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: 0241)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST MARCH 2011

HIGHLIGHTS

CITIC 21CN Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") recorded a turnover of HK$372,132,000 for the year ended 31st March 2011, representing an increase of 29.4% when compared with the previous year's turnover of HK$287,560,000. Such increase in revenue was mainly due to the rise in revenue from telecommunications/information value-added services business by HK$85,872,000 (or 30.7%), as partially offset by the fall in revenue from the Product Identification, Authentication, Tracking System ("PIATS") business by HK$4,155,000 (or 51.7%).

The Group recorded share of profit of an associate of HK$16,249,000 for the year ended 31st March 2011, representing an increase of 40.1% compared with the previous year's HK$11,600,000. 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 2011 amounted to HK$26,350,000, representing a decrease of 48.9% as compared with HK$51,516,000 of last year.

The basic loss per share for the current year was HK 0.71 cents as compared with HK 1.39 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 2011 and the audited consolidated statement of financial position of the Group as at 31st March 2011 together with the audited comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31st March 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
Turnover	*2*	**372,132**	287,560
Cost of sales and services		**(334,367)**	(249,740)
Gross profit		**37,765**	37,820
Other gains and losses	*3*	**3,250**	14,253
Administrative expenses		**(72,265)**	(85,986)
Impairment losses recognised in respect of PIATS business	*4*	**(9,280)**	–
Share of profit of an associate	*5*	**16,249**	11,600
Interest expenses		**(653)**	(27,765)
Loss before taxation		**(24,934)**	(50,078)
Taxation	*6*	**(1,416)**	(1,439)
Loss for the year	*7*	**(26,350)**	(51,517)
Other comprehensive income (expense):			
Exchange differences arising on translation		**7,894**	(181)
Share of exchange difference of an associate		**420**	–
Other comprehensive income (expense) for the year (net of tax)		**8,314**	(181)
Total comprehensive expense for the year		**(18,036)**	(51,698)
Loss for the year attributable to:			
Owners of the Company		**(26,350)**	(51,516)
Non-controlling interests		**–**	(1)
		(26,350)	(51,517)
Total comprehensive expense attributable to:			
Owners of the Company		**(18,036)**	(51,697)
Non-controlling interests		**–**	(1)
		(18,036)	(51,698)
		HK cents	*HK cents*
Loss per share			
– Basic and diluted	*8*	**(0.71)**	(1.39)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st March 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment		**76,611**	93,193
Intangible assets		**50,639**	57,484
Interest in an associate		**92,005**	75,336
Loans receivable		**39,137**	36,893
Available-for-sale investments		**8,925**	8,475
		267,317	271,381
Current assets			
Amounts due from customers for contract work		**4,088**	3,978
Debtors and prepayments	9	**83,820**	66,554
Investments held for trading		**50,225**	37,533
Bank balances and cash		**160,335**	188,834
		298,468	296,899
Current liabilities			
Creditors and accruals	10	**137,489**	135,100
Taxation payable		**524**	434
Short-term bank loans		**23,324**	11,074
		161,337	146,608
Net current assets		**137,131**	150,291
Total assets less current liabilities		**404,448**	421,672
Non-current liability			
Deferred taxation		**2,032**	1,220
		402,416	420,452
Capital and reserves			
Share capital		**37,179**	37,179
Reserves		**365,227**	383,263
		402,406	420,442
Non-controlling interests		**10**	10
Total equity		**402,416**	420,452

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") 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 by 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) Application of new and revised HKFRSs

In the current year, the Group has applied the following new and revised Hong Kong Accounting Standards ("HKAS"s), HKFRSs, amendments and interpretations ("INT"s) (hereinafter collectively referred to as "new and revised HKFRSs") issued by the HKICPA.

HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (as revised in 2008)	Business combinations
HKAS 27 (as revised in 2008)	Consolidated and separate financial statements
HKAS 32 (Amendments)	Classification of rights issues
HKAS 39 (Amendments)	Eligible hedged items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC*) – INT 17	Distributions of non-cash assets to owners
HK – INT 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

* *IFRIC represents the IFRS Interpretations Committee (formerly known as the International Financial Reporting Interpretations Committee).*

The application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

Amendments to HKAS 17 Leases

As part of "Improvements to HKFRSs" issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1st April 2010 based on information that existed at the inception of the leases. The application of the amendments to HKAS 17 has had no material impact on the results and the financial position of the Group.

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets[3]
HKFRS 9	Financial instruments[4]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[5]
HKAS 24 (as revised in 2009)	Related party disclosures[6]
HK(IFRIC) – INT 14 (Amendments)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[2]

1 Effective for annual periods beginning on or after 1st July 2010 or 1st January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1st July 2010.
3 Effective for annual periods beginning on or after 1st July 2011.
4 Effective for annual periods beginning on or after 1st January 2013.
5 Effective for annual periods beginning on or after 1st January 2012.
6 Effective for annual periods beginning on or after 1st January 2011.

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1st January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31st March 2014 and that the application of the new Standard may have an impact on amounts reported in respect of the Groups' financial assets.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

2 SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the Executive Vice Chairman, the Group's chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focusing on services provided.

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 reportable segments:

	Segment revenue		**Segment profit (loss)**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Telecommunication/information value-added services	**365,319**	279,447	**4,793**	7,747
PIATS business	**3,880**	8,035	**(28,875)**	(28,965)
System integration and software development	**2,933**	78	**2,633**	(2,386)
Total	**372,132**	287,560	**(21,449)**	(23,604)
Other gains and losses			**3,250**	14,253
Share of profit of an associate			**16,249**	11,600
Interest expenses			**(653)**	(27,765)
Unallocated expenses			**(22,331)**	(24,562)
Loss before taxation			**(24,934)**	(50,078)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in both years.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit (loss) earned by or loss from each segment without allocation of central administrative costs, share of profit of an associate, other gains and losses and interest expenses. 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

The following is an analysis of the Group's assets and liabilities by reportable segments.

Segment assets

	2011	2010
	HK$'000	*HK$'000*
Telecommunications/information value-added services	**114,208**	98,687
PIATS business	**85,766**	105,824
System integration and software development	**10,761**	10,816
Total segment assets	**210,735**	215,327
Interest in an associate	**92,005**	75,336
Loans receivable	**39,137**	36,893
Investments held for trading	**50,225**	37,533
Available-for-sale investments	**8,925**	8,475
Bank balances and cash	**160,335**	188,834
Unallocated assets	**4,423**	5,882
Consolidated assets	**565,785**	568,280

Segment liabilities

	2011	2010
	HK$'000	*HK$'000*
Telecommunications/information value-added services	**31,262**	34,115
PIATS business	**88,287**	82,260
System integration and software development	**6,725**	6,390
Total segment liabilities	**126,274**	122,765
Short-term bank loans	**23,324**	11,074
Unallocated liabilities	**13,771**	13,989
Consolidated liabilities	**163,369**	147,828

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

Other segment information

2011

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)*	**6,703**	**1,049**	**–**	**7,752**	**–**	**7,752**
Depreciation	**9,298**	**12,699**	**51**	**22,048**	**1,300**	**23,348**
Amortisation of intangible assets	**–**	**4,188**	**–**	**4,188**	**–**	**4,188**
Impairment loss recognised in respect of property, plant and equipment	**–**	**3,821**	**–**	**3,821**	**–**	**3,821**
Impairment loss recognised in respect of intangible assets	**–**	**5,459**	**–**	**5,459**	**–**	**5,459**
Reversal of allowance for doubtful debts	**–**	**(45)**	**(457)**	**(502)**	**–**	**(502)**
Recovery of amounts due from customers for contract work previously written off	**–**	**–**	**(1,913)**	**(1,913)**	**–**	**(1,913)**
Loss on disposal of property, plant and equipment	**278**	**–**	**–**	**278**	**–**	**278**

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

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.

Geographical information

Substantially all of the Group's revenue and non-current assets were derived from and located in the People's Republic of China ("PRC") and, therefore, no geographical information is presented.

Information about major customers

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

	2011	2010
	HK$'000	*HK$'000*
Customer A[1]	**99,214**	71,832
Customer B[1]	**42,325**	35,186
Customer C[1]	**36,041**	30,961

[1] Revenues from telecommunication/information value-added services.

3 OTHER GAINS AND LOSSES

	2011	2010
	HK$'000	*HK$'000*
Included in other gains and losses are the following items:		
Interest income from bank deposits	**906**	962
Imputed interest income on loans receivable	**1,007**	899
Dividends from equity securities	**438**	422
Change in fair value of investments held for trading	**4,191**	12,794
Change in value of loans receivable resulting from extension of maturity and upon initial recognition	**(4,241)**	(807)
Net exchange gain (loss)	**949**	(17)
	3,250	14,253

4 IMPAIRMENT LOSSES RECOGNISED IN RESPECT OF PIATS BUSINESS

	2011	2010
	HK$'000	*HK$'000*
Impairment loss recognised in respect of property, plant and equipment	**3,821**	–
Impairment loss recognised in respect of intangible assets	**5,459**	–
	9,280	–

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. 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 20.68% (2010: 22.35%), while the remaining forecast periods of seven years has been extrapolated with reference to annual growth rate in the relevant industry. Due to the weaker and slower than expected development in the PIATS business in the current year, the Group recognised impairment losses of HK$3,821,000 (2010: nil) and HK$5,459,000 (2010: nil) in the current year in relation to property, plant and equipment and intangible assets of PIATS business respectively.

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

	2011	2010
	HK$'000	*HK$'000*
Current tax:		
– PRC Enterprise Income Tax – Jointly controlled entities	**568**	859
Underprovision in prior years:		
– PRC Enterprise Income Tax – Jointly controlled entities	**36**	–
Deferred tax:		
– Current year	**812**	580
	1,416	1,439

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%.

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 was awarded the Advanced-technology Enterprise Certificate and is eligible for tax concession rate of 15% for three years commenced from 14th December 2009.

7 LOSS FOR THE YEAR

	2011	2010
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Directors' remuneration	**2,860**	3,862
Other staff's retirement benefits scheme contributions	**6,387**	2,424
Other staff costs	**173,185**	76,858
Share option expense	**–**	91
Total staff costs	**182,432**	83,235
Amortisation of intangible assets (included in cost of sales and services)	**4,188**	4,079
Auditor's remuneration	**2,267**	2,213
Cost of inventories recognised as an expense included in cost of sales and services	**2,025**	241
Depreciation	**23,348**	24,954
Loss on disposal of property, plant and equipment	**278**	958
Operating lease rentals in respect of buildings	**9,979**	9,374
Recovery of amounts due from customers for contract work previously written off	**(1,913)**	–
(Reversal of) allowance for doubtful debts (included in administrative expenses)	**(502)**	822
Share of tax of an associate (included in share of profit of an associate)	**2,567**	1,856

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:

	2011	2010
	HK$'000	*HK$'000*
Loss for the purposes of basic and diluted loss per share	**(26,350)**	(51,516)

Number of ordinary shares

	2011	2010
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 2011 and 31st March 2010 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

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**95,596**	76,885
Less: Allowance for doubtful debts	**(25,825)**	(25,000)
	69,771	51,885
Other receivables	**2,145**	2,036
Deposits and prepayments	**11,904**	12,633
	83,820	66,554

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:

	2011	2010
	HK$'000	*HK$'000*
0-90 days	**48,997**	27,348
91-180 days	**11,944**	14,280
181-360 days	**1,388**	1,962
Over 360 days	**7,442**	8,295
	69,771	51,885

10 CREDITORS AND ACCRUALS

	2011	2010
	HK$'000	*HK$'000*
Trade payables	**31,113**	34,751
Receipts in advance from customers	**9,499**	4,818
Other interest payable	**28,239**	26,815
Other payables and accruals	**68,638**	68,716
	137,489	135,100

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

	2011	2010
	HK$'000	*HK$'000*
0-90 days	**15,215**	16,194
91-180 days	**69**	790
181-360 days	**234**	285
Over 360 days	**15,595**	17,482
	31,113	34,751

11 ARBITRATION AND LITIGATION

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, Oracle (China) Software Systems Co., Ltd (formerly known as Beijing Oracle Software Systems Co., Ltd.) ("Oracle Beijing"), an independent third party, 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 Co., Ltd., the Company and Oracle Systems Hong Kong Limited, an independent third party, on 30th May 2006. The Payment Agreement provided, among others, the settlement arrangement of license fee and service fee in relation to the Oracle Licence 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 Arbitral Award ("Arbitral Award") handed down by CIETAC. The Arbitral Award, inter alia, 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 RMB23,730,000 (equivalent to HK$28,239,000) (31st March 2010: HK$26,815,000) and legal and related costs of RMB1,300,000 (equivalent to HK$1,547,000) (31st March 2010: HK$1,480,000) to be borne by the Company. Accordingly, full provision of the aforesaid amounts, net of deposits paid has been made in the consolidated financial statements as at 31st March 2011.

On 19th October 2010, the Company made a written application ("Application") to set aside the Arbitral Award to the Beijing First Intermediate People's Court, which then notified to the Company by a written notice dated 21st October 2010 that it had decided to entertain the Application and the hearing was still in progress at the end of the reporting period.

On 27th October 2010, pursuant to the provision of Article 95 of the Basic Law on the arrangement concerning mutual enforcement of Arbitral Award between the PRC and the Hong Kong Special Administrative Region ("HKSAR") the Company received a court order ("the Order") from the High Court of the HKSAR that leave be granted to Oracle Beijing to enforce the Arbitral Award and the Company and CITIC 21CN (China) Technology Co., Ltd. may within 14 days after service of the Order apply to set aside the Order and the Arbitral Award shall not be enforceable until after the expiration of such period, or if the Company and CITIC 21CN (China) Technology Co., Ltd. apply within the said period to set aside the Order, until after the application is finally disposed of. On 10th November 2010, the Company made an application to the High Court of the HKSAR by way of a Summons for the Order to be set aside and the hearing be adjourned to 12th April 2012 in Hong Kong. Thus, the Arbitral Award cannot be enforced against the Company and CITIC 21CN (China) Technology Co., Ltd. at the end of the reporting period.

On 24th January 2011, CITIC 21CN (China) Technology Co., Ltd. (the "plaintiff") made an appeal to the Beijing First Intermediate People's Court against Oracle Beijing (the "defendant") for termination of Oracle Licence and Services Agreement and Payment Agreement and compensation from Oracle Beijing. The legal proceedings of the claim was still in progress at the end of the reporting period.

As the above application and litigation are still at further fact finding stage, the result and timing cannot be reasonably estimated at this stage. In the opinion of the directors of the Company, adequate provision has been made in the consolidation financial statements.

FINAL DIVIDEND

The Directors do not recommend payment of a final dividend for the year ended 31st March 2011 (2010: Nil).

FINANCIAL REVIEW

The key financial figures of the Group for the year ended 31st March 2011 and the comparative figures for the year ended 31st March 2010 are summarized as follows:

	2011 ***HK$'000***	2010 *HK$'000*	Change %
Turnover	**372,132**	287,560	29.4
Gross profit	**37,765**	37,820	(0.1)
Gross profit percentage	**10.1%**	13.2%	(23.5)
Other gains and losses	**3,250**	14,253	(77.2)
Administrative expenses	**72,265**	85,986	(16.0)
Impairment losses recognised in respect of PIATS business	**9,280**	–	N/A
Share of profit of an associate	**16,249**	11,600	40.1
Net loss attributable to owners	**26,350**	51,516	(48.9)
Loss per share	***HK cents***	*HK cents*	
Basic and diluted	**0.71**	1.39	(48.9)

Results

– *Turnover*

Turnover of the Group for the year increased by 29.4% from HK$287,560,000 to HK$372,132,000. 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 2011 increased by 30.7% to HK$365,319,000 from HK$279,447,000 for the year ended 31st March 2010. The Group's share of the turnover of HL95 comprised HK$136,795,000 (2010: HK$116,573,000) from short messaging services ("SMS"), HK$13,003,000 (2010: HK$25,550,000) from fixed-line interactive voice response system ("IVRS"), HK$10,885,000 (2010: HK$59,586,000) from mobile IVRS, HK$18,168,000 (2010: HK$15,793,000) from Internet-protocol ("IP") phone, HK$184,904,000 (2010: HK$51,320,000) from call centres, and HK$1,564,000 (2010: HK$10,625,000) from other value-added services. The increase in turnover was mainly due to the increase in SMS revenue, IP Phone revenue and call centre revenue, despite the decrease in revenues from both the fixed-line IVRS and mobile IVRS businesses. SMS revenue and IP Phone revenue exhibited a healthy growth of 17.3% and 15.0% respectively during the year. Call centre revenue increased by times was mainly due to the continuous expansion of call centre capacity from Beijing, Shenzhen and Foshan to other parts of China. HL95's call centre customer base has been extended to various industries of bank, telecom, insurance and utility. Call centre industry is fast growing in China and HL95 has successfully become one of the largest reputable operators in the industry. Fixed-line IVRS revenue decreased by 49.1% or HK$12,547,000 due to 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. Decrease in mobile IVRS revenue by 81.7% or HK$48,701,000 was due to the regulatory measures imposed by the relevant authorities to restrict on the interactive programmes on the media during the 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 ("CCIT")) (a 50%-owned jointly controlled entity of the Group) and 中信21世 (中國) 科技有限公司 (CITIC 21CN(China) Technology Company Limited ("CITIC 21CN Technology")) (a wholly-owned subsidiary of the Group), are engaged in PIATS business. The Group's share of the revenue of PIATS business for the year ended 31st March 2011 decreased by 51.7% to HK$3,880,000 from HK$8,035,000 for the year ended 31st March 2010. 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 2011 was HK$2,933,000 as compared with the turnover of HK$78,000 for the year ended 31st March 2010. The operations of Grand Cycle have been scaling down and the increase in turnover for the current year represented the stepped-up collection efforts on those revenue from the outstanding system integration service contracts to the telecom industry.

– *Gross profit percentage*

During the current year, the Group's overall gross profit percentage was reduced to 10.1% when compared with 13.2% last corresponding year, mainly because of the decrease in gross profit percentage of HL95 business and there was an increased gross loss in PIATS business.

HL95's gross profit percentage decreased principally because both the revenue of fixed-line IVRS and mobile IVRS businesses, which were of higher average margin, were reduced substantially during the year.

In the current year, CCIT and CITIC 21CN Technology continued to build the infrastructure for PIATS. With the reduction of the annual service subscription fee income, the gross loss of PIATS business was increased when compared with last corresponding year as most of its direct operating costs such as depreciation were fixed in nature.

– *Other gains and losses*

Other gains and losses during the current year decreased by HK$11,003,000 or 77.2% when compared with last corresponding year. Such decrease was mainly attributable to the increase in loss arising from the change in fair value of loans receivable resulting from extension of maturity and upon initial recognition of HK$4,241,000 (2010: HK$807,000), and the reduction of gain on change in fair value of investments held for trading in current year amounting to HK$4,191,000 (2010: HK$12,794,000). The investment market during the current year was relatively steady, unlike the strong rebound occurred in the last corresponding year after the financial crisis in 2008.

– *Administrative expenses*

Administrative expenses for the year ended 31st March 2011 was HK$72,265,000 when compared to HK$85,986,000 in previous year. Such reduction was the net result from the implementation of more stringent cost control measures on the whole group level during the year, as partially offset by the increase in staff costs due to the rapid expansion of HL95's call centre business during the second half of the year.

– *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$16,249,000 for the year ended 31st March 2011, representing an increase of 40.1% when compared with HK$11,600,000 for the year ended 31st March 2010. 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 2011 was HK$26,350,000, representing a decrease of 48.9% over HK$51,516,000 in previous year, mainly the net result of various factors due to the absence of interest expense provision of HK$26,815,000 made in the previous year under the arbitration ruling in Oracle case, the increase in share of profit of an associate and the reduction in administrative expenses during the current year, as partly offset by the decrease in other gains and losses and the impairment losses of HK$9,280,000 recognised in respect of PIATS business during the current year.

– *Loss per share*

Basic and diluted loss per share was HK0.71 cents for the year ended 31st March 2011, representing a decrease of 48.9% over HK1.39 cents for the previous year.

FINANCIAL RESOURCES, LIQUIDITY AND FOREIGN EXCHANGE EXPOSURES

The financial positions of the Group as at 31st March 2011 and the corresponding comparative figures as at 31st March 2010 are summarized as follows:

	31st March 2011 *HK$'000*	31st March 2010 *HK$'000*
Current assets	**298,468**	296,899
Including		
– bank balances and cash (mainly denominated in Hong Kong dollar, United States dollar and Renminbi)	**160,335**	188,834
– debtors	**71,916**	53,921
Current liabilities	**161,337**	146,608
Including		
– short-term bank loans	**23,324**	11,074
Current ratio (current asset/current liabilities)	**1.85**	2.03
Quick ratio (bank balances and cash & debtors/current liabilities)	**1.44**	1.66
Shareholders' equity	**402,406**	420,442
Gearing ratio (bank loans/shareholders' equity)	**5.80%**	2.63%

Bank balances and cash decreased from HK$188,834,000 as at 31st March 2010 to HK$160,335,000 as at 31st March 2011. The decrease in bank balances and cash was the net result of various factors principally due to increase in investments held for trading, increase in loan to CCIT and increase in trade debtors in HL95's normal business activity. These were partly financed by increase in short–term bank loans during the year ended 31st March 2011.

As at 31st March 2011, trade debtors aged over 12 months were HK$7,442,000 (31st March 2010: HK$8,295,000), which were mainly related to system integration and software development business.

Bank loans on the consolidated statement of financial positions as at 31st March 2011 and 31st March 2010 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 2011, the Group reported relatively steady current and quick ratios. The current ratio was 1.85 (31st March 2010: 2.03) and the quick ratio was 1.44 (31st March 2010: 1.66).

Shareholders' equity decreased from HK$420,442,000 as at 31st March 2010 to HK$402,406,000 as at 31st March 2011, mainly because of the net loss of the Group incurred during the year ended 31st March 2011.

The Group's gearing ratio increased from 2.63% as at 31st March 2010 to 5.80% as at 31st March 2011, because of the increase in short-term bank loans and the reduction in shareholder's equity resulting from the net loss of the Group incurred during the year ended 31st March 2011.

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 innovative concept since its launch, the application of PIATS has been broadly extended countrywide to various products such as drugs, food and beverage, agricultural resources and household appliances, through which staging achievement has been reached, enterprise product brand name and orderly market have been effectively maintained, and helping the market set up a product credit system that has been recognized by consumers, government and enterprises.

  As to the area of electronic monitoring of drugs, based on an early-phase practice and work foundation of the electronic monitoring of high-risk drugs, all basic drug (tender-winning portion) categories under the Basic Medicine Catalogue, as uniformly procured by all the provinces (regions and cities), have recently been included under electronic monitoring according to the state's requirements. During the period, the Company undertook technical service support for the electronic monitoring of basic drugs, countrywide manufacturers' and distributors' corporate training and corporate implementation guidance work etc., and these had accomplished the expected results.

During the last year, the company also made plentiful attempts on the electronic monitoring of other products, such as agricultural resources and food, and gained certain achievements and experience. However, the company is unable to carry out full promotion in these areas as the relevant supplemental work rules have not been further issued.

Future prospect

The advancement of electronic monitoring in the drugs under the Basic Medicine Catalogue implies that, the government will make electronic monitoring an important tool for the management of high-risk commodities. Recently, the relevant authorities have expressly stated that it shall be continued to expand the coverage scope of electronic monitoring of drugs. In the near future, compound drugs containing hemp shall be included in the electronic monitoring. Pinpointing the various issues of dairy products under food category, the relevant authorities in the PRC is attempting to establish an information tracking system through the application of similar informationalized measures. The Company will leverage on the successful and accumulated experience on PIATS and promote to further its cooperation with the relevant authorities in the PRC, so as to strive for the expansion of the scope and coverage of the application of PIATS. The management has confidence that PIATS can combat counterfeit and poor-quality commodities, improve commodity 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 traditional mobile IVRS and fixed-line IVRS services will continue to be under challenge, with regulatory measures from time to time imposed by the telecom operators or the relevant authorities, and with fierce competition arisen from inherent competitive advantages possessed by telecom operators. In the coming years, HL95 will focus its resources on the expansion of call centre business, for which HL95 has accumulated successful experience and has earned good reputation in the PRC. In late 2009, HL95 received several industry awards for its good achievement in call centre management and outsourcing contact. The management considers that the call centre revenue will continue to grow rapidly. 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. In the same time, HL95 is also intended to achieve to combine the PIATS business for transformation of services and expansion of new business. 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. 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 minimise the handling costs involved in the declaration. Given that China is the manufacturing base for the world and the network platform of Dongfang Customs has been upgrading with more new and enhanced features to attract its established user base, such as technical support and database management services. The management considers that the business of Dongfang Customs under the Group's investment will provide us with good return.

- **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 2011 are detailed as follows:

Location	Telecommunications/ information value-added services	PIATS business	System integration and software development	Corporate	Associate
– Hong Kong	–	–	–	11	–
– The PRC	5,989	45	4	–	270
Total	5,989	45	4	11	270

Total staff costs of the Group for the year ended 31st March 2011 were HK182,432,000. 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 2011, no share options were granted to employees of the Group.

CORPORATE GOVERNANCE

In the opinion of the Directors, throughout the year ended 31st March 2011, 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 2010. 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, namely Dr. Hui Ho Ming, Herbert, JP, Mr. Zhang Jian Ming and Dr. Long Junsheng. 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

The Audit Committee comprises three Independent Non-Executive Directors, namely Dr. Hui Ho Ming, Herbert, JP, Mr. Zhang Jian Ming and Dr. Long Junsheng. 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 2011 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, 23rd June 2011

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.