



ZHI CHENG HOLDINGS LIMITED

智城控股有限公司*

(formerly known as Xing Lin Medical Information Technology Company Limited 杏林醫療信息科技有限公司*)
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8130)

FIRST QUARTERLY REPORT 2011

* For identification only

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of Zhi Cheng Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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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UNAUDITED QUARTERLY RESULTS

The board of Directors (the “Board”) of Zhi Cheng Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 30 June 2011, together with the comparative unaudited figures for the corresponding period in 2010 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	For the three months ended 30 June	
		2011 (Unaudited) <i>HK\$'000</i>	2010 (Unaudited) <i>HK\$'000</i>
Continuing operations			
Turnover	3	942	6,823
Cost of sales		—	(5,382)
		<hr/>	<hr/>
Gross profit		942	1,441
Other income	3	357	152
Administration expenses		(31,307)	(25,985)
Loss on early redemption of promissory note		—	(87,108)
		<hr/>	<hr/>
Loss from operations	4	(30,008)	(111,500)
Finance costs	5	(4,793)	(13,902)
		<hr/>	<hr/>
Loss before taxation		(34,801)	(125,402)
Income tax	6	—	—
		<hr/>	<hr/>
Loss attributable to owners of the Company		(34,801)	(125,402)
		<hr/>	<hr/>
Loss per share	7	<i>HK cents</i>	<i>HK cents</i>
– Basic and diluted		15.58	330.60
		<hr/>	<hr/>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)/INCOME

	For the three months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Loss for the period	(34,801)	(125,402)
Other comprehensive (loss)/income for the period		
Exchange differences on translation of financial statements of foreign operations	325	(403)
Total comprehensive loss attributable to owners of the Company	(34,476)	(125,805)



NOTES

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 9 November 2001 and continued in Bermuda on 20 April 2009. The Company's shares have been listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 26 August 2002.

The registered office and principal place of business of the Company are located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Unit 2111, 21/F., Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong respectively.

The unaudited condensed consolidated income statement and unaudited condensed consolidated statement of comprehensive income are presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (HK\$'000) except otherwise indicated.

The Company's principal activity is investment holding and the principal activities of its subsidiaries are provision of medical information digitalisation system, property investment, provision of consultancy services and advertisement and media related services.

2. BASIS OF PREPARATION AND CONSOLIDATION

The unaudited condensed consolidated income statement and unaudited condensed consolidated statement of comprehensive income (the "Unaudited Consolidated Results") have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective terms that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the Unaudited Consolidated Results include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and the Hong Kong Companies Ordinance.

The accounting policies and basis of preparation adopted in the preparation of the Unaudited Consolidated Results are consistent with those adopted in annual financial statements for the year ended 31 March 2011 except for the impact of the adoption of a number of revised HKFRSs issued by HKICPA, which are effective for the financial year beginning on 1 April 2011. The adoption of these new HKFRSs had no material effect on the results of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognized.

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective. The Directors anticipate that the application of the new and revised HKFRSs will have no material impact on the results and financial position of the Group.



3. TURNOVER AND OTHER INCOME

The principal activities of the Group are the development and provision of medical information digitalization system ("MIDS"), properties investment, provision of consultancy services and advertisement and media related services.

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

	For the three months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Continuing operations		
Turnover		
MIDS	529	6,418
Gross rentals from investment properties	413	405
	<hr/>	<hr/>
Total	942	6,823
	<hr/>	<hr/>
Continuing operations		
Other income		
Bank interest income	357	2
Other income	-	150
	<hr/>	<hr/>
	357	152
	<hr/>	<hr/>

4. LOSS FROM OPERATIONS

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

	For the three months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Amortization of intangible assets	25,357	19,911
Loss arising on early repayment of promissory note	-	87,108
Depreciation of property, plant and equipment	272	156
Net foreign exchange loss/(gain)	(1,176)	8
Staff costs including directors' emoluments	3,003	1,806
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5. FINANCE COSTS

	For the three months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Interests on bank loans wholly repayable within five years	15	18
Effective interest expenses on convertible bonds repayable over five years	4,778	5,083
Effective interest expenses on promissory note	-	8,801
	<hr/>	<hr/>
	4,793	13,902
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6. TAXATION

- (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 three months ended 30 June 2011 (2010: Nil).
- (ii) No provision for overseas income tax was made as the Company's overseas subsidiaries did not have taxable income for the three months ended 30 June 2011 (2010: Nil).
- (iii) The Group had no significant unprovided deferred tax assets and liabilities at 30 June 2011 (2010: Nil).

7. 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 June 2011 of approximately HK\$34.8 million (2010: HK\$125.4 million) and the weighted average of 223,345,888 shares in issue during the three months ended 30 June 2011 (2010: 37,931,318 shares, as adjusted for share consolidation). The comparative figure of basic loss per share for the three months ended 30 June 2011 had been re-calculated to reflect the share consolidation taken place on 1 June 2011.

The conversion of all potential ordinary shares arising from share options granted by the Company and convertible bonds would have an anti-dilutive effect on the loss per share for the three months ended 30 June 2011.

No diluted loss per share has been presented for the three months ended 30 June 2011 as the conversion of all potential ordinary shares arising from share options granted by the Company would have an anti-dilutive effect on the loss per share for the three months ended 30 June 2011.

8. CHANGES IN EQUITY

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Share-based compensation reserve (Unaudited) HK\$'000	Convertible bonds reserve (Unaudited) HK\$'000	Statutory reserves (Unaudited) HK\$'000	Translation reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2010	73,247	641,041	197,928	4,293	374,195	394	911	(84,190)	1,207,819
Comprehensive income for the period	-	-	-	-	-	-	-	(125,402)	(125,402)
Other comprehensive income for the period	-	-	-	-	-	-	(403)	-	(403)
Total comprehensive income for the period	-	-	-	-	-	-	(403)	(125,402)	(125,805)
Issue of new shares	18,311	164,805	-	-	-	-	-	-	183,116
Share issues expenses	-	(2,233)	-	-	-	-	-	-	(2,233)
At 30 June 2010	91,558	803,613	197,928	4,293	374,195	394	508	(209,592)	1,262,897
At 1 April 2011	44,669	1,186,043	283,362	6,125	351,687	394	2,620	(733,780)	1,141,120
Comprehensive income for the period	-	-	-	-	-	-	-	(34,801)	(34,801)
Other comprehensive income for the period	-	-	-	-	-	-	325	-	325
Total comprehensive income for the period	-	-	-	-	-	-	325	(34,801)	(34,476)
Capital reduction	(42,436)	-	42,436	-	-	-	-	-	-
Lapsed of share options	-	-	-	(3,498)	-	-	-	3,498	-
At 30 June 2011	2,233	1,186,043	325,798	2,627	351,687	394	2,945	(765,083)	1,106,644

MANAGEMENT DISCUSSION AND ANALYSIS

Dividend

The Board does not recommend the payment of any dividend for the three months ended 30 June 2011 (2010: Nil).

Business Review

Provision of medical information digitalisation system

The Regional Healthcare Information Collaboration Platform (“RHICP”) module of MIDS has entered trial stage in PRC with the subscription fee model employed as a revenue source. For the RFID modules, while the general functionalities meets the daily operational needs of the hospitals, the request for additional features or tailored workflow enhancements increases the complexity of the implementation and in some cases the pace of rollout have been affected. These requests are treated as change in requirement and are subject to prioritisation and post-production review based on available resources.

During the period under review, and subject to the restraints explained above, the revenue contributed by such segment was approximately HK\$0.5 million (2010: HK\$6.4 million), representing a decrease of 91.7% as compared with the period ended 30 June 2010.

Property investment

During the period under review, the revenue contributed by such segment was HK\$0.4 million (2010: HK\$0.4 million) and was mainly derived from the leasing of an investment property located at Canada.

Provision of consultancy services

The rechargeable stored value SIM card market has been active with new participants and promotions from existing distributors. Comprehensive planning and preparations are underway aimed to penetrate the prepaid mobile subscriber population in an effective manner.

No revenue was recorded in such segment during the period.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(Continued)*

Advertisement and media related services

On 4 April 2011, the Company's wholly-owned subsidiary entered into a share acquisition agreement with an independent third party pursuant to which the Company shall purchase the entire issued share capital of Unique Smart Group Limited ("USG"). The main asset of USG is the Advertising Services Agreement where USG would provide advertising agency services to iKanTV Limited in relation to exclusive advertising agency rights for certain airtime slots on display televisions commercial broadcast in a Hong Kong retail chain store for a period of 10 months and both parties are entitled to an option to renew for a further 3 years. iKanTV Limited is an advertising company providing services to commercial advertisement and information broadcasted via display televisions, and USG shall receive 30% of the advertising rental fees as income. Benefiting from the increasing number of mainland China visitors to Hong Kong on shopping excursions, the flow of customers to retail stores have been gaining momentum. This phenomenon provides new opportunities to advertise indoors, which movie motion advertisements are possible in contrast to conventional billboards. These television advertisements can be customised to target customers within the retail stores and can directly influence buying decision in particular to mainland China visitors. Advertising rights in these areas represent business potentials within the media and advertising industry where strong growth would be expected in the near future. As the Company continues to seek opportunities in order to secure a stable source of revenue and diversify the earnings base, the proposed acquisition would further enhance the future growth and profitability of the Group. The transaction was completed on 19 April 2011.

No revenue was recorded in such segment during the period.

Financial Review

For the period under review, for continuing operations, revenue of the Group for the three months ended 30 June 2011 was approximately HK\$0.9 million (2010: HK\$6.8 million), of which HK\$0.5 million (2010: HK\$6.4 million) was generated from rollout of MIDS, and HK\$0.4 million (2010: HK\$0.4 million) was generated from the leasing of an investment property located at Canada, representing a decrease of approximately 86.2% as compared with the period ended 30 June 2011.

Loss attributable to owners of the Company for the three months ended 30 June 2011 amounted to approximately HK\$34.8 million (2010: HK\$125.4 million). The decrease in loss was mainly attributed to the significant decreases in financial costs and loss on early repayment of promissory note and counter-balanced by an increase in administration expenses as explained below.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Review *(Continued)*

Finance costs decreased by 65.5% to approximately HK\$4.8 million (2010: HK\$13.9 million). The decrease was mainly attributed to the full repayment of promissory note and reduction in the liability portion of convertible bonds issued by the Company.

Administration expenses increased 20.5% to approximately HK\$31.3 million from HK\$26.0 million in the prior year. Such increase was mainly attributed to the amortization expenses of intangible assets approximately HK\$25.4 million (2010: HK\$19.9 million) and increase in salaries and allowances of approximately HK\$3.0 million (2010: HK\$1.8 million).

Capital Reorganisation and Change of Board Lot Size

Pursuant to the resolutions passed on 31 May 2011, a capital reorganisation (the “Capital Reorganisation”) has been effected by way of comprising (i) share consolidation that every twenty 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 Share”); and (ii) capital reduction that the par value of all issued Consolidated Shares from HK\$0.20 each to HK\$0.01 each by cancelling the paid-up capital to the extent of HK\$0.19 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 20,000 Adjusted Shares after the Capital Reorganisation became effective. The Capital Reorganisation became effective on 1 June 2011.

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 new opportunities in other areas in order to secure a stable source of revenue and diversify the earnings base of the Group.



OTHER INFORMATION

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

At 30 June 2011, 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 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	1,593,250 <i>(Note 1)</i>	0.71%

Note 1: Mr. Lien Wai Hung, an executive director is deemed to be interested in 1,593,250 shares which fall to be issued upon exercise of the 1,593,250 share options of the Company.

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 42 to the financial statements as included in the annual report of the Company for the year ended 31 March 2011.



OTHER INFORMATION *(Continued)***Share Option Scheme** *(Continued)*

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	Exercise period	Outstanding at 1/4/2011	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding at 30/6/2011
28/04/2008	Directors	HK\$1,948.00 <i>Note 1</i>	28/04/2008 to 27/04/2011	1,313	-	-	(1,313)	-	-
	Consultants	HK\$1,948.00 <i>Note 1</i>	28/04/2008 to 27/04/2011	2,746	-	-	(2,746)	-	-
	Employees	HK\$1,948.00 <i>Note 1</i>	28/04/2008 to 27/04/2011	541	-	-	(541)	-	-
29/12/2010	Director	HK\$2.28 <i>Note 1</i>	29/12/2010 to 28/12/2011	1,593,250	-	-	-	-	1,593,250
	Consultant	HK\$2.28 <i>Note 1</i>	29/12/2010 to 28/12/2011	1,593,250	-	-	-	-	1,593,250
	Employee	HK\$2.28 <i>Note 1</i>	29/12/2010 to 28/12/2011	1,559,750	-	(1)	-	-	1,559,749
				<u>4,750,850</u>	<u>-</u>	<u>(1)</u>	<u>(4,600)</u>	<u>-</u>	<u>4,746,249</u>

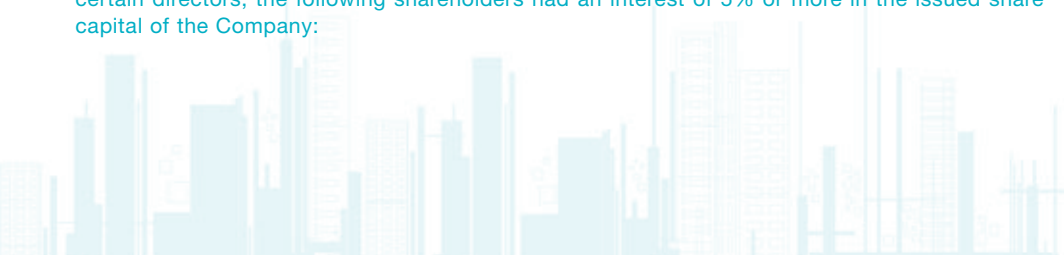
Note 1: The exercise price and numbers of options have been adjusted due to completion of capital reorganisation on 1 June 2011.

Directors and Chief Executives' Rights to Acquire Shares or Debentures

Save as disclosed above, at 30 June 2011, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate, and none of the directors and chief executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights.

Substantial Shareholders

At 30 June 2011, 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:



OTHER INFORMATION *(Continued)***Substantial Shareholders** *(Continued)***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 <i>(Note 1)</i>	64,640,710	56,306,306	120,947,016	54.15%
Treasure Bonus Limited	Interest of controlled Corporation <i>(Note 1)</i>	64,640,710	56,306,306	120,947,016	54.15%
Ms. Tan Ting Ting	Interest of controlled Corporation <i>(Note 1)</i>	64,640,710	56,306,306	120,947,016	54.15%

Note:

- (1) Growth Harvest Limited ("Growth Harvest") is deemed to be interested in 56,306,306 shares through its interest in the convertible bonds in the principal amount of HK\$500,000,000 issued by the Company. Adding the 64,640,710 shares held by Growth Harvest, Growth Harvest is deemed to be interested in 120,947,016 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 120,947,016 shares.

Save as disclosed above, at 30 June 2011, 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 Interests

At 30 June 2011, 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 three months ended 30 June 2011.

OTHER INFORMATION *(Continued)*

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 three months ended 30 June 2011.

- 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.
- 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.

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. Ho Chun Ki, Frederick and Mr. Lai Miao Yuan. The audit committee has reviewed the Group's unaudited consolidated financial statements for the three months ended 30 June 2011.

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. Ho Chun Ki, Frederick and Mr. Lai Miao Yuan.

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

Hong Kong, 12 August 2011

