HK\$'000
Revenue				
Staff outsourcing services	44,578	42,554	134,908	118,574
Executive/Staff search services	2,333	2,125	7,421	8,245
Other human resources support services	748	3,393	2,141	6,299
	47,659	48,072	144,470	133,118
Other income				
Bank interest income	-	-	286	472
	-	-	286	472
	47,659	48,072	144,756	133,590

4. FINANCE COSTS

	(Unaudited) For the three months ended		(Unaudited) For the nine months ended	
	31 December 2013 HK\$'000	31 December 2012 HK\$'000	31 December 2013 HK\$'000	31 December 2012 HK\$'000
Interest charges on:				
Bank borrowings, which contain a repayment on demand clause, wholly repayable within five years	4	101	179	745
Obligation under a finance lease	34	19	44	31
	38	120	223	776

5. INCOME TAX EXPENSE

	(Unaudited)		(Unaudited)	
	For the three months ended		For the nine months ended	
	31 December 2013 HK\$'000	31 December 2012 HK\$'000	31 December 2013 HK\$'000	31 December 2012 HK\$'000
Current tax				
— Hong Kong Profits Tax				
— charged for the year	—	—	233	336
— The People's Republic of China (the "PRC") Enterprise Income Tax				
— charged for the year	—	—	—	—
	—	—	233	336

Hong Kong profits tax have been provided for at 16.5% on the estimated assessable profits for the nine months ended 31 December 2013.

No provision for the PRC income taxes have been made during the period as the Group had no assessable profits derived in the PRC for the period (2012: nil).

No provision for deferred tax has been provided in the financial statement since there is no material timing difference.

6. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company for the three months and nine months ended 31 December 2013 is based on the unaudited net loss of HK\$428,000 for the three months ended 31 December 2013 and the unaudited net profit of HK\$638,000 for nine months ended 31 December 2013 respectively (For the three months and nine months ended 31 December 2012 unaudited net profit: HK\$3,308,000 and HK\$7,535,000 respectively), and the weighted average number of ordinary shares of approximately 400,000,000 in issue during the period ended (nine months ended 31 December 2012: 325,000,000 shares of the Company in issue, being the number of shares in issue immediately after capitalization issue as if these shares had been issued) throughout the period. The details of the capitalization issue are published in note 24(f) to the financial statements, included in the annual report of the Company for the year ended 31 March 2013, dated 26 June 2013.

No diluted earnings per share is calculated for the nine months ended 31 December 2013 and 2012 as there were no dilutive potential ordinary shares in existence.

7. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve* HK\$'000	Retained earnings* HK\$'000	Total equity HK\$'000
At 1 April 2012 (Audited)	-	-	100	14,783	14,883
Total comprehensive income for the period	-	-	-	7,535	7,535
At 31 December 2012 (Unaudited)	-	-	100	22,318	22,418
At 1 April 2013 (Audited)	313	-	(213)	15,043	15,143
Issue of shares upon Placing	750	30,000	-	-	30,750
Issue of shares upon Capitalisation	2,937	(2,937)	-	-	-
Expenses incurred in connection with the issue of shares during the period	-	(4,585)	-	-	(4,585)
Total comprehensive income for the period	-	-	-	638	638
At 31 December 2013 (Unaudited)	4,000	22,478	(213)	15,681	41,946

* The total of these balances represents "Reserves" in the consolidated statement of financial position.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2013 (2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group recorded an unaudited revenue of approximately HK\$144,470,000 for the nine months ended 31 December 2013, a 8% increase as compared with the last corresponding period of the previous year (2012: HK\$133,118,000).

The Group incurred a net profit of approximately HK\$638,000 during the nine months ended 31 December 2013, as compared to a net profit of approximately HK\$7,535,000 for the same period of last financial year. The decrease of profit was mainly due to an increase in the Group's direct cost related to staff outsourcing services and executive service services, together with a special bonus paid to the Group's employees in connection with the success of the Listing earlier this year. In addition, there was a significant drop in revenue for the eHRIS software due to the upgrading and enhancement of the software. This has affected the net profit of the Group to decrease by approximately HK\$2,500,000 as compared with the last corresponding period of the previous year.

Gross profit for the nine months ended 31 December 2013 was approximately HK\$10,542,000 representing a decrease of 36% as compared with the last corresponding period (2012: HK\$16,579,000). The gross profit margin of the Group for the nine months ended 31 December 2013 was 7%, notably lower when compared with the last corresponding period (2012: 12%).

The Group's administrative expenses for the nine months ended 31 December 2013 amounted to approximately HK\$9,734,000 representing an increase of 43% compared with the last corresponding year (2012: HK\$6,821,000). The increase is due to legal and professional fee related to the post listing matters, and the increase in salary expenses and special bonus paid to employees in connection with the listing.

OPERATION REVIEW

The Group is continuously engaged in the provision of staff outsourcing services, executive staff search services and other human resources support services.

Demand for staff outsourcing services from the banking sector remained strong for the three months ended 31 December 2013. The Group's unaudited revenue from staff outsourcing services was approximately HK\$44,578,000 showing an increase of 5% when compared to approximately HK\$42,554,000 for the corresponding period of the previous year.

Revenue from executive/staff search services increased marginally by approximately 10%, when compared to the corresponding period of the previous year. For the three months ended 31 December 2013, the unaudited revenue for executive/staff search services was approximately HK\$2,333,000 as compared to the unaudited revenue for the corresponding period of previous year of HK\$2,125,000. The increase was mainly attributed to the sustainable growth in the retail economy on the fast moving consumer goods and luxury brand sectors in Hong Kong. As Hong Kong's luxury brand sector has continued to attract shoppers from China, this has contributed greatly in sustaining the need of executive/staff search services.

Revenue from human resources support services has result a significant drop. For the three months ended 31 December 2013, unaudited revenue is approximately HK\$748,000, decrease of 78% when compared to the corresponding period of previous year being approximately HK\$3,393,000. The decrease was mainly due to the upgrading and re-programming of the software, which affected the sales of the software to new clients. The Group is preparing to re-launch the software with a more enhanced version to its customers and is confident that revenue will pick up once the software upgrading is completed.

PROSPECTS

The Group has made significant progress with its business expansion into China. The Group is now in preparation to set up other wholly owned foreign enterprises in Qian Hai, Guangzhou and Shanghai. Strategic potential partners have been identified, and the Group aims to commence operations and tender projects once licenses are granted. The Group is confident that with their expertise and knowledge in the human resources field, the China market should generate positive impacts to the Group's financial results in the near future.

Upgrading of the eHRIS software has had some set back due to some integration issues to accommodate specific China payroll and tax specifications. However, having overcome these specifications, the Group is satisfied that the enhanced software will be of much demand by their customers. Additionally, together with their business expansion in Qian Hai, Guangzhou and Shanghai, sales for the software will be promising.

The Group remains focused on its business developments and intends to maintain its competitiveness in the market as the leading human resource services provider in Hong Kong and China.

DIRECTORS AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2013, the interests and short positions of the directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO") as recorded in the register required to be kept under Section 352 of SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.46 to 5.68 of the GEM Listing Rules were as follows:

LONG POSITION IN ORDINARY SHARES AND UNDERLYING SHARES

Name of Directors	Nature of interests	Number of Shares held	Approximate percentage of issued share capital
Chang, Tin Duk Victor ("Mr. Chang")	Interest in controlled corporation	204,000,000 (Note 1)	51%
Kung, Phong ("Mr. Kung")	Interest in controlled corporation	204,000,000 (Note 1)	51%

LONG POSITION IN SHARES OF ASSOCIATED CORPORATION

Name of Directors	Name of associated corporation	Nature of interests	Number of shares held/interested	Percentage of interest
Mr. Chang	Z Strategic Investments Ltd. ("Z Strategic")	Beneficial owner (Note 1)	3	50%
Mr. Kung	Z Strategic Investments Ltd. ("Z Strategic")	Beneficial owner (Note 1)	3	50%

Note:

- These 204,000,000 Shares are held by Z Strategic, which in turn is wholly and beneficially owned by Mr. Chang and Mr. Kung in equal shares. As such, each of Mr. Chang and Mr. Kung is deemed under the SFO to be interested in these 204,000,000 Shares held by Z Strategic. Each of Mr. Chang and Mr. Kung is a director of Z Strategic.

INTERESTS AND SHORT POSITIONS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors or chief executives of the Company, as at 31 December 2013, the following persons/entities have an interest or a short position in the shares or the underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO, or who will be, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Name	Nature of interests	Number of Shares held	Approximate percentage of issued share capital
Z Strategic	Beneficial owner	204,000,000	51%
Tong Shing Ann, Sharon	Interest of spouse (<i>Note 1</i>)	204,000,000	51%
Lee Man Ching	Interest of spouse (<i>Note 2</i>)	204,000,000	51%

Notes:

1. Ms. Tong Shing Ann, Sharon, the spouse of Mr. Chang, is deemed under the SFO to be interested in these 235,000,000 Shares in which Mr. Chang is deemed to be interested.
2. Ms. Lee Man Ching, the spouse of Mr. Kung, is deemed under the SFO to be interested in these 235,000,000 Shares in which Mr. Kung is deemed to be interested.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased or sold any of the Company's listed securities during the nine months ended 31 December 2013. The Company had not redeemed any of its listed securities during the nine months ended 31 December 2013.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees 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. The Company has also made specific enquiry of all Directors who have confirmed their compliance with required standard set out in the Securities Code during the nine months ended 31 December 2013.

CORPORATE GOVERNANCE

During nine months ended 31 December 2013, the Company has complied with all the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 15 of the GEM Listing Rules, except for the deviation from the code provision of A.2.1 of the Code.

COMPETITION AND CONFLICT OF INTEREST

None of the directors, the management shareholders or substantial shareholders of the Company or any of its respective associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during nine months ended 31 December 2013.

REMUNERATION COMMITTEE

The Company established a remuneration committee in March 2013. The primary duties of the remuneration committee are to review and make recommendation for the remuneration policy of the directors and senior management. The chairman of the remuneration committee is Mr. Lam Raymond Shiu Cheung and other members include one executive Director, namely Mr. Chang Tin Duk Victor, and Mr. Ng Kwan Ho Andy and Mr. Tam Tak Kei Raymond, both of them are independent non-executive directors of the Company.

NOMINATION COMMITTEE

The Company established a nomination committee in March 2013. The primary duties of the nomination committee are to formulate nomination policy and make recommendation to the Board on nomination and appointment of the directors and board succession. The chairman of the nomination committee is Mr. Tam, Tak Kei Raymond and other members include one executive Director, namely Mr. Chang Tin Duk Victor, and Mr. Ng Kwan Ho Andy and Mr. Lam Raymond Shiu Cheung, both of them are independent non-executive directors of the Company.

AUDIT COMMITTEE

The Company established an audit committee in March 2013 with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee are, among other things, to make recommendation to the Board on the appointment, re-appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting, and oversee internal control procedures of the Company. The chairman of the audit committee is Mr. Ng, Kwan Ho Andy and other members include Mr. Raymond Shiu Cheung and Mr. Tam, Tak Kei Raymond, all of them are independent non-executive directors of the Company.

The Group's unaudited results for the nine months ended 31 December 2013 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

By Order of the Board
Zebra Strategic Holdings Limited
Chang Tin Duk, Victor
Chairman

Hong Kong, 13 February 2014

Executive Directors as at the date of this report:

Mr. Chang Tin Duk, Victor (*Chairman*)

Mr. Kung Phong

Independent Non-executive Directors as at the date of this report:

Mr. Ng Kwan Ho, Andy

Mr. Lam, Raymond Shiu Cheung

Mr. Tam Tak Kei, Raymond