



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)

Third Quarterly Report **2010**



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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 nine months ended 31 December 2010 was approximately HK\$10.7 million (2009: HK\$3.5 million) representing an increase of approximately 2.1 times as compared to the corresponding period in 2009.
2. Loss attributable to owners of the Company for the nine months ended 31 December 2010 was approximately HK\$378.9 million (2009: HK\$28.6 million).
3. Loss per share for the nine months ended 31 December 2010 was approximately HK83.35 cents (2009: HK43.58 cents).
4. The Board does not recommend the payment of any dividend for the nine months ended 31 December 2010 (2009: Nil).

Unaudited Quarterly 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 three months and the nine months ended 31 December 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 31 December		For the nine months ended 31 December	
		2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Continuing operations					
Turnover	2	1,855	2,766	10,683	3,476
Cost of sales		(1,152)	(1,343)	(8,047)	(1,343)
Gross profit		703	1,423	2,636	2,133
Gain on sale of property investment		1,330	-	1,330	-
Other income	2	2	14	6	1,614
Other operating expenses		(30,589)	(6,980)	(79,728)	(9,511)
Changes in fair value in respect of conversion option embedded in convertible notes receivables		-	-	-	(1,610)
Loss arising on early redemption of promissory note		(168,051)	(672)	(268,783)	(672)
Loss from operations	3	(196,605)	(6,215)	(344,539)	(8,046)
Finance costs	4	(9,614)	(17,683)	(34,670)	(17,736)
Loss before taxation		(206,219)	(23,898)	(379,209)	(25,782)
Income tax	5	-	-	-	-
Loss for the period from continuing operations		(206,219)	(23,898)	(379,209)	(25,782)
Discontinued operations					
Profit/(loss) for the period from discontinued operations	7	147	(10)	356	(2,764)
Loss attributable to owners of the Company		(206,072)	(23,908)	(378,853)	(28,546)
Earnings/(loss) per share:	6	HK cent(s)	HK cent(s)	HK cent(s)	HK cent(s)
- Basic and diluted					
- From continuing operations		(14.02)	(14.03)	(83.43)	(39.36)
- From discontinued operations		0.01	(0.01)	0.08	(4.22)
		(14.01)	(14.04)	(83.35)	(43.58)

Unaudited Quarterly Results

Unaudited Condensed Consolidated Statement of Comprehensive (Loss)/Income

	For the three months ended 31 December		For the nine months ended 31 December	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Loss for the period	(206,072)	(23,908)	(378,853)	(28,546)
Other comprehensive income for the period				
Exchange differences on translation of financial statements of foreign operations	2,410	311	2,559	1,807
Total comprehensive loss for the period	(203,662)	(23,597)	(376,294)	(26,739)
Total comprehensive loss attributable to owners of the Company	(203,662)	(23,597)	(376,294)	(26,739)

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.

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.

Notes

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective for the nine months ended 31 December 2010:

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

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

² Effective for annual periods beginning on or after 1 February 2010

³ Effective for annual periods beginning on or after 1 July 2010

⁴ Effective for annual periods beginning on or after 1 January 2011

⁵ Effective for annual periods beginning on or after 1 July 2011

⁶ 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

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 are as follows:

	For the three months ended 31 December		For the nine months ended 31 December	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Continuing operations				
Turnover				
MIDS	1,378	2,270	9,412	2,270
Gross rentals from investment properties	477	496	1,271	1,206
	1,855	2,766	10,683	3,476
Discontinued operations				
Film distribution	172	-	441	6,265
	2,027	2,766	11,124	9,741
Continuing operations				
Other income				
Bank interest income	2	-	6	3
Imputed interest income	-	10	-	1,607
Sundry income	-	4	-	4
	2	14	6	1,614
	2,029	2,780	11,130	11,355

Notes

3. Loss from Operations

Loss from operations has been arrived at after charging/(crediting):

	For the three months ended 31 December		For the nine months ended 31 December	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Amortization of film rights	-	-	-	6,246
Amortization of intangible assets	18,974	-	56,924	-
Loss arising on early redemption of promissory note	168,051	672	268,783	672
Depreciation of property, plant and equipment	157	73	496	238
Net foreign exchange loss/(gain)	29	69	103	(489)
Staff costs including directors' emoluments	1,777	3,701	5,669	5,356

4. Finance Costs

	For the three months ended 31 December		For the nine months ended 31 December	
	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	19	34	54	87
Effective interest expenses on convertible bonds repayable over five years	5,176	6,439	15,117	6,439
Effective interest expenses on promissory note	4,419	11,210	19,499	11,210
	9,614	17,683	34,670	17,736

5. 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 nine months ended 31 December 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 nine months ended 31 December 2010 (2009: Nil).
- (iii) The Group had no significant unprovided deferred tax assets and liabilities at 31 December 2010 (2009: Nil).

6. 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 31 December 2010 of approximately HK\$206.1 million (2009: HK\$23.9 million) and loss attributable to owners of the Company for the nine months ended 31 December 2010 of approximately HK\$378.9 million (2009: HK\$28.5 million) and the weighted average of 1,471,143,853 shares in issue during the three months ended 31 December 2010 (2009: 170,338,439 shares, as adjusted for share consolidation) and the weighted average of 454,522,968 shares in issue during the nine months ended 31 December 2010 (2009: 65,504,513 shares, as adjusted for share consolidation). The comparative figure of basic loss per share for the three months and nine months ended 31 December 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

7. Discontinued Operations

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

	For the three months ended 31 December		For the nine months ended 31 December	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Turnover	172	-	441	6,265
Other operating expenses	(25)	(10)	(85)	(9,029)
Profit/(Loss) before taxation	147	(10)	356	(2,764)
Income tax	-	-	-	-
Profit/(Loss) for the period from discontinued operations	147	(10)	356	(2,764)

Notes

8. Changes in Equity

	Share capital	Share premium	Contributed surplus	Share-based compensation reserve	Convertible bonds reserve	Statutory reserve	Translation reserve	Accumulated losses	Total	Minority Interest	Total
	HK\$'000	HK\$'000	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)	(Unaudited)	(Unaudited)
At 1 April 2009	12,569	98,535	87,254	4,200	-	-	(2,288)	(9,594)	190,676	-	190,676
Comprehensive period income for the period	-	-	-	-	-	-	1,807	(28,546)	(26,739)	-	(26,739)
Capital reduction	(11,538)	(99,135)	110,673	-	-	-	-	-	-	-	-
Recognition of equity-settled share-based payment	-	-	-	2,972	-	-	-	-	2,972	-	2,972
Capital contribution by minority interest	-	-	-	-	-	-	-	-	-	542	542
Issue of new shares	50,000	450,000	-	-	-	-	-	-	500,000	-	500,000
Issue of convertible bond	-	-	-	-	527,530	-	-	-	527,530	-	527,530
Share issuing expenses	-	(15,993)	-	-	-	-	-	-	(15,993)	-	(15,993)
Conversion of new shares from convertible bonds	21,800	197,834	-	-	(153,335)	-	-	-	66,299	-	66,299
Shares issue upon exercise of share option	416	10,053	-	(2,862)	-	-	-	-	7,607	-	7,607
At 31 December 2009	73,247	641,294	197,927	4,310	374,195	-	(481)	(38,140)	1,252,352	542	1,252,894
At 1 April 2010	73,247	641,041	197,928	4,283	374,195	394	911	(84,190)	1,207,819	-	1,207,819
Comprehensive period income for the period	-	-	-	-	-	-	2,559	(378,853)	(376,294)	-	(376,294)
Open offer	18,311	164,806	-	-	-	-	-	-	183,117	-	183,117
Placing of new shares	20,177	219,974	-	-	-	-	-	-	240,151	-	240,151
Share issues expenses	-	(4,695)	-	-	-	-	-	-	(4,695)	-	(4,695)
Capital reduction	(85,434)	-	85,434	-	-	-	-	-	-	-	-
Issue of convertible bond	-	-	-	-	50,498	-	-	-	50,498	-	50,498
Conversion of new shares from convertible bonds	12,868	115,258	-	-	(54,491)	-	-	-	73,635	-	73,635
Recognition of equity-based share-based payments	-	-	-	2,627	-	-	-	-	2,627	-	2,627
Cancellation/Lapse of share options	-	-	-	(112)	-	-	-	112	-	-	-
At 31 December 2010	39,169	1,136,384	283,362	6,808	370,202	394	3,470	(462,931)	1,376,858	-	1,376,858

Management Discussion and Analysis

Interim Dividend

The Board does not recommend the payment of any dividend for the nine months ended 31 December 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. The transaction was completed on 16 November 2010.

Management Discussion and Analysis

On 8 October 2010, 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. A circular containing the details of the subscription had been despatched to the shareholders of the Company on 30 November 2010. The subscription was subsequently approved by the Company’s shareholders at the special general meeting held on 16 December 2010. The aggregate subscription price was satisfied by setting off against part of the outstanding principal amount of promissory note in the sum of HK\$150 million. The convertible bonds were issued on 16 December 2010.

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. A circular containing the details of the placing was despatched to the shareholders on 30 November 2010. The placing was approved by the shareholders at the special general meeting held on 16 December 2010 and completed on 28 December 2010. The whole outstanding principal amount of the promissory note was repaid upon completion of placing.

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, and will be responsible for the planning, setting up, operation and maintenance of the above businesses to be undertaken of the JV Company. 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

Financial Review

For the nine months ended 31 December 2010, for continuing operations turnover of the Group was approximately HK\$10.7 million, of which HK\$9.4 million (2009: HK\$2.3 million) was generated from the rollout of MIDS, and HK\$1.3 million (2009: HK\$1.2 million) was generated from the leasing of an investment property located at Canada.

Loss attributable to owners of the Company for the nine months ended 31 December 2010 amounted to approximately HK\$378.9 million (2009: HK\$28.6 million). The significant increase in loss was mainly attributed to the loss on early redemption of promissory note amounting to HK\$268.8 million and also to an increase in other operating expenses and financial costs as explained below.

Other operating expenses increased by 7 times to approximately HK\$79.7 million from HK\$9.5 million in prior period. Such increase was mainly attributed to the amortization expenses of intangible assets amounting to approximately HK\$56.9 million (2009: HK\$Nil); legal and professional fees of approximately HK\$4.4 million (2009: HK\$1.9 million); and share-based payment expenses of approximately HK\$2.6 million (2009: HK\$2.5 million).

Finance costs increased by 96% to approximately HK\$34.7 million from HK\$17.7 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 cautious 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 30 December 2010, the Company proposed that the name of the Company be changed from “Xing Lin Medical Information Technology Company Limited (杏林醫療信息科技有限公司)” to “Zhi Cheng Holdings Limited (智城控股有限公司)”. In order to better reflect and benefit the future business development of the Company and its subsidiaries, the Board considers that the change of the Company’s name is in the interests of the Company and its shareholders as a whole. The proposed change in name of the Company was resolved as a special resolution by the shareholders of the Company at the special general meeting held on 1 February 2010. The registration and/or filing procedures in respect of the change in Company’s name with the Registrar of Companies in Bermuda is in progress. Further announcement will be made by the Company in relation to the effective date of the changes of name and stock short name of the Company.

On 21 January 2010, Innovate International Group Limited (“IIG”) a wholly owned subsidiary of the Company, entered into a sale and purchase agreement pursuant to which IIG had conditionally agreed to purchase 20% of the total registered capital of Redart Digital Technology Co., Limited, a company incorporated in the PRC at a total consideration of, subject to post valuation adjustment, HK\$145,000,000 (“the Deposit”). As certain conditions cannot be fulfilled, on 1 February, 2011, IIG entered into a deed of termination with the vendor whereby all parties mutually agree to terminate the agreement. The Board considers that the termination of the agreement will not have any material adverse impact on the existing business or financials of the Group. The Deposit has been returned to the purchaser without interest. The Company intends to use the monies from the return of the Deposit for business expansion and other investments and for general working capital purpose.

Other Information

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

At 31 December 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:

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

Name of director	Interest in underlying shares	Percentage of the Company's issued share capital
Mr. Lien Wai Hung	31,865,000 (Note 1)	0.81%

Note:

- 1 Mr. Lien Wai Hung, an executive director is deemed to be interested in 31,865,000 shares which fall to be issued upon exercise of the 31,865,000 share options of the Company.

Other Information

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.

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 31/12/2010 (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	-	-
29/12/2010	Director	HK\$0.114	29/12/2010 to 28/12/2011	-	31,865,000	-	-	-	31,865,000
	Consultant	HK\$0.114	29/12/2010 to 28/12/2011	-	31,865,000	-	-	-	31,865,000
	Employee	HK\$0.114	29/12/2010 to 28/12/2011	-	31,195,000	-	-	-	31,195,000
				217,180	94,925,000	-	112,000	-	95,030,180

Note:

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

Other Information

Directors and Chief Executives' Rights to Acquire Shares or Debentures

Save as disclosed above, at 31 December 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.

Substantial Shareholders

At 31 December 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)	1,050,109,210	1,112,429,696	2,162,538,906	55.21%
Treasure Bonus Limited	Interest of controlled Corporation (Note)	1,050,109,210	1,112,429,696	2,162,538,906	55.21%
Ms. Tan Ting Ting	Interest of controlled Corporation (Note)	1,050,109,210	1,112,429,696	2,162,538,906	55.21%

Note: Growth Harvest Limited is deemed to be interested in 1,112,429,696 shares through its interest in the convertible bonds issued on 6 October 2009 in the principal amount of HK\$500,000,000 and convertible bonds issued on 16 December 2010 in the principal amount of HK\$55,000,000 issued by the Company. Adding the 1,050,109,210 shares held by Growth Harvest Limited, Growth Harvest Limited is deemed to be interested in 2,162,538,906 shares of the Company. Treasure Bonus Limited owns 72% of the issued share capital of Growth Harvest Limited and Treasure Bonus Limited are wholly and beneficially owned by Ms. Tan Ting Ting. Each of Treasure Bonus Limited and Ms. Tan Ting Ting is deemed to be interested in the 2,162,538,906 shares.

Other Information

Save as disclosed above, at 31 December 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.

Competing Interest

At 31 December 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 nine months ended 31 December 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 nine months ended 31 December 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 nine months ended 31 December 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 nine months ended 31 December 2010.

Other Information

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, 14 February 2011