



# XING LIN MEDICAL INFORMATION TECHNOLOGY COMPANY LIMITED

杏林醫療信息科技有限公司\*

(formerly known as Brilliant Arts Multi-Media Holding Limited)  
(incorporated in the Cayman Islands and continued in Bermuda with limited liability)  
(Stock Code: 8130)

Interim Report **2010**



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

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This report, for which the directors (the “Directors”) of Xing Lin Medical Information Technology Company Limited (the “Company”) 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 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.

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## Highlights

1. Turnover of the Group from continuing operations for the six months ended 30 September 2010 was approximately HK\$8.8 million (2009: HK\$0.7 million) representing an increase of approximately 11.4 times as compared to the corresponding period in 2009.
2. Loss attributable to owners of the Company for the six months ended 30 September 2010 was approximately HK\$172.8 million (2009: HK\$4.6 million).
3. Loss per share for the six months ended 30 September 2010 was approximately HK\$19.50 cents (2009: HK\$36.23 cents).
4. The Board does not recommend the payment of any dividend for the six months ended 30 September 2010 (2009: Nil).

## Unaudited Interim Results

The board of Directors (the “Board”) of Xing Lin Medical Information Technology Company Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2010, together with the unaudited comparative figures for the corresponding period in 2009 as follows:

### Unaudited Condensed Consolidated Income Statement

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
<b>Continuing operations</b>					
Turnover	2	2,004	356	8,828	710
Cost of sales		(1,513)	-	(6,895)	-
<b>Gross profit</b>		491	356	1,933	710
Other income	2	2	948	4	1,600
Other operating expenses		(23,154)	(1,187)	(49,139)	(2,781)
Changes in fair value in respect of conversion option embedded in convertible notes receivables		-	-	-	(1,610)
Loss arising on early redemption of promissory note		(13,624)	-	(100,732)	-
<b>Profit/(Loss) from operations</b>		(36,285)	117	(147,934)	(2,081)
Finance costs	4	(11,153)	(27)	(25,056)	(53)
Profit/(Loss) before taxation	5	(47,438)	90	(172,990)	(2,134)
Income tax	6	-	-	-	-
<b>Profit/(Loss) for the period from continuing operations</b>		(47,438)	90	(172,990)	(2,134)
<b>Discontinued operations</b>					
Profit/(Loss) for the period from discontinued operations	8	59	(2,504)	209	(2,504)
<b>Loss attributable to owners of the Company</b>		(47,379)	(2,414)	(172,781)	(4,638)
<b>Earnings/(Loss) per share:</b>	7	HK cent(s)	HK cent(s)	HK cent(s)	HK cent(s)
- Basic and diluted					
- From continuing operations		(4.68)	0.70	(19.52)	(16.67)
- From discontinued operations		0.01	(19.53)	0.02	(19.56)
		(4.67)	(18.83)	(19.50)	(36.23)

## Unaudited Interim Results

### Unaudited Condensed Consolidated Statement of Comprehensive (Loss)/Income

	For the three months ended 30 September		For the six months ended 30 September	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
<b>Loss for the period</b>	<b>(47,379)</b>	(2,414)	<b>(172,781)</b>	(4,638)
<b>Other comprehensive income for the period</b>				
Exchange differences on translation of financial statements of foreign operations	552	712	149	1,496
<b>Total comprehensive loss for the period</b>	<b>(46,827)</b>	(1,702)	<b>(172,632)</b>	(3,142)
<b>Total comprehensive loss attributable to owners of the Company</b>	<b>(46,827)</b>	(1,702)	<b>(172,632)</b>	(3,142)

# Unaudited Interim Results

## Condensed Consolidated Statement of Financial Position

	At 30 September 2010 HK\$'000 (Unaudited)	At 31 March 2010 HK\$'000 (Audited)
<b>Non-current assets</b>		
Property, plant and equipment	2,291	1,667
Investment properties	56,979	57,254
Goodwill	134,449	1,449
Intangible assets	1,122,108	1,158,057
Deferred tax assets	831	818
Deposit for investments	167,500	145,000
<b>Total non-current assets</b>	<b>1,484,158</b>	1,364,245
<b>Current assets</b>		
Inventory and stock	2,993	–
Trade receivables	21,806	18,137
Deposits, prepayments and other receivables	14,800	5,931
Bank balance and cash	142,541	328,766
<b>Total current assets</b>	<b>182,140</b>	352,834
<b>Current liabilities</b>		
Trade payables	9,443	11,418
Accruals, deposit received and other payables	4,610	3,209
Bank loan	463	469
Tax payable	1,438	1,039
<b>Total current liabilities</b>	<b>15,954</b>	16,135

## Unaudited Interim Results

	At 30 September 2010 HK\$'000 (Unaudited)	At 31 March 2010 HK\$'000 (Audited)
<b>Net current assets</b>	<b>166,186</b>	336,699
<b>Total assets less current liabilities</b>	<b>1,650,344</b>	1,700,944
<b>Non-current liabilities</b>		
Promissory note	213,452	320,440
Convertible bonds	167,164	167,638
Bank loan	1,101	1,345
Deferred tax liabilities	3,658	3,702
	<b>385,375</b>	493,125
<b>Equity</b>		
Issued capital	11,391	73,247
Reserves	1,253,578	1,134,572
<b>Total equity</b>	<b>1,264,969</b>	1,207,819
	<b>1,650,344</b>	1,700,944



# Unaudited Interim Results

## Unaudited Condensed Consolidated Statement of Changes in Equity

	Share capital	Share premium	Contributed surplus	Share-based compensation reserve	Convertible bonds reserve	Statutory reserve	Translation reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 April 2009	12,569	98,535	87,254	4,200	-	-	(2,288)	(9,594)	190,676
Comprehensive period income for the period	-	-	-	-	-	-	1,496	(4,638)	(3,142)
Capital reduction	(11,538)	(99,135)	110,673	-	-	-	-	-	-
Recognition of equity-settled share-based payment	-	-	-	482	-	-	-	-	482
Shares issue upon exercise of share option	251	600	-	(223)	-	-	-	-	628
At 30 September 2009	1,282	-	197,927	4,459	-	-	(792)	(14,232)	188,644
At 1 April 2010	73,247	641,041	197,928	4,293	374,195	394	911	(84,190)	1,207,819
Comprehensive period income for the period	-	-	-	-	-	-	149	(172,781)	(172,632)
Open offer	18,311	164,806	-	-	-	-	-	-	183,117
Placing of new shares	1,899	37,021	-	-	-	-	-	-	38,920
Share issues expenses	-	(2,670)	-	-	-	-	-	-	(2,670)
Capital reduction	(85,434)	-	85,434	-	-	-	-	-	-
Conversion of new shares from convertible bonds	3,368	29,555	-	-	(22,508)	-	-	-	10,415
At 30 September 2010	11,391	869,753	283,362	4,293	351,687	394	1,060	(256,971)	1,264,969

## Unaudited Interim Results

### Unaudited Condensed Consolidated Cash Flow Statement

	Six months ended	
	30 September	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(24,352)	(3,032)
Net cash used in investing activities	(158,463)	(101,302)
Net cash (used in)/generated from financing activities	(3,650)	431
Net decrease in cash and cash equivalents	(186,465)	(103,903)
Cash and cash equivalents at beginning of period	328,766	142,409
Effect of foreign exchange rate changes	240	(657)
Cash and cash equivalents at end of period	142,541	37,849
Analysis of bank balances and cash equivalents		
Bank balances and cash	142,541	37,849

# Notes to the Condensed Consolidated Financial Statements

## 1. Basis of Preparation and Principal Accounting Policies

The unaudited consolidated results have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Growth Enterprises Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (collectively as “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They have been prepared under historical cost convention except for investment properties and certain financial instruments, which are measured at fair values.

The unaudited consolidated results do not include all the information and disclosure required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2010, which have been prepared in accordance with HKFRSs. The accounting policies used in the unaudited consolidated results are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2010, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 March 2011.

The HKICPA has issued a number of new standards, amendments and interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group’s unaudited consolidated results.

## Notes to the Condensed Consolidated Financial Statements

HKAS 1 (Revised) has introduced a number of terminology changes, including revised titles for the quarterly consolidated financial statements, and has resulted in a number of changes in presentation and disclosures.

The adoption of other new standards, amendments and interpretations has no material impact on the results and the financial position of the Group for the current or prior accounting periods. Accordingly, no prior year adjustment is required.

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective for the six months ended 30 September 2010:

HKFRSs (Amendments)	Improvements to HKFRSs <sup>1</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>3</sup>
HKFRS 9	Financial Instruments <sup>6</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>4</sup>
HKAS 32	Classification of Right Issue <sup>2</sup>
HK(IFIC) – Int 14 (Amendments)	Prepayments of a minimum funding requirement <sup>4</sup>
HK(IFIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>3</sup>
HKFRS 7 (Revised)	Disclosures – Transfers of Financial Assets <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010, 1 January 2011 and 1 July 2011 as appropriate

<sup>2</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2013

All significant transactions and balances within the Group have been eliminated on consolidation.

The unaudited condensed consolidated financial statements have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

# Notes to the Condensed Consolidated Financial Statements

## 2. Turnover and Other Income

The principal activities of the Group are the development and provision of medical information digitalization system (“MIDS”) and properties investment.

An analysis of the turnover and other income of the Group during the reporting periods is as follows:

	For the three months ended 30 September		For the six months ended 30 September	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Continuing operations				
Turnover				
MIDS	1,616	–	8,034	–
Gross rentals from investment properties	388	356	794	710
	2,004	356	8,828	710
Discontinued operations				
Film distribution	89	6,265	269	6,265
	2,093	6,621	9,097	6,975
Continuing operations				
Other income				
Bank interest income	2	–	4	3
Imputed interest income	–	948	–	1,597
	2	948	4	1,600
	2,095	7,569	9,101	8,575

# Notes to the Condensed Consolidated Financial Statements

## 3. Segment Information

The Group manages its businesses by business lines. 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 identified two reportable segments as follows:

**Properties investments:** Leasing of properties to generate rental income. Currently the Group's properties investments is located entirely in Canada.

**MIDS Segment:** Provision of RFID system and HIS system, currently the Group's MIDS portfolio is entirely located in the PRC.

The results of the reportable segments and the reconciliation to the corresponding consolidated totals in the accounts are shown below:

	Continuing operations				Discontinued operations					
	Property investments business		MIDS business		Sub-Total		Sub-Total		Total	
	For the six months ended 30 Sep		For the six months ended 30 Sep		For the six months ended 30 Sep		For the six months ended 30 Sep		For the six months ended 30 Sep	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue from external customers	794	710	8,034	-	8,828	710	269	6,265	9,097	6,975
Reportable segment profit/(loss)	-	321	(6,895)	-	(6,895)	321	(60)	(2,505)	(6,955)	(2,184)
Unallocated finance cost and operating expenses	-	-	-	-	-	-	-	-	(174,927)	(4,054)
Unallocated income	-	-	-	-	-	-	-	-	4	1,600
Loss before income tax	-	-	-	-	-	-	-	-	(172,781)	(4,638)
Other information										
Interest expense	35	53	-	-	35	53	-	-	35	53
Depreciation of property, plant and equipment	-	-	339	165	339	165	-	-	339	165
Amortization of intangible assets	-	-	37,950	-	37,950	-	-	-	37,950	-
Amortization of film rights	-	-	-	-	-	-	-	5,986	-	5,986
	At 30 Sep 2010	At 31 Mar 2010	At 30 Sep 2010	At 31 Mar 2010	At 30 Sep 2010	At 31 Mar 2010	At 30 Sep 2010	At 31 Mar 2010	At 30 Sep 2010	At 31 Mar 2010
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	58,398	60,044	1,297,859	1,193,996	1,356,257	1,254,040	-	-	1,356,257	1,254,040
Unallocated assets	-	-	-	-	310,041	463,039	-	-	310,041	463,039
Additions to property, plant and equipment	-	26	963	881	963	907	-	1,288	963	2,195
Reportable liabilities	9,292	6,144	11,421	13,143	20,713	19,287	-	-	20,713	19,287
Unallocated liabilities	-	-	-	-	380,616	489,973	-	-	380,616	489,973

# Notes to the Condensed Consolidated Financial Statements

## 4. Finance Costs

	For the three months ended 30 September		For the six months ended 30 September	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Interest on bank loans wholly repayable within five years	17	27	35	53
Effective interest expenses on convertible bonds wholly repayable within five years	4,857	–	9,941	–
Effective interest expenses on promissory note	6,279	–	15,080	–
	<b>11,153</b>	27	<b>25,056</b>	53

## 5. Profit/(Loss) before Taxation

Profit/(Loss) before taxation has been arrived at after charging/(crediting):

	For the three months ended 30 September		For the six months ended 30 September	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Amortization of film rights (included in cost of sales)	–	5,986	–	5,986
Amortization of intangible assets	18,039	–	37,950	–
Depreciation of property, plant and equipment	183	93	339	165
Loss arising on early repayment of promissory note	13,624	–	100,732	–
Net foreign exchange loss/(gain)	66	(330)	74	(558)
Staff costs including directors' emoluments	2,086	731	3,892	1,768

# Notes to the Condensed Consolidated Financial Statements

## 6. Income Tax

- (i) No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits in Hong Kong or the estimated assessable profit was wholly absorbed by tax losses brought forward for the six months ended 30 September 2010 (2009: Nil).
- (ii) No provision for overseas income tax was made as the Company's overseas subsidiaries did not have taxable income for the six months ended 30 September 2010 (2009: Nil).
- (iii) The Group had no significant unprovided deferred tax assets and liabilities at 30 September 2010 (2009: Nil).

## 7. Earnings/(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 2010 of approximately HK\$47.4 million (2009: HK\$2.4 million) and loss attributable to owners of the Company for the six months ended 30 September 2010 of approximately HK\$172.8 million (2009: HK\$4.6 million) and the weighted average of 1,012,739,620 shares in issue during the three months ended 30 September 2010 (2009: 12,820,350 shares, as adjusted for share consolidation) and the weighted average of 886,377,296 shares in issue during the six months ended 30 September 2010 (2009: 12,801,119 shares, as adjusted for share consolidation). The comparative figure of basic loss per share for the three months and six months ended 30 September 2010 had been re-calculated to reflect the share consolidation taken place on 9 August 2010.

The diluted loss per share is equal to the basic loss per share as the exercise of share options and conversion of all outstanding convertible bonds would have anti-dilutive effects.



# Notes to the Condensed Consolidated Financial Statements

## 8. Discontinued Operations

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

	For the three months ended 30 September		For the six months ended 30 September	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Turnover	89	6,265	269	6,265
Other operating expenses	(30)	(8,769)	(60)	(8,769)
Profit/(Loss) before taxation	59	(2,504)	209	(2,504)
Income tax	-	-	-	-
Profit/(Loss) for the period from discontinued operations	59	(2,504)	209	(2,504)

## 9. Property, Plant and Equipment

	HK\$'000
At 1 April 2010	1,667
Additions	963
Depreciation for the period	(339)
<b>At 30 September 2010</b>	<b>2,291</b>

## Notes to the Condensed Consolidated Financial Statements

### 10. Trade Receivables

An aged analysis of the trade receivables is as follows:

	At 30 September 2010 HK\$'000 (Unaudited)	At 31 March 2010 HK\$'000 (Audited)
Within 30 days	6,978	18,137
31 – 90 days	14,828	–
	<b>21,806</b>	<b>18,137</b>

### 11. Trade Payables

An aged analysis of the trade payables is as follows:

	At 30 September 2010 HK\$'000 (Unaudited)	At 31 March 2010 HK\$'000 (Audited)
Within 30 days	8,063	11,418
31 – 90 days	1,380	–
	<b>9,443</b>	<b>11,418</b>

# Notes to the Condensed Consolidated Financial Statements

## 12. Share Capital

	Number of shares	HK\$'000
<b>Authorised:</b>		
At 1 April 2010 and 30 September 2010, ordinary shares of HK\$0.01 each	20,000,000,000	200,000
<b>Issued and fully paid:</b>		
At 1 April 2010, ordinary shares of HK\$0.01 each	7,324,668,455	73,247
Open Offer of new shares	1,831,167,113	18,311
Conversion of convertible bonds	336,842,105	3,368
Share Consolidation (10 into 1)	(8,543,409,906)	(85,434)
Placing of new shares	189,850,000	1,899
At 30 September 2010, ordinary shares of HK\$0.01 each	1,139,117,767	11,391

## 13. Promissory Note

	At 30 September 2010 HK\$'000 (Unaudited)	At 31 March 2010 HK\$'000 (Audited)
Liability component at 1 April	320,440	–
Issued during the period	–	309,256
Repayment during the period	(122,068)	(6,676)
Interest expense	15,080	17,860
Liability component at 30 September	213,452	320,440

## Notes to the Condensed Consolidated Financial Statements

### 14. Convertible Bonds

	At 30 September 2010 HK\$'000 (Unaudited)	At 31 March 2010 HK\$'000 (Audited)
Liability component at 1 April	167,638	–
Issued during the period	–	222,470
Conversion during the period	(10,415)	(66,299)
Interest expense	9,941	11,467
Liability component at 30 September	167,164	167,638

# Management Discussion and Analysis

## Interim Dividend

The Board does not recommend the payment of any dividend for the six months ended 30 September 2010 (2009: Nil).

## Business Review

The Group is principally engaged in the development and provision of custom built wireless (“Wi-Fi”) radio frequency identification (“RFID”) medical information digitalization system (“MIDS”) in both local area network (“LAN”) and metropolitan area network (“MAN”) to healthcare sector in the PRC and property investment.

On 24 September 2010, Gold Asia Technology Limited (“GAT”), a wholly owned subsidiary of the Company, entered into an agreement pursuant to which GAT had conditionally agreed to purchase 100% of the total registered and paid up capital of Tianjin Yi Chen Electronic Technology Company Limited, a company incorporated in the PRC (“TYC”) at a total consideration of, subject to post valuation adjustment, HK\$45,000,000. The main asset of TYC is the Co-operation Agreement and the Strategic Co-operation Agreement. The Co-operation Agreement sets out the framework for building and operating of the Regional Healthcare Information Collation Platform (“RHICP”) based on Electronic Health Record in Liuzhou city in the PRC. Pursuant to the Strategic Co-operation Agreement which the TYC has agreed to provide financial support including marketing of the collaboration platform, construction of the regional operation centers, construction of the central computer cluster and the training, maintenance and upgrade of the platform, and is expected to obtain a share of the subscription fees from medical institutions in return for the financial support provided. The acquisition will enable the Group to further penetrate the healthcare information technology market sector by providing an affordable solution to smaller scale healthcare institutions. The software on demand operation model employed by the RHICP is flexible and scalable, thus allowing the focused use of resources on developing competitive advantage rather than hardware infrastructure at individual hospitals.

# Management Discussion and Analysis

## Financial Review

For the six months ended 30 September 2010, for continuing operations turnover of the Group was approximately HK\$8.8 million, of which HK\$8.0 million (2009: HK\$Nil) was generated from rollout of MIDS, and HK\$0.8 million (2009: HK\$0.7 million) was generated from the leasing of an investment property located at Canada.

Loss attributable to owners of the Company for the six months ended 30 September 2010 amounted to approximately HK\$172.8 million (2009: HK\$4.6 million). The increase in loss was mainly attributed to a significant increase in other operating expenses and financial costs as explained below.

Other operating expenses increased by 16.5 times to approximately HK\$49.1 million from HK\$2.8 million in prior year. Such increase was mainly attributed to the amortization expenses of intangible assets approximately HK\$37.9 million (2009: HK\$Nil); legal and professional fees of approximately HK\$3.0 million (2009: HK\$0.9 million); salaries and allowances of approximately HK\$3.9 million (2009: HK\$1.8 million); overseas travelling expenses of approximately HK\$2.0 million (2009: HK\$0.02 million).

Finance costs increased by 471.8 times to approximately HK\$25.1 million from HK\$0.05 million in prior year. The increase was mainly attributed to the accrual of effective interest expenses on the promissory note and convertible bonds issued by the Company.

## Future Plans

Despite the overall economic climate around the globe have improved, the management remains cautiously in the development of its existing business by keeping track of their performance from time to time. The management will also take a number of measures to control the overall cost to enhance the operation efficiency of the Group. On the other hand, the Group will continue to seek for new opportunities in other areas in order to secure a stable source of revenue and diversify the earnings base of the Group.

## Management Discussion and Analysis

On 8 October 2010, the Company entered into a placing agreement with Kingston Securities Limited (the “Placing Agent”), pursuant to which, the Company has conditionally agreed to place, through the Placing Agent, up to 1,600,000,000 placing shares in one or more tranches provided that the number of the placing shares for each tranche is in integral multiples of 1,000,000 (the “Placing Shares”), on a best efforts basis, to independent placees at a price of HK\$0.10 per Placing Share. The maximum gross proceeds and the maximum net proceeds will be HK\$160 million and approximately HK\$158 million respectively. On the same day, the Company entered into the Subscription Agreement with Growth Harvest Limited, who has conditionally agreed to subscribe for the convertible bonds in the principal amount of HK\$150 million with the right to convert into 1,500,000,000 shares (the “Conversion Share”) at the initial conversion price of HK\$0.10 per Conversion Share. The aggregate subscription price shall be satisfied by setting off against part of the outstanding principal amount of promissory note in the sum of HK\$150 million.

On 18 October 2010, the Company entered into an agreement with Guangdong Jingxun Advanced Development Company Limited (the “Guangdong Jingxun”) in relation to the formation of the joint venture Company (the “JV Company”). The JV Company will be engaged principally in planning, designing and operation of (i) emergency medical rescue center; (ii) BeiDou/GPS satellite positioning and tracking platform; (iii) intelligent traffic control system (iv) mobile visual surveillance and control system; and (v) vehicle location monitoring center. Guangdong Jingxun is an all-in-one solution provider for the development, production, sales and service of satellite navigation and positioning systems. The PRC Partner owns proprietary platforms and service systems in areas such as BeiDou/GPS satellite positing and tracking, mobile video surveillance, emergency rescue alarm call centre, and involves in development, production and sales of mobile terminals and related system software. Guangdong Jingxun will be responsible for the planning, setting up, operation and maintenance of the above businesses to be undertaken of the JV Company, including the procurement of the technical know-how in terms of both software and hardwares. Through the JV Company, the Group will be allowed to participate in providing emergency medical rescue center and satellite positioning system applications in the PRC, which there will be considerable market potential given the increasing demand in PRC.

## Management Discussion and Analysis

### Liquidity and Financial Resources

At 30 September 2010, the Group had total assets of approximately HK\$1,666.3 million (31 March 2010: HK\$1,717.1 million), including cash and bank balances of approximately HK\$142.5 million (31 March 2010: HK\$328.8 million). During the period under review, the Group financed its operation with internally generated cash flows and proceeds from the issuance of new shares.

On 20 August 2010, the Company entered into a placing agreement (the “Placing Agreement”) with the Placing Agent, pursuant to which, the Company has conditionally agreed to place, through the Placing Agent, up to 189,850,000 placing shares, on a best efforts basis, to place at a placing price of HK\$0.205 per placing share (the “Placing”). The gross proceeds and the net proceeds from the Placing would be approximately HK\$38.9 million and HK\$38.4 million respectively. The Placing shares were issued under the General Mandate granted to the Directors by resolution of the Shareholders passed at the annual general meeting held on 6 August 2010 subject to the limit up to 20% of the then issued share capital of the Company as at the date of the annual general meeting. The Placing was completed on 30 August 2010.

On 24 September 2010, the Company entered into a placing agreement with the Placing Agent, pursuant to which, the Company has conditionally agreed to place, through the Placing Agent, up to 227,800,000 placing shares, on a best efforts basis, to place at a placing price of HK\$0.181 per placing share (the “2nd Placing”). The gross proceeds and the net proceeds from the 2nd Placing would be approximately HK\$41.2 million and HK\$40.8 million respectively. The 2nd Placing was completed on 5 October 2010.



## Management Discussion and Analysis

At 30 September 2010, the total borrowings of the Group amounted to HK\$382.2 million (2009: 489.9 million), comprising:

- (a) the liability component of approximately HK\$213.5 million in respect of the promissory note with a principal amount of HK\$379.2 million issued to Growth Harvest Limited as part of the consideration of the acquisition of Sunny Chance Limited which is unsecured, interest free and maturing in 6 October 2010;
- (b) the liability component of approximately HK\$167.2 million in respect of the convertible bonds with an aggregate principal amount of HK\$500 million issued to Growth Harvest Limited as part of the consideration of the acquisition of Sunny Chance Limited which is unsecured, interest free and maturing in 6 October 2019; and
- (c) mortgage loan of approximately HK\$1.6 million secured by an investment property located at Canada of the Group.

The gearing ratio, expressed as percentage of total liabilities over total assets, was 24.1% (2009: 29.6%). The improvement in gearing ratio was contributed by the decrease in total liabilities was substantially more than that of total assets during the period.

At 30 September 2010, the Group did not have any charge on its assets.

### Treasury Policies

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 30 September 2010, the Group, as a lessor, had operating lease commitments of approximately HK\$1.6 million (2009: HK\$3.2 million) and as a lessee, had operating lease commitment of approximately HK\$4.1 million (2009: HK\$Nil).

## Management Discussion and Analysis

### Contingent Liabilities

At 30 September 2010, the Group had no contingent liabilities (2009: HK\$Nil).

### Material Acquisitions and Disposal of Subsidiaries and Affiliated Companies

Save as the disposal and the proposed 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.

### Employee Information

At 30 September 2010, the Group had 27 employees (2009: 6). 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.

### Capital Reorganisation and Change of Board Lot Size

Pursuant to the resolutions passed on 6 August 2010, capital reorganisation (the “Capital Reorganisation”) has been effected by way of comprising (i) share consolidation that every ten shares of HK\$0.01 each in the issued share capital of the Company be consolidated into one consolidated share of HK\$0.10 each (“Consolidated Shares”) (ii) capital reduction that the par value of all issued Consolidated Shares from HK\$0.10 each to HK\$0.01 each by canceling the paid-up capital to the extent of HK\$0.09 on each issued Consolidated Share (“Adjusted Shares”) and the credit arising from the reduction of issued share capital of the Company be transferred to the contributed surplus account of the Company and be applied to offset against the accumulated losses to the extent as permitted by the laws of Bermuda and the Bye-laws. The board lot size for trading was changed to 5,000 Adjusted Shares after the Capital Reorganisation became effective. The Capital Reorganisation has been completed on 9 August 2010.

## Other Information

### **Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debenture and its Associated Corporations**

At 30 September 2010, the interests and short position of the 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:

### **Share Option Scheme**

The Company adopted two share option schemes on 2 August 2002, namely, the pre-IPO share option scheme ("Pre-IPO Share Option Scheme") and the share option scheme ("Share Option Scheme"). The principal terms of the two share option schemes have been set out in the note 41 to the financial statements as included in the annual report of the Company for the year ended 31 March 2010.

## Other Information

Details of the Company's share options granted under the Share Option Scheme are as follows:

Date of grant	Category of eligible persons	Exercise price (Note 1)	Exercise period	Outstanding at 1/4/2010 (Note 1)	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding at 30/9/2010 (Note 1)
25/02/2008	Consultants	HK\$109.10	25/02/2008 to 24/02/2011	6,582	-	-	-	-	6,582
	Employees	HK\$109.10	25/02/2008 to 24/02/2011	6,582	-	-	-	-	6,582
28/04/2008	Directors	HK\$97.40	28/04/2008 to 27/04/2011	26,262	-	-	-	-	26,262
	Consultants	HK\$97.40	28/04/2008 to 27/04/2011	54,930	-	-	-	-	54,930
	Employees	HK\$97.40	28/04/2008 to 27/04/2011	10,824	-	-	-	-	10,824
09/11/2009	Consultants	HK\$5.00	09/11/2009 to 08/11/2010	54,000	-	-	-	-	54,000
	Employees	HK\$5.00	09/11/2009 to 08/11/2010	58,000	-	-	-	-	58,000
				217,180	-	-	-	-	217,180

Note:

- The exercise price and numbers of options have been adjusted due to completion of capital reorganisation on 9 August 2010

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

Save as disclosed above, at 30 September 2010, 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.

## Other Information

### Substantial Shareholders

At 30 September 2010, 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 directors, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

#### Long positions in ordinary shares of HK\$0.01 each of the Company

Name of shareholder	Capacity	Interest in shares	Interest in underlying shares	Total interest in shares	Percentage of the Company's issued share capital
Growth Harvest Limited	Beneficial owner (Note)	251,684,210	562,429,696	814,113,906	59.56%
Treasure Bonus Limited	Interest of controlled Corporation (Note)	251,684,210	562,429,696	814,113,906	59.56%
Ms. Tan Ting Ting	Interest of controlled Corporation (Note)	251,684,210	562,429,696	814,113,906	59.56%

Note: Growth Harvest Limited ("Growth Harvest") is deemed to be interested in 562,429,696 shares through its interest in the convertible bonds in the principal amount of HK\$500,000,000 issued by the Company. Adding the 251,684,210 shares held by Growth Harvest, Growth Harvest is deemed to be interested in 814,113,906 shares of the Company. Treasure Bonus Limited ("Treasure Bonus") owns 72% of the issued share capital of Growth Harvest and Treasure Bonus are wholly and beneficially owned by Ms. Tan Ting Ting. Each of Treasure Bonus and Ms. Tan Ting Ting is deemed to be interested in the 814,113,906 shares.

Save as disclosed above, at 30 September 2010, the Company has not been notified of any persons (other than the Directors or chief executive 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.

## Other Information

### Competing Interest

At 30 September 2010, 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.

### 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 2010.

### 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 2010.

- a. Under the Code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of the chairman and chief executive officer of the Company have been performed by Mr. Lien Wai Hung, who is also an executive director. The Board considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently. The Board will review the effectiveness of this arrangement from time to time and will consider appointing an individual as the chief executive officer of the Company when it thinks appropriate.

## Other Information

- b. 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 2010, 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 comprised the three independent non-executive directors namely, Mr. Leung Wai Man, Mr. Kwok Chuen Hung, Dominic and Mr. Ho Chun Ki, Frederick. The audit committee has reviewed the Group's unaudited consolidated financial statements for the six months ended 30 September 2010.

## Board of Directors

At the date of this report, the executive director is Mr. Lien Wai Hung; the independent non-executive directors are Mr. Leung Wai Man, Mr. Kwok Chuen Hung, Dominic and Mr. Ho Chun Ki, Frederick.

By Order of the Board  
**Xing Lin Medical Information Technology Company Limited**  
**Lien Wai Hung**  
*Chairman*

Hong Kong, 10 November 2010