



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)

Interim Report 2012

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 INTERIM RESULTS

The board of directors of Zhi Cheng Holdings Limited (the “Company”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2012, together with the comparative unaudited figures for 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Turnover	5	9,852	1,721	18,742	2,663
Cost of sales		(6,629)	–	(12,841)	–
Gross profit		3,223	1,721	5,901	2,663
Other income	6	106	226	252	583
Administrative expenses		(28,312)	(36,579)	(54,600)	(67,886)
Impairment loss recognised in respect of intangible assets		(139,538)	–	(139,538)	–
Gain on cancellation of convertible bonds	19	212,705	–	212,705	–
Profit/(loss) from operations	7	48,184	(34,632)	24,720	(64,640)
Finance costs	8	(5,816)	(4,844)	(12,088)	(9,637)
Profit/(loss) before taxation		42,368	(39,476)	12,632	(74,277)
Income tax expenses	9	–	–	–	–
Profit/(loss) for the period		42,368	(39,476)	12,632	(74,277)
Attributable to:					
Owners of the Company		42,976	(39,476)	13,016	(74,277)
Non-controlling interests		(608)	–	(384)	–
		42,368	(39,476)	12,632	(74,277)
Earnings/(loss) per share					
– Basic and diluted	10	13.34 cents	(17.08) cents	4.04 cents	(32.68) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended 30 September		For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Profit/(loss) for the period	42,368	(39,476)	12,632	(74,277)
Other comprehensive income				
Exchange differences on translation of financial statements of foreign subsidiaries	1,356	(705)	17	(380)
Gain/(loss) arising on change in fair value of available-for-sale investments	300	(6,000)	(2,700)	(6,000)
Other comprehensive income/(loss) for the period	1,656	(6,705)	(2,683)	(6,380)
Total comprehensive income/(loss) for the period	44,024	(46,181)	9,949	(80,657)
Total comprehensive income/(loss) attributable to:				
Owners of the Company	44,593	(46,181)	10,294	(80,657)
Non-controlling interests	(569)	–	(345)	–
	44,024	(46,181)	9,949	(80,657)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	11	2,888	2,950
Investment properties		23,662	23,373
Goodwill	12	47,248	–
Intangible assets	13	494,294	667,773
Deferred tax assets		884	884
Deposits for investments		–	30,000
Available-for-sale investments	14	3,300	6,000
		<u>572,276</u>	<u>730,980</u>
Current assets			
Trade and other receivables	15	81,111	57,178
Bank balances and cash		57,027	100,480
		<u>138,138</u>	<u>157,658</u>
Current liabilities			
Trade and other payables	16	14,048	10,685
Bank loan	17	519	513
Tax payable		–	441
		<u>14,567</u>	<u>11,639</u>
Net current assets		<u>123,571</u>	<u>146,019</u>
Total assets less current liabilities		<u>695,847</u>	<u>876,999</u>
Capital and reserves			
Share capital	18	3,266	3,216
Reserves		681,176	669,703
Equity attributable to owners of the Company		<u>684,442</u>	<u>672,919</u>
Non-controlling interests		8,174	–
		<u>692,616</u>	<u>672,919</u>
Non-current liabilities			
Convertible bonds	19	–	200,635
Bank loan	17	129	380
Deferred tax liabilities		3,102	3,065
		<u>3,231</u>	<u>204,080</u>
		<u>695,847</u>	<u>876,999</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity shareholders of the Company											
	Available-											
	Issued capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Investments revaluation (Unaudited) HK\$'000	Share-based compensation (Unaudited) HK\$'000	Convertible bonds reserve (Unaudited) HK\$'000	Statutory reserve (Unaudited) HK\$'000	Transition reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 April 2011	44,669	1,186,043	283,362	-	6,125	351,667	394	2,620	(733,760)	1,141,120	-	1,141,120
Loss for the period	-	-	-	-	-	-	-	-	(74,277)	(74,277)	-	(74,277)
Other comprehensive loss for the period	-	-	-	(6,000)	-	-	-	(380)	-	(6,380)	-	(6,380)
Total comprehensive loss for the period	-	-	-	(6,000)	-	-	-	(380)	(74,277)	(80,657)	-	(80,657)
Capital reduction	(42,436)	-	42,436	-	-	-	-	-	-	-	-	-
Cancellation/lapse of share options	-	-	-	-	(4,628)	-	-	-	4,628	-	-	-
Issue of shares arising on acquisition of subsidiaries	447	7,147	-	-	-	-	-	-	-	7,594	-	7,594
Grant of share options	-	-	-	-	1,115	-	-	-	-	1,115	-	1,115
At 30 September 2011	2,660	1,193,190	325,798	(6,000)	2,612	351,667	394	2,240	(803,429)	1,069,172	-	1,069,172
At 1 April 2012	3,216	1,207,308	325,798	(10,000)	991	351,667	402	5,396	(1,211,879)	672,919	-	672,919
Profit/(loss) for the period	-	-	-	-	-	-	-	-	13,016	13,016	(384)	12,632
Other comprehensive (loss)/income for the period	-	-	-	(2,700)	-	-	-	(22)	-	(2,722)	39	(2,683)
Total comprehensive (loss)/income for the period	-	-	-	(2,700)	-	-	-	(22)	13,016	10,294	(345)	9,949
Non-controlling interest arising from acquisition of subsidiaries	-	-	-	-	-	-	-	177	-	177	8,519	8,696
Exercise of share options	50	1,250	-	-	(248)	-	-	-	-	1,052	-	1,052
Lapse of share options	-	-	-	-	(743)	-	-	-	743	-	-	-
Cancellation of convertible bonds	-	-	-	-	-	(351,667)	-	-	351,667	-	-	-
At 30 September 2012	3,266	1,208,558	325,798	(12,700)	-	-	402	5,551	(846,433)	684,442	8,174	692,616

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(14,365)	(22,688)
Net cash used in investing activities	(29,910)	(50,953)
Net cash generated from/(used in) financing activities	782	(331)
Net decrease in cash and cash equivalents	(43,493)	(73,972)
Cash and cash equivalents at beginning of period	100,480	217,007
Effect of foreign exchange rate changes	40	1,008
Cash and cash equivalents at end of period	57,027	144,043
Analysis of balances of cash and cash equivalents		
Bank balances and cash	57,027	144,043

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 (the "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 digitalisation system, property investment, provision of consultancy services, advertisement and media related services and provision of project management services.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The accounting policies used in the preparation of the Unaudited Consolidated Results are consistent with those used in the annual financial statements of the Group for the year ended 31 March 2012, except for the impact of the adoption of the new and revised Hong Kong Accounting Standard, Hong Kong Financial Reporting Standards and interpretations described below.

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets

The adoption of the new and revised HKFRSs has no material effect on the Unaudited Consolidated Results for the current or prior accounting period.

3. BASIS OF PREPARATION AND CONSOLIDATION

The Unaudited Consolidated Results have been prepared in accordance with all applicable HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“Ints”) issued by the 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 by the Hong Kong Companies Ordinance.

The measurement basis used in the preparation of the Unaudited Consolidated Results is the historical cost convention, as modified for the revaluation of certain financial instruments and investment properties which are stated at their fair values.

The preparation of Unaudited Consolidated Results in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

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 2012.

All significant intercompany transactions, balances and unrealised gain in transaction within the Group have been eliminated on consolidation.

4. 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 five reportable segments as follows:

- | | |
|---|---|
| (i) Property investments | Leasing of properties to generate rental income. Currently the Group’s properties investments portfolio is located in Canada. |
| (ii) MIDS | Provision of radio-frequency identification system (“RFID” system), hospital information system (“HIS”) and picture archiving and communication system (“PACS”). Currently, the Group’s MIDS portfolio is located in the PRC. |
| (iii) Consultancy services | Provision of consultancy and advisory services to entities in relation to the rechargeable stored value subscriber identity module (“SIM”) card business. Currently, the Group’s prepaid SIM cards consultancy and advisory services are provided in Hong Kong. |
| (iv) Advertisement and media related services | Provision of advertisement and media related services to entities. Currently, the Group’s advertisement and media related services are provided in Hong Kong and the PRC. |
| (v) Project management services | Provision of project management services to entities in relation to the operation and monitoring of RFID card system. Currently, the Group’s project management services are provided in the PRC. |

4. SEGMENT INFORMATION (Continued)

	Property investments		MIDS		Consultancy services		Advertisement and media related services		Project management services		Total	
	For the six months ended 30 September 2012	2011	For the six months ended 30 September 2012	2011	For the six months ended 30 September 2012	2011	For the six months ended 30 September 2012	2011	For the six months ended 30 September 2012	2011	For the six months ended 30 September 2012	2011
	(unaudited)	(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	HK\$'000
Turnover												
Sales to external customers	878	796	6,033	1,011	541	-	10,742	833	548	23	18,742	2,663
Segment results	(449)	(507)	(172,157)	(49,391)	(2,700)	(8,247)	(6,339)	833	(74)	(675)	(181,719)	(57,887)
Unallocated other income											212,904	566
Unallocated expenses											(6,466)	(7,319)
Profit/(loss) from operations											24,720	(64,640)
Finance costs											(12,088)	(9,637)
Profit/(loss) before taxation											12,632	(74,277)
Income tax											-	-
Profit/(loss) for the period											12,632	(74,277)
Other information:												
Interest expenses	(18)	(28)	-	-	-	-	-	-	-	-	(18)	(28)
Depreciation of property, plant and equipment	(9)	(9)	(534)	(544)	-	-	(73)	-	-	(7)	(616)	(560)
Amortisation of intangible assets	-	-	(24,347)	(42,468)	(3,239)	(8,247)	(5,732)	-	(821)	-	(33,939)	(50,715)

5. TURNOVER

	For the three months ended 30 September		For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Gross rental income from investment properties	398	383	878	796
Provision of MIDS	3,264	482	6,033	1,011
Provision of consultancy services	297	–	541	–
Provision of advertising and media related services	5,646	833	10,742	833
Provision of project management services	247	23	548	23
	<u>9,852</u>	<u>1,721</u>	<u>18,742</u>	<u>2,663</u>

6. OTHER INCOME

	For the three months ended 30 September		For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Bank interest income	84	226	204	583
Interest income on loan to an independent third party	–	–	26	–
Others	22	–	22	–
	<u>106</u>	<u>226</u>	<u>252</u>	<u>583</u>

7. PROFIT/(LOSS) FROM OPERATIONS

	For the three months ended 30 September		For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Profit/(loss) from operations has been arrived at after charging/(crediting):				
Gross rental income from investment properties	(398)	(383)	(878)	(796)
Less: Direct operating expenses that generate rental income	149	138	149	138
	<u>(249)</u>	<u>(245)</u>	<u>(729)</u>	<u>(658)</u>
Amortisation of intangible assets	17,520	25,358	33,939	50,715
Cost of sales	6,629	–	12,841	–
Depreciation of property, plant and equipment	332	288	616	560
Net foreign exchange loss/(gain)	148	(449)	302	(1,625)
Operating lease payment in respect of rental premises	773	760	1,400	1,292
Staff costs including directors' remunerations	4,534	4,609	8,676	7,612

8. FINANCE COSTS

	For the three months ended 30 September		For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Interest on bank loan wholly repayable within five years	8	13	18	28
Effective interest expenses on convertible bonds	5,808	4,831	12,070	9,609
	<u>5,816</u>	<u>4,844</u>	<u>12,088</u>	<u>9,637</u>

9. INCOME TAX EXPENSE

- (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 2012 (2011: 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 2012 (2011: Nil).
- (iii) The Group had no significant unprovided deferred tax assets and liabilities at 30 September 2012 (2011: Nil).

10. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on the profits attributable to owners of the Company for the three months ended 30 September 2012 of approximately HK\$43.0 million (2011: loss attributable to owners of the Company of approximately HK\$39.5 million) and profits attributable to owners of the Company for the six months ended 30 September 2012 of approximately HK\$13.0 million (2011: loss attributable to owners of the Company of approximately HK\$74.3 million) and the weighted average of 322,154,196 shares in issue during the three months ended 30 September 2012 (2011: 231,114,442 shares, as adjusted for share consolidation) and the weighted average of 321,886,104 shares in issue during the six months ended 30 September 2012 (2011: 227,251,391 shares, as adjusted for share consolidation).

11. PROPERTY, PLANT AND EQUIPMENT

	(Unaudited) HK\$'000
Cost	
At 1 April 2011	2,347
Additions	2,208
Written off for the year	(193)
Exchange adjustments	62
	<hr/>
At 31 March 2012 and 1 April 2012	4,424
Additions	317
Acquisition of subsidiaries (note 20(a) and (b))	239
	<hr/>
At 30 September 2012	4,980
	<hr/>
Accumulated depreciation	
At 1 April 2011	512
Charged for the year	1,114
Written off for the year	(174)
Exchange adjustments	22
	<hr/>
At 31 March 2012 and 1 April 2012	1,474
Charged for the period	616
Exchange adjustments	2
	<hr/>
At 30 September 2012	2,092
	<hr/>
Net book value	
At 30 September 2012	2,888
	<hr/>
At 31 March 2012	2,950
	<hr/>

12. GOODWILL

	(Unaudited) HK\$'000
Cost	
At 1 April 2011, 31 March 2012 and 1 April 2012	1,449
Acquisition of subsidiaries (note 20(a) and (b))	47,248
	<hr/>
At 30 September 2012	48,697
	<hr/>
Accumulated impairment losses	
At 1 April 2011	-
Impairment loss recognised for the year	1,449
	<hr/>
At 31 March 2012, 1 April 2012 and 30 September 2012	1,449
	<hr/>
Net book value	
At 30 September 2012	47,248
	<hr/>
At 31 March 2012	-
	<hr/>

12. GOODWILL (Continued)

The carrying amount of goodwill (before recognition of impairment losses) has been allocated to the following cash generating units identified according to operating segment.

	At 30 September 2012 HK\$'000	At 31 March 2012 HK\$'000
Properties investments	–	1,449
Advertising and media related services	47,248	–

13. INTANGIBLE ASSETS

	(unaudited) HK\$'000
Cost	
At 31 March 2011 and 1 April 2011	1,415,473
Acquired through acquisition of subsidiaries	42,934
Additions	5,238
Exchange adjustments	515
	<hr/>
At 31 March 2012	1,464,160
Exchange adjustments	5
	<hr/>
At 30 September 2012	1,464,165
	<hr/>
Accumulated amortisation and impairment losses	
At 31 March 2011 and 1 April 2011	361,553
Amortisation for the year	84,551
Impairment loss recognised for the year	350,243
Exchange adjustments	40
	<hr/>
At 31 March 2012	796,387
Amortisation for the period	33,939
Impairment loss recognised for the period	139,538
Exchange adjustments	7
	<hr/>
At 30 September 2012	969,871
	<hr/>
Net book value	
At 30 September 2012	494,294
	<hr/>
At 31 March 2012	667,773
	<hr/>

The master services agreement, co-operation agreement and strategic co-operation agreement, licensing agreement, consultancy agreement, advertising and media related services agreement and project management services agreement were purchased through acquisition of subsidiaries with finite useful life.

13. INTANGIBLE ASSETS (Continued)

The following estimated useful lives are used in the calculation of amortisation:

Master services agreement	15 years
Co-operation agreement and strategic co-operation agreement	10 years
Licensing agreement	15 years
Consultancy agreement	5 years
Advertising and media related services agreement	4 years
Project management services agreement	8 years
Computer software	5 years

The intangible assets will be tested for impairment whenever is an indication that they may be impaired. The particulars of impairment testing are disclosed as follows:

Impairment test of master services agreement

The master service agreement refers to the provision of MIDS which includes healthcare information system and custom built Wi-Fi/RFID identification application to healthcare sector in the PRC.

The management of the Company considers that the operating performance of the master services agreement for the period ended 30 September 2012 is affected by the upcoming compliance requirements on electronic health records ("EHR") and electronic medical record ("EMR") information standards. The provision of MIDS continued to experience prolonged schedules, and the priorities and rate of adopting MIDS are reshuffled or delayed.

The recoverable amount of the master services agreement was assessed by the directors of the Company with reference to the valuation carried out by an independent firm of valuers, Ample Appraisal Limited at the end of the reporting period. The valuation was appraised on the value-in-use basis. The key assumption for the value-in-use calculation are those regarding the discount rate and budgeted gross margin and turnover during the period. The Group estimates discount rate using the rate that reflects current market assessments of the time value of money and the risks specific to the master services agreement associated with the MIDS business. Budgeted gross margin and turnover are based on past practices and expectations in the master services agreement associated with the MIDS industry.

At 30 September 2012, the Group has prepared 13 years (At 31 March 2011: 13 years) cash flow forecast derived from the most recent financial budget of the master services agreement approved by the directors of the Company using a discount rate of 26.62% (31 March 2012: 26.95%) per annum. The result of the review undertaken indicated that an impairment loss of approximately HK\$139,538,000 (31 March 2012: HK\$265,577,000) with reference to the valuation report was necessary for the master service agreement associated with the MIDS business.

14. AVAILABLE-FOR-SALE INVESTMENTS

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
Unlisted shares		
– Equity securities incorporated in Hong Kong	1,000	1,000
Listed shares		
– Equity securities listed in Hong Kong	2,300	5,000
	<u>3,300</u>	<u>6,000</u>

15. TRADE AND OTHER RECEIVABLES

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
Trade receivables	35,310	28,064
Deposits	12,810	12,619
Prepayments	8,710	13,154
Other receivables	24,281	3,341
	<hr/>	<hr/>
	81,111	57,178
	<hr/>	<hr/>

An aged analysis of the trade receivables is as follows:

0 – 30 days	17,180	15,474
31 – 60 days	2,169	418
61 – 90 days	1,608	233
Over 90 days	14,353	11,939
	<hr/>	<hr/>
	35,310	28,064
	<hr/>	<hr/>

16. TRADE AND OTHER PAYABLES

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
Trade payables	6,499	6,767
Accruals, deposits and other payables	5,697	2,253
Receipt in advance	494	–
Other non-income tax payable	1,358	1,665
	<hr/>	<hr/>
	14,048	10,685
	<hr/>	<hr/>

An aged analysis of the trade payables is as follows:

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
0 – 30 days	2,992	5,828
31 – 60 days	91	–
61 – 90 days	1,053	–
Over 90 days	2,363	939
	<hr/>	<hr/>
	6,499	6,767
	<hr/>	<hr/>

17. BANK LOAN

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
On demand or within one year	519	513
After one year but within two years	129	380
	<u>648</u>	<u>893</u>
Less: current portion	(519)	(513)
	<u>129</u>	<u>380</u>

The bank loan was secured by investment properties of the Group.

18. SHARE CAPITAL

	Number of shares	HK\$'000
Authorised		
At 1 April 2012 and 30 September 2012, Ordinary shares of HK\$0.01 each	<u>20,000,000,000</u>	<u>200,000</u>
Issued and fully paid		
At 1 April 2012, ordinary shares of HK\$0.01 each	321,615,066	3,216
Exercise of share options	4,960,000	50
	<u>326,575,066</u>	<u>3,266</u>
At 30 September 2012	<u>326,575,066</u>	<u>3,266</u>

19. CONVERTIBLE BONDS

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
Liability component at 1 April	200,635	176,720
Cancellation of the convertible bonds	(212,705)	-
Effective interest expenses	12,070	23,915
	<u>-</u>	<u>200,635</u>
Liability component	<u>-</u>	<u>200,635</u>

Pursuant to the sale and purchase agreement entered into between the Group and Growth Harvest Limited (the "Vendor") in relation to the acquisition of Sunny Chance Limited and its subsidiaries (the "Sunny Chance group"), the Vendor warrants that the EBITDA of the Sunny Chance group shall not be less than the guaranteed EBITDA of HK\$500 million.

In the event that the EBITDA during the predetermined period is less than the guaranteed EBITDA, the shortfall shall be settled by the Vendor to the Group. The shortfall shall be deducted against the outstanding principal amount of convertible bonds issued to the Vendor by the Group upon the acquisition of Sunny Chance group.

The predetermined period was ended during the six months ended 30 September 2012 and the convertibles bonds were cancelled due to the shortfall in EBITDA.

20. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Joint Vision Investments Limited and its subsidiaries (the “Joint Vision group”)

On 3 May 2012, the Group entered into a sale and purchase agreement with an independent third party for the acquisition of 100% equity interests in Joint Vision group at a consideration of HK\$30,000,000. The acquisition of Joint Vision group was completed on 11 July 2012 (the “date of acquisition”) and the abovementioned control agreement is effective from the date of acquisition. Details of the acquisition are set out in the Company’s announcement dated 3 May 2012.

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of acquisition are as follows:

	<i>HK\$’000</i>
Net assets/(liabilities) acquired	
Property, plant and equipment	1
Trade receivables	49
Bank balances and cash	115
Accruals and other payables	(170)
Amounts due to shareholders	(22)
	<hr/>
Net liabilities acquired	(27)
Goodwill	30,027
	<hr/>
Total consideration	30,000
	<hr/>
Net cash outflow in respect of acquisition of subsidiaries:	
Cash consideration paid	30,000
Bank balances and cash acquired	(115)
	<hr/>
	29,885
	<hr/>

20. ACQUISITION OF SUBSIDIARIES *(Continued)***(b) Acquisition of Keen Renown Limited and its subsidiaries (the “Keen Renown group”)**

On 20 February 2012, the Group entered into a sale and purchase agreement with an independent third party for the acquisition of 60% equity interests in Keen Renown group at a consideration of HK\$30,000,000. The acquisition of Keen Renown group was completed on 20 April 2012 (the “date of acquisition”) and the abovementioned control agreement is effective from the date of acquisition. Details of the acquisition are set out in the Company’s announcement dated 20 February 2012.

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of acquisition are as follows:

	<i>HK\$’000</i>
Net assets/(liabilities) acquired	
Property, plant and equipment	237
Deposit for investment	12,278
Deposits, prepayment and other receivables	12,162
Bank balances and cash	63
Trade payables	(549)
Accruals and other payables	(2,693)
Receipt in advance	(103)
Amounts due to shareholders	(97)
	<hr/>
Net assets acquired	21,298
Non-controlling interest	(8,519)
Goodwill	17,221
	<hr/>
Total consideration	30,000
	<hr/>
Net cash outflow in respect of acquisition of subsidiaries:	
Deposit paid in prior year	30,000
Bank balances and cash acquired	(63)
	<hr/>
	29,937
	<hr/>

21. OPERATING LEASE COMMITMENT

At the end of the reporting period, the Group was committed to make the following future minimum lease payments in respect of office properties with lease terms under non-cancellable operating leases which are payable as follows:

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
Within one year	2,465	1,764
In the second to fifth years, inclusive	1,132	657
	<hr/> 3,597	<hr/> 2,421

22. MATERIAL RELATED PARTY TRANSACTION

Save as disclosed elsewhere in the Unaudited Consolidated Results, the Group had no material transaction with related parties during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Dividend

The Board does not recommend the payment of any dividend for the six months ended 30 September 2012 (2011: Nil).

Business Review

Provision of medical information digitalisation system

Along the initiation of the electronic health records (“EHR”) and electronic medical record (“EMR”) information standards compliance testing project by the Ministry of Health, the authorities commented that there are differences in the understanding of healthcare information standards and application implementations amongst regions and the development of the medical information technology market is still in a disorderly competitive way which is not conducive to the sharing of medical information resources. The standardized EHR and EMR will now be piloted in large general hospitals as the first steps to guide healthcare institutions and related business initiatives to move towards establishing practical sharing and interoperability of EHR and EMR. It is expected the authorities will use the compliance testing of EHR and EMR information standards as the entry point to assert regulatory requirements and bring order to the medical information technology market, thus introducing uncertainties in the segment and the operating environment in the foreseeable future would become harsh and challenging.

Through the co-operations with private-owned medical institutions and partnering with PRC IT companies which are already participating in the construction of regional healthcare information systems, the Group will attempt to work with suppliers to align with the new healthcare information standards compliance test specification currently under development. In view of the upcoming standardization policies and the shortfall of guaranteed earnings for the relevant period, a review of the business segment was conducted for the interim period and certain interim provisions for impairment loss in respect of intangible assets are made.

During the period under review, the revenue contributed by such segment was approximately HK\$6.0 million (2011: HK\$1.0 million).

Property investment

During the period under review, the revenue contributed by such segment was HK\$0.9 million (2011: HK\$0.8 million) and was mainly derived from the leasing of an investment property located at Canada.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(Continued)*

Provision of consultancy services

The overall telecommunications market is entering a new chapter with the introduction of 4G services and products, and the advertising campaign to promote tailored services focused to provide a competitive advantage over other providers. The rechargeable stored value SIM card business remains steady and the next round of marketing is planned to prepare for the year-end holiday seasons.

During the period under review, the revenue contributed by such segment was HK\$0.5 million (2011: HK\$Nil).

Advertisement and media related services

Working closely with the fast-moving consumer-goods advertising clients, the advertising budget for the upcoming year is being secured for the advertisement platform in retail-chain shops where the promotion packages are taking effect. At the same time, the first set of travel books is ready in print process with target launch on track for the year-end long public holidays.

During the period under review, the revenue contributed by such segment was HK\$10.7 million (2011: HK\$0.8 million).

Provision of project management services

After the summer school holidays, in the new academic year started in September, the Educational Institution Internal Security Control System ("EIISCS") continues to operate in over 50 schools in Guangdong area and the utility rate in urban areas are building up steadily. With the availability of the second generation of EIISCS, new implementations are being explored depending on the results of the current wave of promotion and adaptation.

During the period under review, the revenue contributed by such segment was HK\$0.5 million (2011: HK\$23,000).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Review

For the period under review, the revenue of the Group for the six months ended 30 September 2012 was approximately HK\$18.7 million (2011: HK\$2.7 million), of which HK\$6.0 million (2011: HK\$1.0 million) was generated from the rollout of MIDS; HK\$0.9 million (2011: HK\$0.8 million) was generated from the leasing of an investment property located at Canada; HK\$10.7 million was generated from provision of advertising and media related services (2011: HK\$0.8 million); HK\$0.5 million was generated from provision of consultancy services (2011: HK\$Nil); and HK\$0.5 million (2011: HK\$23,000) was generated from the provision of project management services, tantamount to an increase of approximately 6.0 times as compared with the period ended 30 September 2011.

Profit attributable to owners of the Company for the six months ended 30 September 2012 amounted to approximately HK\$13.0 million (2011: loss attributable to owners of the Company HK\$74.3 million). The change was mainly attributed to a substantial gain arising from the cancellation of convertible bonds and that such gain was partly offset by an impairment loss recognised in respect of intangible assets.

Finance costs increased by 25.4% to approximately HK\$12.1 million (2011: HK\$9.6 million). The increase was mainly attributed to the increase of interest capitalised to the liability portion of convertible bonds issued by the Company. The convertible bonds have been cancelled during the period under review.

Administrative expenses decreased 19.6% to approximately HK\$54.6 million from HK\$67.9 million in the prior year. Such decrease was mainly attributed to the amortization expenses of intangible assets approximately HK\$33.9 million (2011: HK\$50.7 million) and increase in staff costs of approximately HK\$8.7 million (2011: HK\$7.6 million).

Future Plans

While the monetary easing from around the world resulted in market rallies with improved risk sentiment, the concerns on US and Europe debts remain and the global growth forecast had another downward revision. Though the data from PRC indicates challenges and sluggish demand, Asia remains a key area for sustainable income and growth opportunities with the expectation of the new PRC leadership pushing for further stimulus measures. Planning ahead, the Group will continue to develop its existing business segments for stable incomes and also to explore potential business opportunities to enhance the earning base of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Liquidity and Financial Resources

At 30 September 2012, the Group had total assets of approximately HK\$710.4 million (31 March 2012: HK\$888.6 million), including cash and bank balances of approximately HK\$57.0 million (31 March 2012: HK\$100.5 million). During the period under review, the Group financed its operation with internally generated cash flow.

Capital Structure

Save as disclosed below, there was no change with capital structure of the Group as at 30 September 2012 as compared with that at 31 March 2012.

During the six months period ended 30 September 2012, certain option holders exercised their option rights to subscribe for an aggregate of 4,960,000 shares at an exercise price of HK\$0.212 per share. The proceeds from the exercise of option rights amounted to approximately HK\$1.1 million.

Gearing Ratio

The gearing ratio, expressed as percentage of total liabilities over total assets, was 2.5% (2011: 15.5%). The improvement in gearing ratio was contributed by the decrease in total liabilities was substantially more than that of total assets during the period.

Charge on the Group's Assets

At 30 September 2012, the Group did not have any charge on its assets.

Foreign Exchange Risks

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 2012, the Group, as a lessor, had operating lease commitments of approximately HK\$8.6 million (2011: HK\$1.6 million) and as a lessee, had operating lease commitment of approximately HK\$3.6 million (2011: HK\$1.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Contingent Liabilities

At 30 September 2012, the Group had no contingent liabilities (2011: Nil).

Material Acquisitions and Disposal of Subsidiaries and Affiliated Companies

Save as the 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.

Employees

At 30 September 2012, the Group had 55 employees (2011: 28). 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.

Significant Investment

At 30 September 2012, as long-term investment, the Group held 100,000,000 shares of The Hong Kong Building and Loan Agency Limited, a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange of Hong Kong.

Save as disclosed above, the Group did not hold any significant investment during the period ended 30 September 2012.

OTHER INFORMATION

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

Mr. Lui Wing Fong, Alexander, in his capacity as a beneficial owner had, as at 30 September 2012, personal interests in 80 ordinary shares, representing approximately 40% of the then issued share capital in Keen Renown Limited.

Save as disclosed above, as at 30 September 2012, none of the directors, or chief executive of the Company and their associates had any interests or short positions 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 would have to be 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 were required to be recorded in the register required to be kept under 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.

Share Option Schemes

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 39 to the financial statements as included in the annual report of the Company for the year ended 31 March 2012. The Share Option Scheme expired on 1 August 2012 and pursuant to an ordinary resolution passed by the shareholders at the annual general meeting of the Company on 25 September 2012, the Company adopted a new share option scheme on 27 September 2012. The principal terms of the new share option scheme have been set out in the Company's circular dated 22 August 2012.

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 1/4/2012	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding at 30/9/2012
20/09/2011	Employees	HK\$0.212	20/09/2011 to 19/09/2012	<u>19,840,000</u>	<u>-</u>	<u>4,960,000</u>	<u>14,880,000</u>	<u>-</u>	<u>-</u>

Directors and Chief Executives' Rights to Acquire Shares or Debentures

Save as disclosed above, at 30 September 2012, 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 *(Continued)***Substantial Shareholders**

At 30 September 2012, 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	Percentage of the Company's issued share capital
Growth Harvest Limited	Beneficial owner <i>(Note 1)</i>	64,640,710	19.79%
Treasure Bonus Limited	Interest of controlled corporation <i>(Note 1)</i>	64,640,710	19.79%
Ms. Tan Ting Ting	Interest of controlled corporation <i>(Note 1)</i>	64,640,710	19.79%
Gold Train Limited	Beneficial owner <i>(Note 2)</i>	44,669,177	13.68%
Ms. Xie Shi Yan	Interest of controlled corporation <i>(Note 2)</i>	44,669,177	13.68%

Notes:

1. Treasure Bonus Limited ("Treasure Bonus") owns 72% of the issued share capital of Growth Harvest Limited 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 64,640,710 shares.
2. Gold Train Limited 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 30 September 2012, 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 *(Continued)*

Competing Interest

At 30 September 2012, 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 2012.

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 2012.

- 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 have reviewed the arrangement and subsequently appointed Mr. Lui Wing Fong, Alexander as the chief executive officer of the Company on 30 May 2012.
- 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.

OTHER INFORMATION *(Continued)*

Code of Conduct Regarding Securities Transactions by Directors

During the six months ended 30 September 2012, 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 four independent non-executive directors namely, Mr. Ho Chun Ki, Frederick, Mr. Lai Miao Yuan, Mr. Chong Yiu Kan, Sherman and Mr. Tam Kin Yip. The audit committee has reviewed the Group's unaudited consolidated financial statements for the six months ended 30 September 2012.

Board of Directors

At the date of this report, the executive directors are Mr. Lien Wai Hung and Mr. Lui Wing Fong, Alexander; the independent non-executive directors are Mr. Ho Chun Ki, Frederick, Mr. Lai Miao Yuan, Mr. Chong Yiu Kan, Sherman and Mr. Tam Kin Yip.

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

Hong Kong, 13 November 2012