



# ZHI CHENG HOLDINGS LIMITED

## 智城控股有限公司\*

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

(Stock Code: 8130)

### THIRD 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.

## 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 and the nine months ended 31 December 2011, together with the unaudited comparative figures for the corresponding period in 2010 as follows:

### Unaudited Condensed Consolidated Income Statement

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Turnover	3	2,359	1,855	5,022	10,683
Cost of sales		(587)	(1,152)	(587)	(8,047)
<b>Gross profit</b>		<b>1,772</b>	<b>703</b>	<b>4,435</b>	<b>2,636</b>
Gain on sale of property investment		-	1,330	-	1,330
Other income	3	439	149	1,022	362
Administration expenses		(31,379)	(30,589)	(99,265)	(79,728)
Loss arising on early redemption of promissory note		-	(168,051)	-	(268,783)
<b>Loss from operations</b>	4	<b>(29,168)</b>	<b>(196,458)</b>	<b>(93,808)</b>	<b>(344,183)</b>
Finance costs	5	(4,843)	(9,614)	(14,480)	(34,670)
Loss before taxation		(34,011)	(206,072)	(108,288)	(378,853)
Income tax	6	-	-	-	-
<b>Loss attributable to owners of the Company</b>		<b>(34,011)</b>	<b>(206,072)</b>	<b>(108,288)</b>	<b>(378,853)</b>
<b>Loss per share:</b>	7	<b>HK cents</b>	<b>HK cents</b>	<b>HK cents</b>	<b>HK cents</b>
- Basic and diluted		(11.64)	(280.15)	(43.50)	(725.84)

## 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	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
<b>Loss for the period</b>	<b>(34,011)</b>	(206,072)	<b>(108,288)</b>	(378,853)
<b>Other comprehensive income for the period</b>				
Exchange differences on translation of financial statements of foreign operations	185	2,410	(195)	2,559
Loss arising on change in fair value of available-for-sale investment	(3,900)	–	(9,900)	–
<b>Total comprehensive loss for the period</b>	<b>(37,726)</b>	(203,662)	<b>(118,383)</b>	(376,294)
<b>Total comprehensive loss attributable to owners of the Company</b>	<b>(37,726)</b>	(203,662)	<b>(118,383)</b>	(376,294)

# 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 Suite 2012, 20th Floor, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong respectively.

The unaudited condensed consolidated financial statements ("Unaudited Consolidated Results") 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 digitalization system, property investment, provision of consultancy services, advertisement and media related services and provision of project management services.

## Notes

### 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 Hong Kong Accounting Standard (“HKAS”) 34 issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the 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 Unaudited Consolidated Results should be read in conjunction with the annual financial statements of the Group for the year ended 31 March 2011.

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.

The Unaudited Consolidated Results have been prepared under the historical cost convention. The Unaudited Consolidated Results is presented in Hong Kong Dollars (“HK\$”) which is also the functional currency of the Company and all value rounded to the nearest thousands (HK\$000) unless otherwise stated.

## Notes

### 3. Turnover and Other Income

The principal activities of the Group are the development and provision of medical information digitalization system (“MIDS”), property investment, provision of consultancy services, advertisement and media related services and provision of project management services.

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	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Turnover				
MIDS	523	1,378	1,534	9,412
Gross rentals from investment property	449	477	1,245	1,271
Consultancy services	150	–	150	–
Advertising and media related services	1,100	–	1,933	–
Project management services	137	–	160	–
	2,359	1,855	5,022	10,683
Other income				
Bank interest income	258	2	841	6
Other income	181	147	181	356
	439	149	1,022	362

## Notes

### 4. 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	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Amortization of intangible assets	25,451	18,974	76,166	56,924
Depreciation of property, plant and equipment	262	157	822	496
Loss arising on early redemption of promissory note	-	168,051	-	268,783
Net foreign exchange loss/(gain)	(1,317)	29	(2,942)	103
Staff costs including directors' remuneration	3,710	4,404	11,322	8,296

### 5. Finance Costs

	For the three months ended 31 December		For the nine months ended 31 December	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Interest on bank loans wholly repayable within five years	13	19	41	54
Effective interest expenses on convertible bonds repayable over five years	4,830	5,176	14,439	15,117
Effective interest expenses on promissory note	-	4,419	-	19,499
	4,843	9,614	14,480	34,670



## Notes

### 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 nine months ended 31 December 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 nine months ended 31 December 2011 (2010: Nil).
- (iii) The Group had no significant unprovided deferred tax assets and liabilities at 31 December 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 31 December 2011 of approximately HK\$34.0 million (2010: HK\$206.1 million) and loss attributable to owners of the Company for the nine months ended 31 December 2011 of approximately HK\$108.3 million (2010: HK\$378.9 million) and the weighted average of 292,106,370 shares in issue during the three months ended 31 December 2011 (2010: 73,557,192 shares, as adjusted for share consolidation) and the weighted average of 248,948,329 shares in issue during the nine months ended 31 December 2011 (2010: 52,195,353 shares, as adjusted for share consolidation). The comparative figure of basic loss per share for the three months and nine months ended 31 December 2011 had been re-calculated to reflect the share consolidation taken place on 1 June 2011.

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

## 8. Changes in Equity

	Share capital	Share premium	Contributed surplus	Share-based compensation reserve	Convertible bonds reserve	Available-for-sale investments revaluation reserve	Statutory reserve	Translation reserve	Accumulated losses	Total
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
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	-	-	-	-	-	-	-	2,559	(378,863)	(376,294)
Issue of shares on open offer	18,312	164,806	-	-	-	-	-	-	-	183,118
Placing of new shares	20,176	219,975	-	-	-	-	-	-	-	240,151
Share issues expenses	-	(4,696)	-	-	-	-	-	-	-	(4,696)
Capital reduction	(85,434)	-	85,434	-	-	-	-	-	-	-
Issue of convertible bonds	-	-	-	-	50,498	-	-	-	-	50,498
Conversion of convertible bonds	12,868	115,258	-	-	(54,491)	-	-	-	-	73,635
Recognition of equity-settled share-based payments	-	-	-	2,627	-	-	-	-	-	2,627
Cancellation/lapsed 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
At 1 April 2011	44,669	1,186,043	283,362	6,125	351,687	-	394	2,620	(733,780)	1,141,120
Comprehensive loss for the period	-	-	-	-	-	(9,900)	-	(195)	(108,288)	(118,383)
Capital reduction	(42,436)	-	42,436	-	-	-	-	-	-	-
Cancellation/lapsed of share options	-	-	-	(6,125)	-	-	-	-	6,125	-
Issue of shares arising on acquisition of subsidiaries	447	7,147	-	-	-	-	-	-	-	7,594
Placing of new shares	536	13,239	-	-	-	-	-	-	-	13,775
Share issues expenses	-	(432)	-	-	-	-	-	-	-	(432)
Grant of shares options	-	-	-	1,115	-	-	-	-	-	1,115
At 31 December 2011	3,216	1,205,997	325,798	1,115	351,687	(9,900)	394	2,425	(835,943)	1,044,789

# Management Discussion and Analysis

## Interim Dividend

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2011 (2010: Nil).

## Business Review

### Provision of medical information digitalisation system

The pilot implementations of MIDS Picture Archiving and Communication System (PACS) modules are underway with installation of hardware and software for the digital imaging software system in two hospitals in Shandong. On the other hand the MIDS implementation of Hospital Information System (HIS) module, Clinical Information System (CIS) module and Laboratory Information System (LIS) module in a hospital in Hebei is also in progress. Additional MIDS implementations are in the pipeline under discussion on system specifications or in the process of negotiations on the scale of deployment.

During the period under review, the revenue contributed by such segment was approximately HK\$1.5 million (2010: HK\$9.4 million), representing a decrease of 84% as compared with the period ended 31 December 2010.

### Property investment

During the period under review, the revenue contributed by such segment was HK\$1.2 million (2010: HK\$1.3 million) and was mainly derived from the leasing of an investment property located at Canada.

### Provision of consultancy services

The contracting party has launched retail presence in strategic locations in Hong Kong Island and Kowloon for the rechargeable stored value SIM card business along with a promotion campaign in local publication aimed to penetrate the prepaid mobile subscriber population.

The revenue recorded in such segment during the period under review was HK\$0.2 million.

# Management Discussion and Analysis

## Advertisement and media related services

Benefiting from the trend of promoting and developing PRC's advertising industry to enhance international competitiveness and economic social contribution a subsidiary of the Company has entered into co-operation agreements with a Hong Kong company in relation to the operation of large scale outdoor advertising billboards in a commercial area of Shanghai and multi-format indoor advertisements in retail shops located in Shanghai. Further negotiations on outdoor advertising and indoor retail platforms are in progress and additional advertising billboards and retail shops are expected to begin operation in the next few months.

During the period under review, the revenue contributed by such segment was HK\$1.9 million (2010: Nil).

## Provision of project management services

The Educational Institution Internal Security Control System (EIISCS) is installed and operational in 34 schools in Guangzhou Nansha area with the average utility rate of approximately 18%. The contracting party is now deploying additional resources to gear up the average utility rate and expected to have more satisfactory outcome in the next school term.

During the period under review, the revenue contributed by such segment was HK\$0.2 million (2010:Nil)

# Management Discussion and Analysis

## Financial Review

For the nine months ended 31 December 2011 the revenue of the Group was approximately HK\$5.0 million, of which HK\$1.5 million (2010: HK\$9.4 million) was generated from the rollout of MIDS, HK\$1.9 million (2010: Nil) was generated from advertising and media services, HK\$1.2 million (2010: HK\$1.3 million) was generated from the leasing of an investment property located at Canada, HK\$0.2 million (2010:Nil) was generated from consultancy services, and HK\$0.2 million (2010:Nil) was generated from project management services.

Loss attributable to owners of the Company for the nine months ended 31 December 2011 amounted to approximately HK\$108.3 million (2010: HK\$378.9 million). The decrease in loss was mainly attributed to a significant decrease in financial costs and an increase in administration expenses as explained below.

Finance costs decreased by 58% to approximately HK\$14.5 million from HK\$34.7 million in prior year. 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 24.5% to approximately HK\$99.3 million from HK\$79.7 million in the prior year. Such increase was mainly attributed to the amortization expenses of intangible assets approximately HK\$76.2 million (2010: HK\$56.9 million), an increase in salaries and allowances and share option of approximately HK\$11.3 million (2010: HK\$8.3 million).

## Management Discussion and Analysis

On 26 October 2011, the Company, Growth Harvest Limited (the “Vendor”) and Kingston Securities Limited (the “Placing Agent”) entered into a top-up placing and subscription agreement, pursuant to which, the Placing Agent have conditionally agreed, on a best effort basis, to place to not less than six independent placees, up to 30,000,000 top-up placing Shares beneficially owned by the Vendor at a top-up placing price of HK\$0.257 per top-up placing share; and the Vendor has conditionally agreed to subscribe for such number of subscription shares as is equal to the number of top-up placing shares successfully placed by the Placing Agent at a subscription price of HK\$0.257 per subscription share. On the same day, the Company has also entered into the first tranche placing agreement with the Placing Agent, pursuant to which, the Placing Agent has conditionally agreed to place, for, up to 23,600,000 first tranche placing shares on a best effort basis, not less than six independent placees, at a first tranche placing price of HK\$0.257 per first tranche placing share. The gross proceeds and the net proceeds from top-up placing and first tranche placing was approximately HK\$13.8 million and approximately HK\$13.2 million respectively. All new shares issued under top-up placing, the subscription and first tranche placing were pursuant to general mandate granted to the Directors by resolution of the shareholders passed at the Company’s annual general meeting held on 26 September 2011. The top-up placing and subscription was completed 7 November 2011 and the first tranche placing was completed on 8 December 2011.

On 26 October 2011, the Company also entered into the second tranche placing agreement with the Placing Agent, pursuant to which, the Placing Agent has conditionally agreed, on a best effort basis, for and on behalf of the Company, to place to not less than six independent Placees up to 53,600,000 second tranche placing shares at a second tranche placing price of HK\$0.257 per second tranche placing share. If all the second tranche placing shares are fully placed, the gross proceeds and the net proceeds from the second tranche placing will be approximately HK\$13.8 million and approximately HK\$13.1 million respectively. The second tranche placing shares will be allotted and issued pursuant to a specific mandate to be obtained at the special general meeting of the Company to be convened.

# Management Discussion and Analysis

## Future Plans

With the decoupling of the real economies in developed and emerging countries becoming more apparent in 2012, the PRC still recorded a high single digit economic growth in 2011 in midst of the uncertainties. Domestic demand in the PRC remains strong with retail sales trending upwards and consumer spending related business presents ample possibilities in the PRC. The Group will focus resources on existing business with stable source of revenue and continue to explore opportunities to enhance the earning 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 31 December 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:

### **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

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 1/4/2011 (Note 1)	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding at 31/12/2011 (Note 1)
29/12/2010	Director	HK\$2.28 (Note 1)	29/12/2010 to 28/12/2011	1,593,250	-	-	(1,593,250)	-	-
	Consultant	HK\$2.28 (Note 1)	29/12/2010 to 28/12/2011	1,593,250	-	-	-	(1,593,250)	-
	Employee	HK\$2.28 (Note 1)	29/12/2010 to 28/12/2011	1,559,750	-	(1)	-	(1,559,749)	-
20/09/2011	Employees	HK\$0.212	20/09/2011 to 19/09/2012	22,320,000	-	-	-	-	22,320,000
				27,066,250	-	(1)	(1,593,250)	(3,152,999)	22,320,000

Note:

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

## Other Information

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

Save as disclosed above, at 31 December 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 31 December 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:

#### 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)	64,640,710	67,567,567	132,208,277	41.11%
Treasure Bonus Limited	Interest of controlled Corporation (Note 1)	64,640,710	67,567,567	132,208,277	41.11%
Ms. Tan Ting Ting	Interest of controlled Corporation (Note 1)	64,640,710	67,567,567	132,208,277	41.11%
Gold Train Limited	Beneficial owner (Note 2)	44,669,177	-	44,669,177	13.89%
Ms. Xie Shi Yan	Beneficial owner (Note 2)	44,669,177	-	44,669,177	13.89%

## Other Information

Note 1: Growth Harvest Limited (“Growth Harvest”) is deemed to be interested in 67,567,567 shares through its interest in the Convertible Bonds in the principal amount of HK\$500,000,000. Adding the 64,640,710 shares held by Growth Harvest, Growth Harvest is deemed to be interested in 132,208,277 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 132,208,277 shares.

Note 2: Gold Train Limited (“Gold Train”) is wholly and beneficially owned by Ms. Xie Shi Yan. Ms. Xie Shi Yan is deemed to be interested in the 44,669,177 shares.

Save as disclosed above, at 31 December 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 Interest

At 31 December 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 nine months ended 31 December 2011.

## Other Information

### 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 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.

### Code of Conduct Regarding Securities Transactions by Directors

During the nine months ended 31 December 2011, 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.

## Other Information

### 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. Ho Chun Ki, Frederick, Mr. Lai Miao Yuan and Mr. Chong Yiu Kan, Sherman. The audit committee has reviewed the Group's unaudited consolidated financial statements for the nine months ended 31 December 2011.

### Board of Directors

As at the date of this report, the executive Director is Mr. Lien Wai Hung; the independent non-executive Directors are Mr. Ho Chun Ki, Frederick, Mr. Lai Miao Yuan and Mr. Chong Yiu Kan, Sherman.

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

Hong Kong, 13 February 2012