CITIC 21CN
中信 21世紀

CITIC 21CN COMPANY LIMITED
中信21世紀有限公司*

(Incorporated in Bermuda with limited liability)
(Stock code: 241)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST MARCH 2009

HIGHLIGHTS

CITIC 21CN Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") recorded a turnover of HK$274,645,000 for the year ended 31st March 2009, representing an increase of 17.7% compared with the previous year's turnover of HK$233,374,000, as a result of the rise in revenue from telecommunications/ information value-added services business by HK$34,550,000 (or 15.4%) and the Product Identification, Authentication, Tracking System ("PIATS") business by HK$7,027,000 (or 111.9%), respectively.

The Group recorded share of profit of an associate of HK$13,148,000 for the year ended 31st March 2009, representing an increase of 14.1% compared with the previous year's HK$11,520,000. The share of profit of an associate represented the equity income contribution from 東方口岸科技有限公司 (Dongfang Customs Technology Company Limited).

Audited net loss attributable to shareholders amounted to HK$148,007,000, representing an increase of loss of 95.1% as compared with the loss of HK$75,860,000 of last year.

The basic loss per share for the current year was HK3.98 cents as compared with HK2.10 cents of last year.

The directors of the Company (the "Directors") do not recommend the payment of a final dividend.

* *For identification purposes only*

The Directors are pleased to announce the audited consolidated results of the Group for the year ended 31st March 2009 and the audited consolidated balance sheet as at 31st March 2009 together with the audited comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2009

	Notes	**2009** **HK$'000**	2008 *HK$'000*
Turnover	*2*	**274,645**	233,374
Cost of sales and services		**(261,348)**	(183,765)
Gross profit		**13,297**	49,609
Other gains and losses	*3*	**2,063**	20,823
Change in fair value of convertible bonds	*4*	**(5,802)**	(11,395)
Administrative expenses		**(146,222)**	(145,598)
Impairment losses recognised in respect of PIATS business	*5*	**(20,736)**	–
Share of profit of an associate	*6*	**13,148**	11,520
Finance costs		**(1,523)**	(1,359)
Loss before taxation	*7*	**(145,775)**	(76,400)
Taxation	*8*	**(2,232)**	(133)
Loss for the year		**(148,007)**	(76,533)
Attributable to:			
Equity holders of the Company		**(148,007)**	(75,860)
Minority interests		**–**	(673)
		(148,007)	(76,533)
		HK cents	*HK cents*
Loss per share	*9*		
Basic		**(3.98)**	(2.10)

CONSOLIDATED BALANCE SHEET

At 31st March 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment		**112,726**	122,735
Intangible assets		**61,563**	74,459
Interest in an associate		**121,366**	105,345
Loan receivable		**25,665**	25,039
Available-for-sale investments		**8,475**	8,250
		329,795	335,828
Current assets			
Inventories		**–**	1,437
Amounts due from customers for contract work		**3,978**	18,662
Debtors and prepayments	*10*	**60,201**	138,201
Investments held for trading		**12,650**	17,923
Bank balances and cash		**196,421**	288,322
		273,250	464,545
Current liabilities			
Creditors and accruals	*11*	**104,532**	81,112
Taxation payable		**897**	141
Short-term bank loans		**24,917**	26,950
Convertible bonds	*4*	**–**	84,653
		130,346	192,856
Net current assets		**142,904**	271,689
Total assets less current liabilities		**472,699**	607,517
Non-current liability			
Deferred taxation		**640**	–
		640	–
		472,059	607,517
Capital and reserves			
Share capital		**37,179**	37,179
Reserves		**434,869**	570,327
Equity attributable to equity holders of the Company		**472,048**	607,506
Minority interests		**11**	11
Total equity		**472,059**	607,517

Notes:

1. **Significant accounting policies**

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKAS"s) and Interpretations ("INT"s) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain interest free loan receivable which is adjusted to its fair value on initial recognition and certain financial instruments, which are measured at fair values, as appropriate.

(b) Adoption of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied the following amendments of HKASs and INTs (hereinafter collectively referred to as "new HKFRSs") issued by HKICPA, which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC)* – INT 12	Service concession arrangements
HK(IFRIC)* – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

* *IFRIC represents the International Financial Reporting Interpretations Committee.*

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Group anticipate that the application of these new standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

HKFRSs (Amendments)	Improvements to HKFRSs [1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009 [2]
HKAS 1 (Revised)	Presentation of financial statements [3]
HKAS 23 (Revised)	Borrowing costs [3]
HKAS 27 (Revised)	Consolidated and separate financial statements [4]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation [3]
HKAS 39 (Amendment)	Eligible hedged items [4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate [3]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [3]
HKFRS 3 (Revised)	Business combinations [4]
HKFRS 7 (Amendment)	Improvement disclosures about financial instruments [3]
HKFRS 8	Operating segments [3]
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives [5]
HK(IFRIC) – INT 13	Customer loyalty programmes [6]
HK(IFRIC) – INT 15	Agreements for the construction of real estate [3]
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation [7]
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners [4]
HK(IFRIC) – INT 18	Transfers of assets from customers [8]

[1] Effective for annual periods beginning on or after 1st January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July 2009.

[2] Effective for annual periods beginning on or after 1st January 2009, 1st July 2009 and 1st January 2010, as appropriate.

[3] Effective for annual periods beginning on or after 1st January 2009.

[4] Effective for annual periods beginning on or after 1st July 2009.

[5] Effective for annual periods ending on or after 30th June 2009.

[6] Effective for annual periods beginning on or after 1st July 2008.

[7] Effective for annual periods beginning on or after 1st October 2008.

[8] Effective for transfers on or after 1st July 2009.

The application of HKFRS 3 (Revised) may affect the Group's accounting treatment for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. Business and geographical segments

Business segments

The Group is an integrated information and content service provider. For management purposes, the Group is organized into three operating divisions namely telecommunications/information valued-added services, the provision of PIATS, and system integration and software development. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Telecommunications/information value-added services	–	Provision of telecommunications/information value-added services
PIATS business	–	Operation of an exclusive platform for PIATS
System integration and software development	–	Provision of system integration and software development

Business segments for the year are as follows:

	Telecom-munications/ information value-added services HK$'000	PIATS business HK$'000	System integration and software development HK$'000	Total HK$'000
Year ended 31st March 2009				
Turnover				
External sales	**259,371**	**13,306**	**1,968**	**274,645**
Segment results	**(19,173)**	**(73,949)**	**(17,718)**	**(110,840)**
Other gains and losses				**2,063**
Change in fair value of convertible bonds				**(5,802)**
Share of profit of an associate				**13,148**
Finance costs				**(1,523)**
Unallocated corporate expenses				**(42,821)**
Loss before taxation				**(145,775)**
Taxation				**(2,232)**
Loss for the year				**(148,007)**
ASSETS				
Segments assets	**94,713**	**123,331**	**12,501**	**230,545**
Interest in an associate				**121,366**
Unallocated corporate assets				**251,134**
Consolidated total assets				**603,045**
LIABILITIES				
Segment liabilities	**33,574**	**52,320**	**6,399**	**92,293**
Unallocated corporate liabilities				**38,693**
Consolidated total liabilities				**130,986**

	Telecom-munications/ information value-added services *HK$'000*	PIATS business *HK$'000*	System integration and software development *HK$'000*	Others *HK$'000*	Total *HK$'000*
OTHER INFORMATION					
Capital additions	**12,937**	**3,868**	**4**	**6,011**	**22,820**
Depreciation	**11,695**	**6,772**	**94**	**2,384**	**20,945**
Amortization of intangible assets	**–**	**4,079**	**–**	**–**	**4,079**
Impairment loss recognised in respect of property, plant and equipment	**–**	**9,888**	**–**	**–**	**9,888**
Impairment loss recognised in respect of intangible assets	**–**	**10,848**	**–**	**–**	**10,848**
Allowance for doubtful debts	**–**	**489**	**2,972**	**–**	**3,461**
Write down of inventories	**–**	**–**	**1,743**	**–**	**1,743**
Loss (gain) on disposal of property, plant and equipment	**1,257**	**(41)**	**–**	**–**	**1,216**

	Telecom-munications/ information value-added services *HK$'000*	PIATS business *HK$'000*	System integration and software development *HK$'000*	Total *HK$'000*
Year ended 31st March 2008				
Turnover				
External sales	224,821	6,279	2,274	233,374
Segment results	(21,620)	(26,468)	(2,535)	(50,623)
Other gains and losses				20,823
Change in fair value of convertible bonds				(11,395)
Share of profit of an associate				11,520
Finance costs				(1,359)
Unallocated corporate expenses				(45,366)
Loss before taxation				(76,400)
Taxation				(133)
Loss for the year				(76,533)
ASSETS				
Segments assets	118,008	163,271	54,562	335,841
Interest in an associate				105,345
Unallocated corporate assets				359,187
Consolidated total assets				800,373
LIABILITIES				
Segment liabilities	41,965	23,877	7,291	73,133
Unallocated corporate liabilities				119,723
Consolidated total liabilities				192,856

	Telecom-munications/ information value-added services *HK$'000*	PIATS business *HK$'000*	System integration and software development *HK$'000*	Others *HK$'000*	Total *HK$'000*
OTHER INFORMATION					
Capital additions	9,321	25,998	45	2	35,366
Depreciation	9,839	3,860	87	1,984	15,770
Amortization of intangible assets	–	3,791	–	–	3,791
Allowance for doubtful debts	–	–	4,172	–	4,172
Loss on disposal of property, plant and equipment	1,138	–	–	1,882	3,020

Geographical segments

The Group's operations and assets are primarily carried out and located in the People's Republic of China ("PRC"). Accordingly, a separate summary of geographical segment is therefore not presented.

3. Other gains and losses

	2009 *HK$'000*	2008 *HK$'000*
Included in other gains and losses are the following items:		
Interest income from bank deposits	**6,793**	16,009
Imputed interest income from loan receivable	**626**	655
Dividends from equity securities	**379**	41
Change in fair value of investments held for trading	**(5,273)**	2,160
Net exchange (loss) gain	**(597)**	374
Others	**135**	1,584
	2,063	20,823

4. Convertible bonds

The Company issued US$55 million and US$15 million zero coupon convertible bonds at a par value of US$1,000 each on 21st December 2005 and 11th January 2006 respectively with a maturity date on 21st December 2010 (collectively referred to as the "Bonds"). The Group has adopted HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement, for the Bonds. The Bonds are carried at fair value at the balance sheet date and the changes in fair values are recognised in the consolidated income statement.

During the year ended 31st March 2009, a loss on change in fair value of HK$5,802,000 (2008: HK$11,395,000) was recognised in the consolidated income statement.

On 22nd December 2008, US$10,000,000 of the Bonds was redeemed.

As at 31st March 2009, no convertible bonds remained outstanding.

5. Impairment losses recognised in respect of PIATS business

	2009	2008
	HK$'000	*HK$'000*
Impairment loss recognised in respect of property, plant and equipment	**9,888**	–
Impairment loss recognised in respect of intangible assets	**10,848**	–
	20,736	–

Due to the sustained losses in the PIATS business, impairment losses were identified for property, plant and equipment and intangible assets which are used in the PIATS business.

The recoverable amount of PIATS business has been determined on the basis of value in use calculation. The key factors for the value in use calculation are discount rates, growth rates and expected changes to revenue and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the PIATS business. The growth rates are based on industry growth forecasts. Changes in revenue and direct costs are based on past practices and expectations of future changes in the market.

During the year, the Group performed impairment review for the PIATS business based on cash flow forecasts derived from the most recent financial budgets for the next three years using a discount rate of 11.71%, while the remaining forecast periods of seven years has been extrapolated with reference to annual growth rate in the relevant industries. Due to the unfavourable development in the PIATS business in the current year, the Group recognised impairment losses of HK$9,888,000 (2008: nil) and HK$10,848,000 (2008: nil) in the current year in relation to property, plant and equipment and intangible assets of PIATS business.

6. Share of profit of an associate

The Group recorded a share of net profit from a 30%-owned associate, Dongfang Customs Technology Company Limited.

7. Loss before taxation

	2009	2008
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging:		
Directors' remuneration	**2,792**	1,860
Other staff's retirement benefits scheme contributions	**1,987**	1,552
Other staff costs	**70,387**	63,245
Share option expense	**726**	3,751
Total staff costs	**75,892**	70,408
Allowance for doubtful debts (included in administrative expenses)	**3,461**	4,172
Amortization of intangible assets (included in cost of sales and services)	**4,079**	3,791
Auditor's remuneration	**2,319**	2,594
Change in value of loan receivable resulting from extension of maturity	**–**	1,921
Cost of inventories recognized as an expense (included amount of write down of inventories of HK$1,743,000 for 2009, nil for 2008) included in cost of sales and services	**2,140**	1,936
Depreciation	**20,945**	15,770
Loss on disposal of property, plant and equipment	**1,216**	3,020
Operating lease rentals in respect of buildings	**9,986**	12,992
Share of tax of an associate (included in share of profit of an associate)	**2,565**	534

8. Taxation

	2009	2008
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax – The Company and subsidiaries	**–**	17
PRC Enterprise Income Tax – Jointly controlled entities	**1,592**	32
	1,592	49
Underprovision in prior years:		
Hong Kong	**–**	33
PRC Enterprise Income Tax	**–**	51
	–	84
Deferred tax:		
Current year	**640**	–
	2,232	133

Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the year. No provision for Hong Kong Profits Tax has been made for the year as the Group's income neither arises in, nor is derived from, Hong Kong. Hong Kong Profits Tax in 2008 represented underprovision in prior years.

The tax rate applicable for the subsidiaries and jointly controlled entities in the PRC is 25% (2008: ranges from 15% to 25%).

Pursuant to the relevant laws and regulations in the PRC, one of the Group's jointly controlled entity and a subsidiary are entitled to exemption from PRC Enterprise Income Tax for the two years ended starting from the year ended 31st March 2006 and a 50% relief for the subsequent three years. They would continue to enjoy such tax benefits until the exemption and reduction period expire, but not beyond 2012. The jointly controlled entity and the subsidiary incurred tax loss in both years.

9. Loss per share

The calculation of the basic loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	2009	2008
	HK$'000	*HK$'000*
Loss for the purposes of basic loss per share	**(148,007)**	(75,860)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	**3,717,869,631**	3,606,917,861

The diluted loss per share for the year ended 31st March 2009 and 31st March 2008 was not presented as the exercise of the share options outstanding and the conversion of the Company's outstanding convertible bonds would result in a decrease in loss per share in both years.

10. Debtors and prepayments

	2009	2008
	HK$000	*HK$'000*
Trade receivables	**67,358**	72,462
Less: Allowance for doubtful debts	**(24,178)**	(20,167)
	43,180	52,295
Other receivables *(Note)*	**2,036**	24,429
Deposits and prepayments	**14,985**	61,477
	60,201	138,201

Note: As at 31st March 2008, other receivables included an interest free advance to Information Centre of General Administration of Quality Supervision, Inspection and Quarantine ("Information Centre of AQSIQ") of the PRC, in order for Information Centre of AQSIQ to meet its share of the capital contribution to CCIT amounting to RMB18,000,000 (equivalent to HK$19,800,000). Information Centre of AQSIQ is the former joint venture partner in CCIT. The amount was settled in full during the year.

The Group provides an average credit period of 90 days to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date:

	2009	2008
	HK$000	*HK$'000*
0–90 days	**29,118**	29,642
91–180 days	**3,429**	3,421
181–360 days	**710**	2,841
Over 360 days	**9,923**	16,391
	43,180	52,295

11. Creditors and accruals

	2009	2008
	HK$000	*HK$'000*
Trade payables	**31,905**	39,154
Receipts in advance from customers	**6,996**	–
Other payables and accruals	**65,631**	41,958
	104,532	81,112

The following is an aged analysis of trade payables at the balance sheet date:

	2009	2008
	HK$000	*HK$'000*
0–90 days	**12,078**	5,624
91–180 days	**1,348**	18,194
181–360 days	**3,363**	1,270
Over 360 days	**15,116**	14,066
	31,905	39,154

FINAL DIVIDEND

The Directors do not recommend payment of a final dividend for the year ended 31st March 2009 (2008: Nil).

FINANCIAL REVIEW

The key financial figures of the Group for the year ended 31st March 2009 and the comparative figures for the year ended 31st March 2008 are summarized as follows:

	2009 ***HK$'000***	2008 *HK$'000*	Change %
Turnover	**274,645**	233,374	17.7
Gross profit	**13,297**	49,609	(73.2)
Gross profit percentage	**4.8%**	21.3%	N/A
Other gains and losses	**2,063**	20,823	(90.1)
Administrative expenses	**146,222**	145,598	0.4
Change in fair value of convertible bonds	**5,802**	11,395	(49.1)
Impairment losses recognised in respect of PIATS business	**20,736**	–	N/A
Share of profit of an associate	**13,148**	11,520	14.1
Net loss attributable to shareholders	**148,007**	75,860	95.1
Loss per share			
Basic	**3.98 cents**	2.10 cents	89.5

Results

– *Turnover*

Turnover of the Group for the year increased by 17.7% from HK$233,374,000 to HK$274,645,000. The increase was mainly due to the following reasons:

(a) 北京鴻聯九五信息產業有限公司 (Beijing Honglian 95 Information Industries Company Limited) ("HL95"), a 49%-owned jointly controlled entity of the Group, is engaged in telecommunications/information value-added services ("VAS"). The Group's share of the turnover of HL95 for the year ended 31st March 2009 increased by 15.4% to HK$259,371,000 from HK$224,821,000 for the year ended 31st March 2008. The Group's share of the turnover of HL95 comprised

HK$110,312,000 (2008: HK$68,642,000) from short messaging services ("SMS"), HK$29,536,000 (2008: HK$62,947,000) from fixed-line interactive voice response system ("IVRS"), HK$35,385,000 (2008: HK$29,658,000) from mobile IVRS, HK$22,085,000 (2008: HK$32,351,000) from Internet-protocol ("IP") phone, HK$36,846,000 (2008: HK$26,563,000) from call centres, and HK$25,207,000 (2008: HK$4,660,000) from other value-added services. The increase in turnover was mainly due to the increase in SMS revenue, mobile IVRS revenue and call centre revenue, despite a substantial percentage decrease in revenues from the fixed-line IVRS and IP phone businesses. The introduction of several new and innovative services, including the promotion for the consumers' enquiry on the product information through PIATS, had stimulated the SMS revenue to rise by 60.7% or HK$41,670,000. Increase in mobile IVRS revenue by 19.3% or HK$5,727,000 was due to more cooperation with media, mainly TV and radio stations, to provide IVRS related services across China. Increase in call centre revenue by 38.7% or HK$10,283,000 was mainly due to the continuous growth of the call centre business in Beijing, Shenzhen and Foshan to cope with the development of certain major call centre accounts, including China Mobile Guangdong and CITIC Bank. HL95 has successfully reinforced the long-term relationship with those key accounts and HL95 has become one of the main reputable operators in the call centre industry in China. Fixed-line IVRS revenue decreased by 53.1% or HK$33,411,000 due to the aggressive marketing tactics and keen competition from HL95's main fixed-line IVRS competitors, China Telecom and China Unicom. The fixed-line IVRS business was also affected by the change in consumer habits to use less fixed line as main communication tool at home. Due to the keen competition from other IP phone providers, IP phone revenue decreased by 31.7% or HK$10,266,000 during the current year. Increase in other value-added service revenue was mainly due to the revenue generated from the sales of calling cards for telecom operators and the revenue generated from other developing projects following the issuance of 3G licenses.

(b) 中信國檢信息技術有限公司 (China Credit Information Technology Company Limited) ("CCIT"), a 50%-owned jointly controlled entity of the Group, is engaged in the PIATS business. The Group's share of the turnover of CCIT for the year ended 31st March 2009 increased by 111.9% to HK$13,306,000 from HK$6,279,000 for the year ended 31st March 2008. The increase in revenue was due to the increase in number of manufacturers joining and making use of the information services of PIATS during the year.

(c) 廣東天圖科技有限公司 (Guangdong Grand Cycle Technology Company Limited) ("Grand Cycle"), a wholly-owned subsidiary of the Group, is engaged in software development and system integration services and its turnover for the year ended 31st March 2009 was HK$1,968,000 as compared with the turnover of HK$2,274,000 for the year ended 31st March 2008. The operations of Grand Cycle have been scaling down and the turnover for the year represented those revenue generated from the outstanding system integration service contracts to the telecom industry.

– *Gross profit percentage*

The gross profit percentage of the Group during the year ended 31st March 2009 decreased to 4.8% from 21.3% during the year ended 31st March 2008, mainly because of the reduction in gross profit margin of HL95, and gross loss percentage was recorded in both CCIT and Grand Cycle businesses.

HL95's gross profit percentage declined because of higher share of IVRS/SMS revenue obtained by telecom operators, therefore service providers like HL95 took a smaller share of the revenue, and the aggressive marketing tactics employed by the telecom companies. Service providers like HL95 must work with telecom operators in providing IVRS/SMS content services to customers of fixed-line and mobile telecom operators, and these consumers pay a fee for accessing such content. HL95's gross profit margin was also affected by the broadband network expense and the increased depreciation charge mainly due to the expansion of HL95's call centre capacity in Beijing, Shenzhen and Foshan.

In the current year CCIT continued to build the infrastructure for PIATS, resulting in gross loss percentage from direct operating costs, depreciation charge and supporting fee for the PIATS platform.

As disclosed in the last year annual report that the management had been scaling down the operations of Grand Cycle due to the highly competitive nature and the long collection period inherent in the industry for providing system integration services to the telecom industry, which had resulted in gross loss percentage recorded by Grand Cycle for the year because of the write-down of inventories and the recognised losses of uncompleted or terminated contract works totalling HK$13,361,000.

– *Other gains and losses*

Other gains and losses decreased by 90.1% to HK$2,063,000 for the year ended 31st March 2009. Such decrease was mainly attributable to the decrease in interest income to HK$6,793,000 when compared with HK$16,009,000 for the year ended 31st March 2008, as a result of reduction in bank deposit amount and bank interest rate during the year. For the current year, the Group also recorded a loss in fair value of investments held for trading of HK$5,273,000, whereas a gain in fair value of investments held for trading of HK$2,160,000 was reported for the year ended 31st March 2008.

– *Administrative expenses*

Administrative expenses for the year ended 31st March 2009 was HK$146,222,000 when compared to HK$145,598,000 for the previous year. Such slight increase was the net result of the increase in staff costs of HK$5,484,000 from the expansion of HL95's call centre capacity in Beijing, Shenzhen and Foshan and the provision of project development costs of approximately HK$3,300,000 in the face that the overall economy and the investment environment were overshadowed by uncertainties, as offset by the decrease in general operating expenses due to the management implementation of stricter measures to improve cost efficiency.

– *Change in fair value of convertible bonds*

The Group recorded a loss on change in fair value of convertible bonds of HK$5,802,000 for the year ended 31st March 2009 (2008: HK$11,395,000). The Company issued US$55 million and US$15 million, zero coupon convertible bonds at a par value of US$1,000 each on 21st December 2005 and 11th January 2006 respectively with a maturity date on 21st December 2010 (collectively referred to as the "Bonds"). The Group has adopted HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement, for the Bonds. The Bonds are carried at fair value at the balance sheet date and the change in fair values are recognised in the consolidated income statement. The decrease in loss on change in fair values for the year was due to the full redemption of all the remaining US$10,000,000 Bonds on 22nd December 2008. As at 31st March 2009, no convertible bonds remained outstanding.

– *Impairment losses recognised in respect of PIATS business*

Due to the sustained losses in the PIATS business, non-cash impairment losses were identified for property, plant and equipment and intangible assets which are used in the PIATS business. This action is a conservative judgment as to the future value of these assets given the Directors believe that there is great potential for PIATS and have confidence in the development of PIATS business.

During the year, the Group performed impairment review for the PIATS business based on cash flow forecasts derived from the most recent financial budgets for the next three years using a discount rate of 11.71%, while the remaining forecast periods of seven years has been extrapolated with reference to annual growth rate in the relevant industries. Due to the unfavourable development in the PIATS business in the current year, the Group recognised impairment losses of HK$9,888,000 (2008: nil) and HK$10,848,000 (2008: nil) in the current year in relation to property, plant and equipment and intangible assets of PIATS business.

– *Share of profit of an associate*

Share of profit of an associate represented the share of profit of a 30%-owned associate, 東方口岸科技有限公司 (Dongfang Customs Technology Company Limited) ("Dongfang Customs"), which was engaged in electronic customs processing and other electronic government services. The share of profit of Dongfong Customs was HK$13,148,000 for the year ended 31st March 2009, an increase of 14.1% as compared with HK$11,520,000 for the year ended 31st March 2008. Such increase was mainly attributable to the continuous growth in number of users using Dongfang Customs' network platform for electronic custom filing and declaration. Dongfang Customs has been upgrading its existing system by introducing more new and enhanced features to attract users using their services.

– *Net loss attributable to shareholders*

Net loss attributable to shareholders for the year ended 31st March 2009 was HK$148,007,000, representing an increase of 95.1% over the loss of HK$75,860,000 for the previous year, mainly because of the decrease in both gross profit percentage and other gains and losses; and there were impairment losses recognised in respect of PIATS business as explained above.

– *Loss per share*

Basic loss per share was HK3.98 cents for the year ended 31st March 2009, representing an increase of 89.5% over HK2.10 cents for the previous year.

FINANCIAL RESOURCES, LIQUIDITY AND FOREIGN EXCHANGE EXPOSURES

The financial positions of the Group as at 31st March 2009 and the corresponding comparative figures as at 31st March 2008 are summarized as follows:

	31st March 2009 *HK$'000*	31st March 2008 *HK$'000*
Current assets	**273,250**	464,545
Including		
– bank balances and cash (mainly denominated in Hong Kong dollar, United States dollar and Renminbi)	**196,421**	288,322
– debtors	**45,216**	76,724
Current liabilities	**130,346**	192,856
Including		
– short-term bank loans	**24,917**	26,950
– convertible bonds	**–**	84,653
Current ratio (current asset/current liabilities)	**2.10**	2.41
Quick ratio (bank balances and cash & debtors/current liabilities)	**1.85**	1.89
Shareholders' equity	**472,048**	607,506
Gearing ratio (bank loans and convertible bonds/shareholders' equity)	**5.28%**	18.37%

Bank balances and cash decreased by 31.9% from HK$288,322,000 as at 31st March 2008 to HK$196,421,000 as at 31st March 2009. The decrease in cash was principally due to the redemption of US$10,000,000 of convertible bonds, the development of the PIATS project and the operations of HL95, partly offset by trade debtors recovered during the year ended 31st March 2009.

As at 31st March 2009, trade debtors aged over 12 months were HK$9,923,000 (31st March 2008: HK$16,391,000), which were mainly related to system integration and software development business.

Bank loans on the consolidated balance sheets as at 31st March 2009 and 31st March 2008 were the Group's share of HL95's bank loans, which were short-term in nature, denominated in Renminbi and repayable within one year, and carried interest at prevailing market rates.

As at 31st March 2009, the current ratio decreased to 2.10 from 2.41 as at 31st March 2008, and the quick ratio also decreased to 1.85 from 1.89. The Group considers that the existing current and quick ratios in healthy level.

Shareholders' equity decreased from HK$607,506,000 as at 31st March 2008 to HK$472,048,000 as at 31st March 2009, mainly because of the net loss of the Group incurred during the year ended 31st March 2009.

The Group's gearing ratio decreased from 18.37% as at 31st March 2008 to 5.28% as at 31st March 2009, mainly because of the redemption of US$10,000,000 of convertible bonds, offset by net loss of the Group incurred during the year ended 31st March 2009.

The Group's operations and transactions are principally located in the PRC. Other than the bank balances and cash most of which are placed in fixed deposits and liquid investments denominated in US dollar or Hong Kong dollar, other assets and liabilities are mainly denominated in either Hong Kong dollar or Renminbi. The Directors believe that there will not be material fluctuation in the exchange rate of US dollar against Hong Kong dollar, the reporting currency, in the foreseeable future, and the gradual and slight increase in the exchange rate of Renminbi against Hong Kong dollar would result in exchange gain for the Group as the net assets of the Group's operating subsidiaries and jointly controlled entities in the PRC are denominated in Renminbi. Therefore, the operations of the Group are not subject to significant exchange rate risk.

BUSINESS REVIEW

The Group is an integrated information and content service provider, emphasizing on innovation as well as seeking ways to apply the latest information technology to provide unique information service to the PRC governmental departments, manufacturers, the pharmaceutical industry and consumers. The Group's major clients are sizable and prestigious PRC manufacturers. Our information service will also expedite the development of small to medium sized manufacturers. As a result, the Group has received strong support from the PRC government.

- **CCIT**

CCIT, a 50%-owned jointly controlled entity of the Group, is principally engaged in the provision of product tracking and enforcement information for the relevant PRC authorities through the operation of PIATS; the provision of product information to the manufacturers from the manufacturing to the distribution and sale of the product; the provision of a simple, convenient and efficient way for the consumers to enquire product information, and check whether the products are counterfeit products or products with poor quality or safety; and the provision of an interactive channel for the consumers to report counterfeit products or products with poor quality or safety. CCIT has established a leading position in the PRC information service sector by providing manufacturers and consumers with these information value-added services. In May 2008, PIATS helped to facilitate and to speed up the countrywide re-distribution of anaesthetics to the disaster area during Sichuan Earthquake. In August 2008, being one of the important tools to ensure the food safety during the period of Olympic Games, the relevant PRC authorities stipulated that PIATS barcodes to be attached on the food packages when the food was supplied to Beijing Olympic Games. Recently, the relevant PRC authorities have been continuing their serious efforts in progressing and promoting the application of PIATS, and these have shown good results in using PIATS to track and to crack down on counterfeit products, thus maintaining an orderly market. Besides, several well-known enterprises have shown to be successfully in using PIATS to protect their brand names, to reduce the counterfeit battling costs, to increase the customer confidence in using their products; and hence their market competitiveness and sales volume are enhanced. Up to the end of April 2009, the number of consumers' enquiry of the product information through PIATS platform exceeded 10 million and PIATS enquiry was widely used by consumers. Currently, PIATS has passed the significant milestone of laying the foundation from trial use to widespread use, and from doubtful manner to confidence attitude, which has won the widespread recognition of governmental departments, enterprises and consumers.

With the success in building up PIATS as one of the largest platforms in the PRC information service sector, the management is exploring the use of PIATS in other different areas, fields or industries to develop other business models generating additional revenue and contribution to CCIT. Recently, the scope of application of PIATS has already been extended to drugs control. In addition to the two categories of government controlled drugs (anaesthetics and type I mental disorder drugs) which have been using PIATS for tracking and are now capable for swift product recall when necessary, the relevant PRC authorities continue to implement further regulations to require another 273 pharmaceutical products falling into the 4 major categories of type II mental disorder drugs, blood products, vaccines and Chinese medicine injections to be monitored by the PIATS in their manufacturing and distribution. Such development of further regulatory system is being refined with significant progress already achieved. Since the initial roll-out of PIATS to the date of the announcement for the final results for the year ended 31st March 2009, over 84,000 manufacturers and distributors across China have joined PIATS, representing an increase of more than 31.2% since 31st March 2008.

Future prospect

Since the launch of PIATS, CCIT has experienced positive response from both manufacturers and consumers. The management is now actively promoting PIATS to other industries and fields to enlarge its customer bases and, at the same time, the management is developing new business models for PIATS to diversify and to enlarge its business scope. The management has confidence that PIATS can reduce counterfeit products, improve product safety and foods and drug safety, and protect consumers, manufacturers and intellectual property rights. In the coming months, the Group will continue to sign up manufacturers, distributors and retailers to join PIATS to enhance the quality and safety for products manufactured in the PRC. Given that there are no other companies that can provide a similar service as PIATS at the moment, the directors believe that there is great potential for PIATS.

- **HL95**

HL95 is a nationwide telecommunications/information VAS company in the PRC and is licensed by the Ministry of Information Industry on the provision of SMS, IVRS and other telecom services in the PRC. HL95 provides IVRS services through both fixed telephone line network and mobile phone network, and SMS services through the mobile phone network (both in collaboration with the telecom operators) which covers the whole country. HL95 offers governmental, commercial and entertainment information through its SMS and IVRS services. HL95 also provides other telecommunication/information VAS such as IP phone service and customer care call centre services.

Future prospect

Looking forward, the recent issuance of 3G licences in China and "mobile internet" age will create immense business opportunities for HL95. It is also anticipated that all major telecom operators in China will invest heavily and launch aggressive marketing campaigns to attract users and gain market shares. With many years of good long-term relationship with telecom operators, HL95 will work closely with them so as to provide the latest 3G related software and premium contents, such as handset industry application software and handset entertainment contents. The growth of call centre revenue is expected to continue with good reputation earned by HL95 in the call centre industry in the PRC. HL95 is now exploring with many new potential customers outside of its main call centre facilities in Beijing, Shenzhen and Foshan and is planning to expand its call centre related operations to other cities across China for new business opportunities. HL95 is an important platform for the Group since it enables the Group to promote the information services of PIATS. For example, CCIT, in providing the PIATS service, uses HL95's platform to enable consumers anywhere in the PRC to enquire product information by HL95's IVRS and SMS systems and call centres. The directors believe that HL95 has good potential in the call centre industry and at the same time can provide valuable support to PIATS.

- **Dongfang Customs**

  Dongfang Customs, a joint venture with the PRC Customs Department and China Telecom, is engaged in electronic customs processing and other electronic government services. Dongfang Customs provides customs filing and declaration, identity authentication, online payments, electronic customs tax and foreign exchange filings, billing and other customs related services. In the past, Dongfang Customs' users principally included only manufacturers and import/export corporations for customs declaration and clearance services. However, banks have now also joined as users to the network platform which allows foreign exchange monitoring and online payments to be processed electronically in the same network platform. Users are principally charged a time-based telecommunication fee for accessing the network platform.

  Future prospect

  The PRC government has been encouraging manufacturers and import/export corporations to perform the customs declaration processing electronically as it not only speeds up the customs declaration procedures but also helps minimising the handling costs involved in the declaration. Given that there is getting more and more enhanced features for the network platform of Dongfang Customs and China is the manufacturing base for the world, the directors believe that there is great potential for Dongfang Customs to increase its time-based service revenue from the new and enhanced features and growing user base.

- **Grand Cycle**

  Grand Cycle is engaged in system integration and software development.

  Future prospect

  Grand Cycle will focus on the system integration and software development support for the rapid and continuing expansion of the businesses of HL95 and PIATS.

EMPLOYEES AND REMUNERATION POLICIES

The numbers of full-time employees of the Group as at 31st March 2009 are detailed as follows:

Location	Telecommunications/ information value-added services	PIATS business	System integration and software development	Corporate	Associate
– Hong Kong	–	–	–	14	–
– The PRC	1,866	104	5	–	300
Total	1,866	104	5	14	300

Total staff costs of the Group for the year ended 31st March 2009 were HK$75,892,000. All the staff employed in Hong Kong participated in the Mandatory Provident Fund Scheme.

The Group's policy is to maintain a competitive pay structure and employees are rewarded on a performance related basis.

The Group has also set up share option schemes pursuant to which employees of the Group may be granted options to subscribe for the Company's shares at their discretion. The subscription price, exercise period and the number of options to be granted are determined in accordance with the prescribed terms of the schemes. During the year ended 31st March 2009, no share options were granted to employees of the Group.

CORPORATE GOVERNANCE

In the opinion of the Directors, throughout the year ended 31st March 2009, the Company has complied with the code provisions ("Code Provisions") set out in the Code on Corporate Governance Practices (the "CG Code") under Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the following deviations:–

1. The Chairman of the Board of the Company is not subject to retirement by rotation pursuant to Clause 99 of the Company's Bye-Laws. Since the Chairman is responsible for the formulation and implementation of the Company's strategies, which is essential to the stability of the Company's business and thus the Board considers that the deviation is acceptable.

2. All the Independent Non-Executive Directors were not appointed for a specific term but were subject to retirement by rotation at the annual general meeting in accordance with the Company's Bye-Laws. As such, the Company considers that such provision is sufficient to meet the underlying objectives of the relevant provisions of the CG Code.

3. The Chairman of the board did not attend in the annual general meeting of the Company held on 28th August 2008. The meeting was conducted in a good and proper manner.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standards of dealings regarding securities transactions by Directors as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules. All the Directors have confirmed that they complied with the required standards as set out in the Model Code throughout the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year ended 31st March 2009.

BOARD COMMITTEES

The Board established two committees, namely, the Remuneration Committee and the Audit Committee, to oversee corresponding aspects of the Company's affairs.

Remuneration Committee

The Company has set up an Remuneration Committee, comprised of three independent non-executive directors of the Company, namely Mr. Chen Wuzhao, Dr. Hui Ho Ming, Herbert, JP and Mr. Zhang Jian Ming with Mr. Chen Wuzhao as Chairman of the Remuneration Committee. The Remuneration Committee reviewed the director's fee paid to the non-executive directors and two executive directors in accordance with the relevant terms of reference.

Audit Committee

The Audit Committee comprises the three Independent Non-Executive Directors with Dr. Hui Ho Ming, Herbert, JP as Chairman of the Committee. The duties of the Audit Committee include, inter alia, the review and supervision of the Group's financial report process and internal control systems. The Audit Committee has reviewed the Group's annual results for the year ended 31st March 2009 and has also discussed auditing, internal control and financial reporting matters including the review of accounting practices and principles adopted by the Group.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE AND IRASIA.COM

The information as required by Appendix 16 of the Listing Rules will be published on the Stock Exchange's website (http://www.hkex.com.hk) and the website of irasia.com Limited (http://www.irasia.com/listco/hk/citic21cn/) in due course.

By Order of the Board
CITIC 21CN Company Limited
Chen Xiao Ying
Executive Vice-Chairman

Hong Kong, 21st July 2009

As at the date of this announcement, the Board comprises nine directors, of which (i) six are executive directors, namely Mr. Wang Jun, Ms. Chen Xiao Ying, Mr. Luo Ning, Mr. Sun Yalei, Mr. Zhang Lianyang, Ms. Xia Guilan; and (ii) three are independent non-executive directors, namely Dr. Hui Ho Ming, Herbert, JP, Mr. Zhang Jian Ming and Mr. Chen Wuzhao.