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 2010

HIGHLIGHTS

CITIC 21CN Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") recorded a turnover of HK$287,560,000 for the year ended 31st March 2010, representing an increase of 4.7% when compared with the previous year's turnover of HK$274,645,000. Such increase in revenue was mainly due to the rise in revenue from telecommunications/information value-added services business by HK$20,076,000 (or 7.7%), as partially offset by the fall in revenue from the Product Identification, Authentication, Tracking System ("PIATS") business by HK$5,271,000 (or 39.6%).

The Group recorded share of profit of an associate of HK$11,600,000 for the year ended 31st March 2010, representing a decrease of 11.8% compared with the previous year's HK$13,148,000. The share of profit of an associate represented the equity income contribution from Dongfang Customs Technology Company Limited.

Audited net loss attributable to shareholders for the year ended 31st March 2010 amounted to HK$51,516,000, representing a decrease of 65.2% as compared with HK$148,007,000 of last year.

The basic loss per share for the current year was HK1.39 cents as compared with HK3.98 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 2010 and the audited consolidated statement of financial position as at 31st March 2010 together with the audited comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31st March 2010

	Notes	**2010** **HK$'000**	2009 *HK$'000*
Turnover	*2*	**287,560**	274,645
Cost of sales and services		**(249,740)**	(261,348)
Gross profit		**37,820**	13,297
Other gains and losses	*3*	**15,060**	2,063
Change in fair value of convertible bonds		**–**	(5,802)
Administrative expenses		**(86,793)**	(146,222)
Impairment losses recognised in respect of PIATS business	*4*	**–**	(20,736)
Share of profit of an associate	*5*	**11,600**	13,148
Interest expenses		**(27,765)**	(1,523)
Loss before taxation		**(50,078)**	(145,775)
Taxation	*6*	**(1,439)**	(2,232)
Loss for the year	*7*	**(51,517)**	(148,007)
Other comprehensive (expense) income:			
Exchange differences arising on translation of foreign operations		**(181)**	11,823
Total comprehensive expense for the year		**(51,698)**	(136,184)
Loss for the year attributable to:			
Owners of the Company		**(51,516)**	(148,007)
Minority interests		**(1)**	–
		(51,517)	(148,007)
Total comprehensive expense attributable to:			
Owners of the Company		**(51,697)**	(136,184)
Minority interests		**(1)**	–
		(51,698)	(136,184)
		HK cents	*HK cents*
Loss per share	*8*		
– Basic and diluted		**(1.39)**	(3.98)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st March 2010

	Notes	**2010**	2009
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**93,193**	112,726
Intangible assets		**57,484**	61,563
Interest in an associate		**75,336**	121,366
Loans receivable		**36,893**	25,665
Available-for-sale investments		**8,475**	8,475
		271,381	329,795
Current assets			
Amounts due from customers for contract work		**3,978**	3,978
Debtors and prepayments	*9*	**66,554**	60,201
Investments held for trading		**37,533**	12,650
Bank balances and cash		**188,834**	196,421
		296,899	273,250
Current liabilities			
Creditors and accruals	*10*	**135,100**	104,532
Taxation payable		**434**	897
Short-term bank loans		**11,074**	24,917
		146,608	130,346
Net current assets		**150,291**	142,904
Total assets less current liabilities		**421,672**	472,699
Non-current liability			
Deferred taxation		**1,220**	640
		420,452	472,059
Capital and reserves			
Share capital		**37,179**	37,179
Reserves		**383,263**	434,869
		420,442	472,048
Minority interests		**10**	11
Total equity		**420,452**	472,059

Notes:

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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 loans receivable which is adjusted to its fair value on initial recognition and certain financial instruments, which are measured at fair values, as appropriate.

(b) Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

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

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 and 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC)* – INT 9 and HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC)* – INT 13	Customer loyalty programmes
HK(IFRIC)* – INT 15	Agreements for the construction of real estate
HK(IFRIC)* – INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC)* – INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1st July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS1 (Revised 2007) "Presentation of financial statements"

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for financial statements) and changes in the format and content of the financial statements.

HKFRS 8 "Operating segments"

HKFRS 8 is a disclosure standard that has changed the basis of measurement of segment profit or loss (see note 2). However, the adoption of HKFRS 8 has not resulted in a redesignation of the Group's operating segments as compared with the primary segments determined in accordance with HKAS 14 (see note 2).

Improving disclosures about financial instruments (Amendments to HKFRS 7 Financial instruments: disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments. The amendments also expand and amend the disclosures required in relation to liquidity risk.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related party disclosures[7]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of rights issues[5]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[4]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[6]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions[4]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[8]
HK(IFRIC)* – INT 14 (Amendment)	Prepayments of a minimum funding requirement[7]
HK(IFRIC)* – INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC)* – INT 19	Extinguishing financial liabilities with equity instruments[6]

1 Effective for annual periods beginning on or after 1st July 2009.
2 Amendments that are effective for annual periods beginning on or after 1st July 2009 and 1st January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1st July 2010 and 1st January 2011, as appropriate.
4 Effective for annual periods beginning on or after 1st January 2010.
5 Effective for annual periods beginning on or after 1st February 2010.
6 Effective for annual periods beginning on or after 1st July 2010.
7 Effective for annual periods beginning on or after 1st January 2011.
8 Effective for annual periods beginning on or after 1st January 2013.

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

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in a loss of control which will be accounted for as equity transactions.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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 consolidated financial statements of the Group.

2. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1st April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Executive Vice Chairman, the Group's chief operating decision maker, for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's operating segments as compared with the primary segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment result, segment assets and segment liabilities.

The Group is an integrated information and content service provider. For management purposes, the Group is organised into three operating divisions namely telecommunications/information value-added services, the provision of Product Identification, Authentication, Tracking System ("PIATS"), and system integration and software development. These divisions are the basis on which the Group reports its 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

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating segments:

	Segment revenue		Segment profit (loss)	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Telecommunication/information value-added services	**279,447**	259,371	**7,747**	(19,173)
PIATS business	**8,035**	13,306	**(28,965)**	(73,949)
System integration and software development	**78**	1,968	**(2,386)**	(17,718)
Total	**287,560**	274,645	**(23,604)**	(110,840)
Other gains and losses			**15,060**	2,063
Change in fair value of convertible bonds			**–**	(5,802)
Share of profit of an associate			**11,600**	13,148
Interest expenses			**(27,765)**	(1,523)
Unallocated expenses			**(25,369)**	(42,821)
Loss before taxation			**(50,078)**	(145,775)
Taxation			**(1,439)**	(2,232)
Loss for the year			**(51,517)**	(148,007)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2009: nil).

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by or loss from each segment without allocation of central administrative costs, share of profit of an associate, other gains and losses, interest expenses and taxation. This is the measure reported to the Executive Vice Chairman, the Group's chief operating decision maker, for the purposes of resources allocation and performance assessment.

Segment assets and liabilities

Segment assets

	2010	2009
	HK$'000	*HK$'000*
Telecommunications/information value-added services	**98,687**	94,713
PIATS business	**105,824**	123,331
System integration and software development	**10,816**	12,501
Total segment assets	**215,327**	230,545
Interest in an associate	**75,336**	121,366
Loans receivable	**36,893**	25,665
Investments held for trading	**37,533**	12,650
Available-for-sale investments	**8,475**	8,475
Bank balances and cash	**188,834**	196,421
Unallocated assets	**5,882**	7,923
Consolidated assets	**568,280**	603,045

Segment liabilities

	2010	2009
	HK$'000	*HK$'000*
Telecommunications/information value-added services	**34,115**	33,574
PIATS business	**82,260**	52,320
System integration and software development	**6,390**	6,399
Total segment liabilities	**122,765**	92,293
Short-term bank loans	**11,074**	24,917
Unallocated liabilities	**13,989**	13,776
Consolidated liabilities	**147,828**	130,986

For the purposes of monitoring segment performances and allocating resources between segments:

– All assets are allocated to operating segments other than investments held for trading, available-for-sale investments, loans receivable, bank balances and cash, and interest in an associate and assets used jointly by operating segments.

– All liabilities are allocated to operating segments other than short-term bank loans, taxation payable, deferred tax liabilities and liabilities for which operating segments are jointly liable.

Other segment information

2010

Amounts included in the measure of segment profit or loss or segment assets:

	Telecom-munications/ information value-added services *HK$'000*	**PIATS business** *HK$'000*	**System integration and software development** *HK$'000*	**Segment total** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Additions to non-current assets *(note)*	**4,649**	**2,031**	**–**	**6,680**	**17**	**6,697**
Depreciation	**10,779**	**12,112**	**70**	**22,961**	**1,993**	**24,954**
Amortisation of intangible assets	**–**	**4,079**	**–**	**4,079**	**–**	**4,079**
(Reversal of) allowance for doubtful debts	**(447)**	**(272)**	**1,541**	**822**	**–**	**822**
Loss on disposal of property, plant and equipment	**958**	**–**	**–**	**958**	**–**	**958**

Note: Non-current assets represent property, plant and equipment and intangible assets.

2009

Amounts included in the measure of segment profit or loss or segment assets:

	Telecom-munications/ information value-added services *HK$'000*	PIATS business *HK$'000*	System integration and software development *HK$'000*	Segment total *HK$'000*	Others *HK$'000*	Total *HK$'000*
Additions to non-current assets *(note)*	12,937	3,868	4	16,809	6,011	22,820
Depreciation	11,695	6,772	94	18,561	2,384	20,945
Amortisation of intangible assets	–	4,079	–	4,079	–	4,079
Impairment loss recognised in respect of property, plant and equipment	–	9,888	–	9,888	–	9,888
Impairment loss recognised in respect of intangible assets	–	10,848	–	10,848	–	10,848
Allowance for doubtful debts	–	489	2,972	3,461	–	3,461
Write down of inventories	–	–	1,743	1,743	–	1,743
Loss (gain) on disposal of property, plant and equipment	1,257	(41)	–	1,216	–	1,216

Note: Non-current assets represent property, plant and equipment and intangible assets.

Geographical information

Substantially all of the Group's revenue and non-current assets were derived from and located in PRC and, therefore, no geographical analysis is presented.

Information about major customers

Revenues from a customer contributing over 10% of the total sales of the Group of the corresponding years are as follows:

	2010	2009
	HK$'000	*HK$'000*
Customer A[1]	**71,832**	46,168
Customer B[1]	**35,186**	N/A[2]
Customer C[1]	**30,961**	N/A[2]

1 Revenues from telecommunication/information value-added services.
2 The corresponding revenue did not contribute over 10% of the total sales of the Group.

3. OTHER GAINS AND LOSSES

	2010	2009
	HK$'000	*HK$'000*
Included in other gains and losses are the following items:		
Interest income from bank deposits	**962**	6,793
Imputed interest income on loans receivable	**899**	626
Dividends from equity securities	**422**	379
Change in fair value of investments held for trading	**12,794**	(5,273)
Net exchange loss	**(17)**	(597)
Others	**–**	135
	15,060	2,063

4. IMPAIRMENT LOSSES RECOGNISED IN RESPECT OF PIATS BUSINESS

	2009
	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

Management of the Group was determined that there were no impairments of its PIATS business during the year ended 31st March 2010 as there was continuous support from government.

During the year ended 31st March 2009, impairment losses were identified for property, plant and equipment and intangible assets which are used in the PIATS business as a result of the weaker and slower than expected support from government.

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 and does not exceed the average long-term growth rate for the relevant industry. Changes in revenue and direct costs are based on past practices and expectations of future changes in the market.

During the year ended 31st March 2010, 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 22.35% (2009: 11.71%), while the remaining forecast periods of seven years has been extrapolated with reference to annual growth rate in the relevant industry.

HK$9,888,000 (2010: nil) and HK$10,848,000 (2010: nil) had been recognised in respect of property, plant and equipment and intangible assets respectively during the year ended 31st March 2009.

Management believes that any reasonably possible change in any of the assumptions will not cause the carrying amount of PIATS business to exceed the recoverable amount.

5. SHARE OF PROFIT OF AN ASSOCIATE

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

6. TAXATION

	2010	2009
	HK$'000	*HK$'000*
Current tax:		
– PRC Enterprise Income Tax – Jointly controlled entities	**859**	1,592
Deferred tax:		
– Current year	**580**	640
	1,439	2,232

No provision for Hong Kong Profits Tax has been made for both years as the Group's income neither arises in, nor is derived from, Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries and jointly controlled entities are 25% from 1st January 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, one of the Group's jointly controlled entities and a subsidiary are entitled to exemption from PRC Enterprise Income Tax for the two years 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. Another jointly controlled entity of the Group operating in the PRC is eligible for tax concession during the year.

7. LOSS FOR THE YEAR

	2010	2009
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Directors' remuneration	**3,994**	2,792
Other staff's retirement benefits scheme contributions	**2,424**	1,987
Other staff costs	**76,726**	70,387
Share option expense	**91**	726
Total staff costs	**83,235**	75,892
Allowance for doubtful debts (included in administrative expenses)	**822**	3,461
Amortisation of intangible assets (included in cost of sales and services)	**4,079**	4,079
Auditor's remuneration	**2,213**	2,319
Fair value adjustment on initial recognition of loans receivable	**807**	–
Cost of inventories recognised as an expense (included amount of write down of inventories of HK$1,743,000 for 2009, nil for 2010) included in cost of sales and services	**241**	2,140
Depreciation	**24,954**	20,945
Loss on disposal of property, plant and equipment	**958**	1,216
Operating lease rentals in respect of buildings	**9,374**	9,986
Share of tax of an associate (included in share of profit of an associate)	**1,856**	2,565

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company for the year is based on the following data:

	2010	2009
	HK$'000	*HK$'000*
Loss for the purposes of basic and diluted loss per share	**(51,516)**	(148,007)
Number of ordinary shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**3,717,869,631**	3,717,869,631

The calculation of the diluted loss per share for the year ended 31st March 2010 and 31st March 2009 does not include the exercise of the share options outstanding as the exercise of the share options outstanding would result in a decrease in loss per share for both years.

9. DEBTORS AND PREPAYMENTS

	2010 *HK$000*	2009 *HK$'000*
Trade receivables	**76,885**	67,358
Less: Allowance for doubtful debts	**(25,000)**	(24,178)
	51,885	43,180
Other receivables	**2,036**	2,036
Deposits and prepayments	**12,633**	14,985
	66,554	60,201

The Group provides a credit period of 90 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on invoice date at the end of the reporting period:

	2010 *HK$000*	2009 *HK$'000*
0–90 days	**27,348**	29,118
91–180 days	**14,280**	3,429
181–360 days	**1,962**	710
Over 360 days	**8,295**	9,923
	51,885	43,180

10. CREDITORS AND ACCRUALS

	2010 *HK$000*	2009 *HK$'000*
Trade payables	**34,751**	31,905
Receipts in advance from customers	**4,818**	6,996
Other interest payable	**26,815**	–
Other payables and accruals	**68,716**	65,631
	135,100	104,532

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2010 *HK$000*	2009 *HK$'000*
0–90 days	**16,194**	12,078
91–180 days	**790**	1,348
181–360 days	**285**	3,363
Over 360 days	**17,482**	15,116
	34,751	31,905

11. ARBITRATION

On 29th October 2009, the Company received the Arbitration Notice issued by China International Economic and Trade Arbitration Commission ("CIETAC"). According to the Arbitration Notice, Beijing Oracle Software Systems Co., Ltd. ("Oracle Beijing") submitted an application in relation to an arbitration (the "Arbitration") on the dispute arising from the Payment Agreement signed by Oracle Beijing, CITIC 21CN (China) Technology Company Limited, the Company and Oracle Systems Hong Kong Limited on 30th May 2006. The Payment Agreement set out the settlement arrangement of license fee and service fee in relation to the Oracle License and Services Agreement in an aggregate amount of approximately RMB116 million against which approximately US$11 million (approximately RMB88 million) deposit has been paid by the Group. The reason for the dispute over the Payment Agreement was that the parties to the agreements could not reach a consensus on the execution of the agreements.

On 23rd June 2010, the Company received the Arbitration ruling issued by CIETAC. The Arbitration ruling resulted in the interest expenses for the period starting from the date on which the payment was due up to 1st October 2009 at 0.02% daily rate of HK$26,815,000 and legal fees of HK$1,480,000 to be borne by the Company. Accordingly, full provision of the aforesaid amounts have been made in the consolidated financial statements in current year.

FINAL DIVIDEND

The Directors do not recommend payment of a final dividend for the year ended 31st March 2010 (2009: Nil).

FINANCIAL REVIEW

The key financial figures of the Group for the year ended 31st March 2010 and the comparative figures for the year ended 31st March 2009 are summarized as follows:

	2010	2009	Change
	HK$'000	*HK$'000*	*%*
Turnover	**287,560**	274,645	4.7
Gross profit	**37,820**	13,297	184.4
Gross profit percentage	**13.2%**	4.8%	N/A
Other gains and losses	**15,060**	2,063	630.0
Administrative expenses	**86,793**	146,222	(40.6)
Change in fair value of convertible bonds	**–**	5,802	N/A
Impairment losses recognised in respect of PIATS business	**–**	20,736	N/A
Share of profit of an associate	**11,600**	13,148	(11.8)
Net loss attributable to shareholders	**51,516**	148,007	(65.2)
Loss per share			
Basic and diluted	**1.39 cents**	3.98 cents	(65.1)

Results

– *Turnover*

Turnover of the Group for the year increased by 4.7% from HK$274,645,000 to HK$287,560,000. 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 2010 increased by 7.7% to HK$279,447,000 from HK$259,371,000 for the year ended 31st March 2009. The Group's share of the turnover of HL95 comprised HK$116,573,000 (2009: HK$110,312,000) from short messaging services ("SMS"), HK$25,550,000 (2009: HK$29,536,000) from fixed-line interactive voice response system ("IVRS"), HK$59,586,000 (2009: HK$35,385,000) from mobile IVRS, HK$15,793,000 (2009: HK$22,085,000) from Internet-protocol ("IP") phone, HK$51,320,000 (2009: HK$36,846,000) from call centres, and HK$10,625,000 (2009: HK$25,207,000) 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 the 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 5.7% or HK$6,261,000. Increase in mobile IVRS revenue by 68.4% or HK$24,201,000 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 39.3% or HK$14,474,000 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 13.5% or HK$3,986,000 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 28.5% or HK$6,292,000 during the current year. Decrease in other value-added service revenue was mainly due to the decrease in revenue generated from the sales of calling cards for telecom operators.

(b) 中信國檢信息技術有限公司 (China Credit Information Technology Company Limited or "CCIT") (a 50%-owned jointly controlled entity of the Group) and 中信21世紀(中國)科技有限公司 (CITIC 21CN (China) Technology Company Limited or "CITIC 21CN Technology") (a wholly-owned subsidiary of the Group), are engaged in PIATS business. The Group's share of the turnover of PIATS business for the year ended 31st March 2010 decreased by 39.6% to HK$8,035,000 from HK$13,306,000 for the year ended 31st March 2009. The decrease in revenue was due to the consolidation of PIATS existing business and the reduction of the annual service subscription fee income 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 2010 was HK$78,000 as compared with the turnover of HK$1,968,000 for the year ended 31st March 2009. 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 2010 increased to 13.2% from 4.8% during the year ended 31st March 2009, mainly because HL95 was able to maintain its normal business gross profit margin, and there was substantial reduction in gross losses of both PIATS and Grand Cycle businesses.

By leveraging on its partnership with various new content providers and media, and the continuing development of its call centre business, HL95 was able to maintain its normal business gross profit margin despite of the fierce market competition.

In the current year, CCIT and CITIC 21CN Technology continued to build the infrastructure for PIATS. With the implementation of stringent direct operating cost and platform supporting cost control measures by the management, the gross loss of PIATS business was significantly reduced when compared with the previous year.

After 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, and the absence of non-recurring write-down of inventories and the recognised losses of uncompleted or terminated contracts unlike in the previous year, both turnover and gross loss of Grand Cycle were substantially reduced during this year.

– *Other gains and losses*

Other gains and losses increased by 630.0% to HK$15,060,000 for the year ended 31st March 2010 when compared with the last corresponding year. Such sharp increase was mainly attributable to the gain on change in fair value of investments held for trading of HK$12,794,000 as contrasted with the loss of HK$5,273,000 for the year ended 31st March 2009, as a result of the gradual recovery of the investment market during the year after the financial crisis in late 2008. Interest income was decreased by 85.8% to HK$962,000 when compared with HK$6,793,000 for the year ended 31st March 2009, as a result of reduction in bank deposit amount and bank interest rate during the year.

– *Administrative expenses*

Administrative expenses for the year ended 31st March 2010 was HK$86,793,000 when compared to HK$146,222,000 for the previous year. Such decrease was principally due to the decrease in staff costs included in administrative expenses after the staff restructuring of HL95 and PIATS businesses, and that of the staff cost re-arranging of HL95 on its call centre business during the year. Moreover, the whole Group had implemented stringent administrative cost control measures to improve efficiency.

– *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$11,600,000 for the year ended 31st March 2010, a decrease of 11.8% as compared with HK$13,148,000 for the year ended 31st March 2009. 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 2010 was HK$51,516,000, representing a decrease of 65.2% over HK$148,007,000 for the previous year, mainly because of increases in both gross profit margin and other gains and losses; and there were substantial reduction of administrative expenses and absence of impairment losses recognised in respect of PIATS business unlike in last year, as partly offset by other interest expense provision of HK$26,815,000 under the arbitration ruling in Oracle case.

– *Loss per share*

Basic and diluted loss per share was HK1.39 cents for the year ended 31st March 2010, representing a decrease of 65.1% over HK3.98 cents for the previous year.

FINANCIAL RESOURCES, LIQUIDITY AND FOREIGN EXCHANGE EXPOSURES

The financial positions of the Group as at 31st March 2010 and the corresponding comparative figures as at 31st March 2009 are summarized as follows:

	31st March 2010 *HK$'000*	31st March 2009 *HK$'000*
Current assets	**296,899**	273,250
Including		
– bank balances and cash (mainly denominated in Hong Kong dollar, United States dollar and Renminbi)	**188,834**	196,421
– debtors	**53,921**	45,216
Current liabilities	**146,608**	130,346
Including		
– short-term bank loans	**11,074**	24,917
Current ratio (current asset/current liabilities)	**2.03**	2.10
Quick ratio (bank balances and cash & debtors/current liabilities)	**1.66**	1.85
Shareholders' equity	**420,442**	472,048
Gearing ratio (bank loans/shareholders' equity)	**2.63%**	5.28%

Bank balances and cash decreased slightly by 3.9% from HK$196,421,000 as at 31st March 2009 to HK$188,834,000 as at 31st March 2010. The slight decrease in bank balances and cash was the net result of various factors principally due to increase in investments held for trading, repayment of certain bank loans, increase in loan to CCIT and increase in trade debtors in HL95's normal business activity. These were mostly balanced by dividend received from Dongfang Customs during the year ended 31st March 2010.

As at 31st March 2010, trade debtors aged over 12 months were HK$8,295,000 (31st March 2009: HK$9,923,000), which were mainly related to system integration and software development business.

Bank loans on the consolidated statement of financial positions as at 31st March 2010 and 31st March 2009 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 2010, the Group reported relatively steady current and quick ratios. The current ratio was 2.03 (31st March 2009: 2.10) and the quick ratio was 1.66 (31st March 2009: 1.85).

Shareholders' equity decreased from HK$472,048,000 as at 31st March 2009 to HK$420,442,000 as at 31st March 2010, mainly because of the net loss of the Group incurred during the year ended 31st March 2010.

The Group's gearing ratio decreased from 5.28% as at 31st March 2009 to 2.63% as at 31st March 2010, because of the repayment of certain bank loans and the reduction in shareholder's equity resulting from the net loss of the Group incurred during the year ended 31st March 2010.

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.

- **PIATS Business**

  CCIT and CITIC 21CN Technology, a jointly-controlled entity and a subsidiary of the Group respectively, are principally engaged in the provision of product tracking, recall and enforcement information services to relevant authorities in the PRC through the operation of PIATS; the provision of product tracking and logistics information services to manufacturers; and the provision of services to consumers for verifying product information and origins. With the support from the relevant authorities of the PRC since its launch, the application of PIATS has been broadly extended countrywide to various products such as food and beverage, agricultural resources, household appliances and drugs, through which staging achievement has been reached, enterprise product brand name and orderly market has been effectively maintained, and helping the market set up a product credit system that has been recognized by consumers, government and enterprises.

As the relevant PRC authorities have not further issued supplemental work rules for PIATS implementation, some enterprises did encounter uncertainties in implementing PIATS project, therefore posing more severe challenge to the operation of PIATS during this result period. In response to such situation, the company endeavored to strengthen its internal cost control while actively exploring market-oriented models for promoting PIATS. In addition, the company spared no efforts in developing value-added applications so as to raise the acceptance and reliance of enterprises towards PIATS through deeply digging into their needs. Preliminary results are shown for these measures.

As to the area of drugs monitoring, the implementation of PIATS project for drug manufacturers and distributors throughout the country, which included over 1,000 items of the 4 major categories of controlled drugs of type II mental disorder drugs, blood products, vaccines and Chinese medicine injections, had basically been completed during this result period with expected results accomplished.

Future prospect

It is expected that breakthrough could be achieved in promoting PIATS in the segment of drugs monitoring. Recently, the relevant authorities in the PRC have issued a series of documents, which have expressly demanded the electronic monitoring of all types of basic drugs under the Basic Medicine Catalogue that would become one of the main focuses of the Medical Reform 2010. This implies that the requirement scope of electronic monitoring of drugs will rapidly expand from about 1,000 items of existing controlled drugs to several tens of thousands of basic drugs in the near future. The number of enterprises to be enrolled with PIATS will increase significantly. The management has confidence that PIATS can combat counterfeit and poor-quality drugs, improve drug safety, and protect the interests of consumers and enterprises. Given that there are no other companies that can provide service similar to PIATS at the moment, the directors believe that is great potential for PIATS.

- **HL95**

HL95 is a nationwide telecommunications/information value-added services (“VAS”) company in the PRC and is licensed by the Ministry of Industries and Information 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 centres services.

Future prospect

The rapid development of 3G and mobile internet will continuously create immense business opportunities for HL95. With many years of good long-term relationship with telecom operators and content providers, HL95 will work closely with them so as to provide the latest 3G contents. The growth of call centre revenue is expected to continue with good industry reputation earned by HL95 in the call centre industry in the PRC. In late 2009, HL95 received certain industry awards for its good achievement in call centre management and outsourcing contact. HL95 is now expanding with its call centre customer basis. Moreover, HL95 is 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 and CITIC 21CN Technology, 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. Moreover, Dongfang Customs provides technical support and database management services to its users. Dongfang Customs' users principally included manufacturers and import/export corporations for customs declaration and clearance services, and banks for foreign exchange monitoring and online payments to be processed electronically under the same 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 service revenue from those new and enhanced features, such as technical support and database management services to its established 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 2010 are detailed as follows:

Location	Telecommunications/ information value-added services	PIATS business	System integration and software development	Corporate	Associate
– Hong Kong	–	–	–	11	–
– The PRC	1,665	48	5	–	270
Total	1,665	48	5	11	270

Total staff costs of the Group for the year ended 31st March 2010 were HK$83,235,000. 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 2010, no share options were granted to employees of the Group.

CORPORATE GOVERNANCE

In the opinion of the Directors, throughout the year ended 31st March 2010, 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 31st August 2009. 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 Appendix 10 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 THE LISTED SECURITIES

The Company has not redeemed any of its listed securities during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s listed securities during the year.

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 Board has established a Remuneration Committee which comprises three Independent Non-Executive Directors. For the period from 1st April 2009 to 2nd November 2009, the Remuneration Committee comprises three Independent Non-Executive Directors, namely Dr. Hui Ho Ming, Herbert, JP, Mr. Zhang Jian Ming and Mr. Chen Wuzhao. On 2nd November 2009, Mr. Chen Wuzhao resigned as an Independent Non-Executive Director and thus Remuneration Committee Member. Dr. Long Junsheng was appointed as an Independent Non-Executive Director and thus Remuneration Committee Member to fill up the vacancies on the same date. It is chaired by Dr. Long Junsheng. The terms of reference of the Remuneration Committee have been reviewed with reference to the CG Code. 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

For the period from 1st April 2009 to 2nd November 2009, the Audit Committee comprises three Independent Non-Executive Directors, namely Dr. Hui Ho Ming, Herbert, JP, Mr. Zhang Jian Ming and Mr. Chen Wuzhao. On 2nd November 2009, Mr. Chen Wuzhao resigned as an Independent Non-Executive Director and thus Audit Committee Member. Dr. Long Junsheng was appointed as an Independent Non-Executive Director and thus Audit Committee to fill up the vacancies on the same date. Dr. Hui Ho Ming, Herbert, JP is the 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 2010 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, 15th July 2010

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 Dr. Long Junsheng.