



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 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.

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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”) presents the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and the nine months ended 31 December 2012, together with the comparative unaudited figures for 2011 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Turnover	4	8,021	2,359	26,763	5,022
Cost of sales		(6,221)	(587)	(19,062)	(587)
Gross profit		1,800	1,772	7,701	4,435
Other income	5	138	439	390	1,022
Administrative expenses		(28,834)	(31,379)	(83,434)	(99,265)
Impairment loss recognised in respect of intangible assets		-	-	(139,538)	-
Gain on cancellation of convertible bonds		-	-	212,705	-
Loss on disposal of available- for-sale investments		(12,400)	-	(12,400)	-
Loss from operations	6	(39,296)	(29,168)	(14,576)	(93,808)
Finance costs	7	(5)	(4,843)	(12,093)	(14,480)
Loss before taxation		(39,301)	(34,011)	(26,669)	(108,288)
Income tax expenses	8	-	-	-	-
Loss for the period		(39,301)	(34,011)	(26,669)	(108,288)
Loss attributable to:					
Owners of the Company		(38,117)	(34,011)	(25,101)	(108,288)
Non-controlling interests		(1,184)	-	(1,568)	-
		(39,301)	(34,011)	(26,669)	(108,288)
Loss per share:		HK cents	HK cents	HK cents	HK cents
- Basic and diluted	9	(11.67)	(11.64)	(7.76)	(43.50)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended 31 December		For the nine months ended 31 December	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Loss for the period	(39,301)	(34,011)	(26,669)	(108,288)
Other comprehensive income/(loss) for the period				
Exchange differences on translation of financial statements of foreign subsidiaries	390	185	407	(195)
Loss arising on change in fair value of available-for-sale investments	2,700	(3,900)	-	(9,900)
Reclassification adjustment relating to available-for-sale investments disposed of during the period	10,000	-	10,000	-
Other comprehensive income/(loss) for the period	13,090	(3,715)	10,407	(10,095)
Total comprehensive loss for the period	(26,211)	(37,726)	(16,262)	(118,383)
Total comprehensive loss attributable to				
Owners of the Company	(25,098)	(37,726)	(14,804)	(118,383)
Non-controlling interests	(1,113)	-	(1,458)	-
	(26,211)	(37,726)	(16,262)	(118,383)

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 (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. TURNOVER

	For the three months ended 31 December		For the nine months ended 31 December	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Gross rental income from investment properties	421	449	1,299	1,245
Provision of MIDS	3,191	523	9,224	1,534
Provision of consultancy services	293	150	834	150
Provision of advertising and media related services	3,707	1,100	14,449	1,933
Provision of project management services	409	137	957	160
	<u>8,021</u>	<u>2,359</u>	<u>26,763</u>	<u>5,022</u>

5. OTHER INCOME

	For the three months ended 31 December		For the nine months ended 31 December	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Bank interest income	85	258	289	841
Interest income on loan to an independent third party	–	–	26	–
Others	53	181	75	181
	<u>138</u>	<u>439</u>	<u>390</u>	<u>1,022</u>

6. LOSS FROM OPERATIONS

	For the three months ended 31 December		For the nine months ended 31 December	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Amortization of intangible assets	14,302	25,451	48,241	76,166
Depreciation of property, plant and equipment	290	262	906	822
Net foreign exchange loss/(gain)	133	(1,317)	435	(2,942)
Staff costs including directors' remuneration	7,248	3,710	15,924	11,322

7. FINANCE COSTS

	For the three months ended 31 December		For the nine months ended 31 December	
	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	5	13	23	41
Effective interest expenses on convertible bonds	–	4,830	12,070	14,439
	<u>5</u>	<u>4,843</u>	<u>12,093</u>	<u>14,480</u>

8. INCOME TAX EXPENSES

- (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 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 nine months ended 31 December 2012 (2011: Nil).
- (iii) The Group had no significant unprovided deferred tax assets and liabilities at 31 December 2012 (2011: Nil).

9. 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 2012 of approximately HK\$38.1 million (2011: HK\$34.0 million) and loss attributable to owners of the Company for the nine months ended 31 December 2012 of approximately HK\$25.1 million (2011: HK\$108.3 million) and the weighted average of 326,575,066 shares in issue during the three months ended 31 December 2012 (2011: 292,106,370 shares, as adjusted for share consolidation) and the weighted average of 323,454,775 shares in issue during the nine months ended 31 December 2012 (2011: 248,948,329 shares, as adjusted for share consolidation).

10. CHANGES IN EQUITY

	Equity attributable to equity shareholders of the Company											
	Issued Capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Available-for-sale investments revaluation reserve (Unaudited) HK\$'000	Share-based compensation reserve (Unaudited) HK\$'000	Convertible bonds reserve (Unaudited) HK\$'000	Statutory reserve (Unaudited) HK\$'000	Translation reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (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	351,687	394	2,620	(733,780)	1,141,120	-	1,141,120
Loss for the period	-	-	-	-	-	-	-	-	(108,288)	(108,288)	-	(108,288)
Other comprehensive loss for the period	-	-	-	(9,900)	-	-	-	(195)	-	(10,095)	-	(10,095)
Total comprehensive loss for the period	-	-	-	(9,900)	-	-	-	(195)	(108,288)	(118,383)	-	(118,383)
Capital reduction	(42,436)	-	42,436	-	-	-	-	-	-	-	-	-
Cancellation/lapsed of shares options	-	-	-	-	(6,125)	-	-	-	6,125	-	-	-
Issue of shares arising on acquisition of subsidiaries	447	7,147	-	-	-	-	-	-	-	7,594	-	7,594
Placing of new shares	536	13,239	-	-	-	-	-	-	-	13,775	-	13,775
Shares issues expenses	-	(432)	-	-	-	-	-	-	(432)	-	-	(432)
Grant of shares options	-	-	-	-	1,115	-	-	-	-	1,115	-	1,115
At 31 December 2011	3,216	1,205,997	325,798	(9,900)	1,115	351,687	394	2,425	(835,943)	1,044,789	-	1,044,789
At 1 April 2012	3,216	1,207,308	325,798	(10,000)	991	351,687	402	5,396	(1,211,879)	672,919	-	672,919
Loss for the period	-	-	-	-	-	-	-	-	(25,101)	(25,101)	(1,568)	(26,669)
Other comprehensive income for the period	-	-	-	10,000	-	-	-	297	-	10,297	110	10,407
Total comprehensive income/(loss) for the period	-	-	-	10,000	-	-	-	297	(25,101)	(14,804)	(1,458)	(16,262)
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
Lapsed of share options	-	-	-	-	(743)	-	-	-	743	-	-	-
Cancellation of convertible bonds	-	-	-	-	-	(351,687)	-	-	351,687	-	-	-
Grant of shares options	-	-	-	-	2,647	-	-	-	-	2,647	-	2,647
At 31 December 2012	3,266	1,208,588	325,798	-	2,647	-	402	5,870	(864,550)	661,991	7,061	669,052

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Dividend

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2012 (2011: Nil).

Business Review

Provision of medical information digitalisation system

In the recently published 2013 Healthcare Work Outline, objectives in the healthcare information technology area includes to promote the realization of the 3521 construction of healthcare information framework, improve the healthcare information standards and the construction of standardized electronic health records and electronic medical records. In addition, the work on resident's healthcare card would be accelerated, such as issuing new cards and utilization in healthcare institutions. The ministry's target is to expand the issuance of resident's healthcare card to all large-scale hospitals in the second half of 2013. These infrastructure constructions are inclined for PRC manufacturers and suppliers that have the economy of scale and with the shift in focus for 2013, the operating environment will continue to be challenging. During the period under review, the revenue contributed by such segment was approximately HK\$9.2 million (2011: HK\$1.5 million).

Property investment

During the period under review, the revenue contributed by such segment was HK\$1.3 million (2011: HK\$1.2 million) and was mainly derived from the leasing of an investment property located at Canada.

Provision of consultancy services

Along the launch of a new generation of smartphones at the end of 2012, telecommunication providers launched 4G services with promotion campaigns aimed at customers migrating from 3G subscription which begins to show signs of network saturation. The rechargeable stored value SIM card business continues at a steady pace and plans are being formulated on tapping into the newly available 4G network resources. During the period under review, the revenue contributed by such segment was HK\$0.8 million (2011: HK\$0.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Review (Continued)

Advertisement and media related services

The development on advertisement and media services continues with the addition of advertisement platform in commercial buildings. The scope of services is also being expanded and discussions are underway with new major clients on the provision of branding and marketing services for fast-moving consumer-goods. On the other hand, the first travel book has been launched and market feedback response are being monitored for analysis.

On 13 December 2012, a wholly owned subsidiary of the Company (the “Purchaser”), entered into an agreement with the vendor, pursuant to which the Purchaser agreed to purchase 40% of the total issued share capital of Keen Renown Limited (the “Target”). Before the acquisition, the Target is an indirect subsidiary of the Company. Upon completion of the acquisition, the Company will hold indirectly the entire issued share capital of the Target and the Target continues to be a subsidiary of the Company with its consolidated accounts being consolidated with that of the Group.

As the relevant applicable percentage ratio calculated in accordance with the GEM Listing Rules is more than 25% but less than 100%, the transactions (the aggregate of transactions under the agreement and the former agreement) constitute a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules. Since the vendor is an executive Director and chief executive officer of the Company, the vendor is regarded as a connected person of the Company. Therefore, the acquisition also constitutes a connected transaction on the part of the Company and is subject to approval by independent shareholders by way of poll under Chapter 20 of the GEM Listing Rules.

During the period under review, the revenue contributed by such segment was HK\$14.4 million (2011: HK\$1.9 million).

Provision of project management services

In the new academic year started in September 2012, the better utilization of technical and commercial resource together with promotion efforts began to show and the utilization rate in Guangzhou urban areas has reached 45% and expects to improve steadily throughout the year. During the period under review, the revenue contributed by such segment was HK\$1.0 million (2011: HK\$0.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial Review

For the nine months ended 31 December 2012 the revenue of the Group was approximately HK\$26.8 million, of which HK\$9.2 million (2011: HK\$1.5 million) was generated from the rollout of MIDS, HK\$14.4 million (2011: HK\$1.9 million) was generated from advertising and media services, HK\$1.3 million (2011: HK\$1.2 million) was generated from the leasing of an investment property located at Canada, HK\$0.8 million (2011: HK\$0.2 million) was generated from consultancy services, and HK\$1.0 million (2011: HK\$0.2 million) was generated from project management services.

Loss attributable to owners of the Company for the nine months ended 31 December 2012 amounted to approximately HK\$25.1 million (2011: HK\$108.3 million). The decrease in loss 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 decreased by 16.5% to approximately HK\$12.1 million from HK\$14.5 million in prior year. The decrease was mainly attributed to the cancellation of convertible bonds during the period under review.

Administrative expenses decreased 15.9% to approximately HK\$83.4 million from HK\$99.3 million in the prior year. The decrease was mainly attributed to the amortization expenses of intangible assets approximately HK\$48.2 million (2011: HK\$76.2 million) and an increase in staff costs of approximately HK\$15.9 million (2011: HK\$11.3 million).

Significant Investment

At 31 December 2012, the Group did not hold any significant investment.

Future Plans

Continuing from 2012, the overall market remains clouded by uncertainties and volatilities fueled by Eurozone crisis, US fiscal sovereign issues, combined with China's slowing growth. For the PRC, the push for economic reform will continue to play a prominent role in the times ahead, evident by the long term goal of doubling economic output and per capita income, thus boosting domestic demand. Embracing the new normal of slower growth and low interest rates, the Group will review its existing business, continue to develop segments with stable incomes, and also to explore potential diversify business opportunities for sustainable long term returns.

OTHER INFORMATION

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

At 31 December 2012, 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 of underlying shares	Percentage of the Company's issued share capital
Mr. Lien Wai Hung	3,260,000 (<i>Note 1</i>)	1.00%
Mr. Lui Wing Fong, Alexander	3,260,000 (<i>Note 2</i>)	1.00%

Note:

1. Mr. Lien Wai Hung, an executive director, is deemed to be interested in 3,260,000 shares which fall to be issued upon exercise of the 3,260,000 share options of the Company.
2. Mr. Lui Wing Fong, Alexander, an executive director, is deemed to be interested in 3,260,000 shares which fall to be issued upon exercise of the 3,260,000 share options of the Company.

Interest in associated corporations of the Company

Mr. Lui Wing Fong, Alexander, in his capacity as a beneficial owner had, as at 31 December 2012, personal interests in 80 ordinary shares, representing approximately 40% of the then issued share capital in Keen Renown Limited.

OTHER INFORMATION (Continued)**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 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 schemes 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 31/12/2012
20/09/2011	Employees	HK\$0.212	20/09/2011 to 19/9/2012	19,840,000	-	4,960,000	14,880,000	-	-
04/12/2012	Directors	HK\$0.197	04/12/2012 to 03/12/2015	-	6,520,000	-	-	-	6,520,000
	Employees	HK\$0.197	04/12/2012 to 03/12/2015	-	26,080,000	-	-	-	26,080,000
				<u>19,840,000</u>	<u>32,600,000</u>	<u>4,960,000</u>	<u>14,880,000</u>	<u>-</u>	<u>32,600,000</u>

Directors and Chief Executives’ Rights to Acquire Shares or Debentures

Save as disclosed above, at 31 December 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 31 December 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 31 December 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 31 December 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 nine months ended 31 December 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 nine months ended 31 December 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 nine months ended 31 December 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 nine months ended 31 December 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, 7 February 2013