**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 2012

## HIGHLIGHTS

CITIC 21CN Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") recorded a turnover of HK$481,663,000 for the year ended 31st March 2012, representing an increase of 29.4% when compared with HK$372,132,000 of last corresponding year. Such increase in revenue was mainly due to the rise in revenue from telecommunications/information value-added services business and Product Identification, Authentication, Tracking System ("PIATS") business by HK$105,352,000 (or 28.8%) and HK$5,861,000 (or 151.1%) respectively.

The Group recorded share of profit of an associate of HK$19,172,000 for the year ended 31st March 2012, representing an increase of 18.0% compared with HK$16,249,000 of last corresponding year. 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 2012 amounted to HK$7,735,000, representing a decrease of 70.6% as compared with HK$26,350,000 of last corresponding year.

The basic loss per share for the current year was HK 0.21 cents as compared with HK 0.71 cents of last corresponding 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 2012 and the audited consolidated statement of financial position of the Group as at 31st March 2012 together with the audited comparative figures as follows:

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
*For the year ended 31st March 2012*

| | *Notes* | **2012** *HK$'000* | 2011 *HK$'000* |
|---|---|---|---|
| Turnover | *2* | **481,663** | 372,132 |
| Cost of sales and services | | **(426,744)** | (334,367) |
| Gross profit | | **54,919** | 37,765 |
| Other income, gains and losses | *3* | **(5,699)** | 3,752 |
| Administrative expenses | | **(88,474)** | (72,767) |
| Impairment losses recognised in respect of PIATS business | *4* | **(7,808)** | (9,280) |
| Share of profit of an associate | *5* | **19,172** | 16,249 |
| Reversal of accrued interest and related expenses in connection with arbitration and litigation | | **26,271** | – |
| Interest expenses | | **(939)** | (653) |
| Loss before taxation | | **(2,558)** | (24,934) |
| Taxation | *6* | **(5,178)** | (1,416) |
| Loss for the year | *7* | **(7,736)** | (26,350) |
| Other comprehensive income: | | | |
| Exchange differences arising on translation | | **3,996** | 7,894 |
| Exchange difference of an associate | | **293** | 420 |
| Other comprehensive income for the year (net of tax) | | **4,289** | 8,314 |
| Total comprehensive expense for the year | | **(3,447)** | (18,036) |
| Loss for the year attributable to: | | | |
| Owners of the Company | | **(7,735)** | (26,350) |
| Non-controlling interests | | **(1)** | – |
| | | **(7,736)** | (26,350) |
| Total comprehensive expense attributable to: | | | |
| Owners of the Company | | **(3,446)** | (18,036) |
| Non-controlling interests | | **(1)** | – |
| | | **(3,447)** | (18,036) |
| | | ***HK cents*** | *HK cents* |
| Loss per share | | | |
| – Basic | *8* | **(0.21)** | (0.71) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31st March 2012*

| | Notes | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | | **72,031** | 76,611 |
| Intangible assets | | **42,622** | 50,639 |
| Interest in an associate | | **93,170** | 92,005 |
| Loans receivable | | **45,465** | 39,137 |
| Available-for-sale investments | | **9,150** | 8,925 |
| | | **262,438** | 267,317 |
| Current assets | | | |
| Amounts due from customers for contract work | | **2,940** | 4,088 |
| Debtors and prepayments | *9* | **96,764** | 83,820 |
| Investments held for trading | | **41,565** | 50,225 |
| Bank balances and cash | | **133,813** | 160,335 |
| | | **275,082** | 298,468 |
| Current liabilities | | | |
| Creditors and accruals | *10* | **120,265** | 137,489 |
| Taxation payable | | **2,178** | 524 |
| Short-term bank loans | | **11,956** | 23,324 |
| | | **134,399** | 161,337 |
| Net current assets | | **140,683** | 137,131 |
| Total assets less current liabilities | | **403,121** | 404,448 |
| Non-current liability | | | |
| Deferred taxation | | **4,152** | 2,032 |
| | | **398,969** | 402,416 |
| Capital and reserves | | | |
| Share capital | | **37,179** | 37,179 |
| Reserves | | **361,781** | 365,227 |
| | | **398,960** | 402,406 |
| Non-controlling interests | | **9** | 10 |
| Total equity | | **398,969** | 402,416 |

*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 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 HKFRSs**

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

| | |
|---|---|
| Amendments to HKFRSs | Improvements to HKFRSs issued in 2010 |
| HKAS 24 (as revised in 2009) | Related party disclosures |
| Amendments to HKAS 32 | Classification of rights issues |
| Amendment to HK(IFRIC*) – Int 14 | Prepayments of a minimum funding requirement |
| HK(IFRIC) – Int 19 | Extinguishing financial liabilities with equity instruments |

* IFRIC represents the IFRS Interpretations Committee

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKAS 24 (as revised in 2009) has been revised on the following two aspects:

a) HKAS 24 (as revised in 2009) has changed the definition of a related party. The application of the revised definition of related party set out in HKAS 24 (as revised in 2009) in the current year has no material impact in the identification of related parties that were not identified as related parties under the previous Standard.

b) In addition, HKAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities whilst the previous version of HKAS 24 did not contain specific exemption for government-related entities. The Company and its subsidiaries are government-related entities as defined in HKAS 24 (as revised in 2009). Under HKAS 24 (as revised in 2009), the Group has been exempted from making the disclosures required by paragraph 18 of HKAS 24 (as revised in 2009) in relation to related party transactions and outstanding balances (including commitments) with (a) the PRC government that ultimately has control over the Group and (b) other entities that are controlled, jointly controlled, or significantly influenced by the PRC government. Rather, in respect of these transactions and balances, HKAS 24 (as revised in 2009) requires the Group to disclose (a) the nature and amount of each individually significant transaction, and (b) a qualitative or quantitative indication of the extent of transactions that are collectively, but not individually, significant.

HKAS 24 (as revised in 2009) requires retrospective application. The application of HKAS 24 (as revised in 2009) has had no impact on the Group's financial performance and positions for the current and prior years. However, the related party disclosures to the consolidated financial statements have been changed to reflect the application of HKAS 24 (as revised in 2009).

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

| | |
|---|---|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2009-2011 Cycle[2] |
| Amendments to HKFRS 7 | Disclosures – Transfers of financial assets[1] |
| | Disclosures – Offsetting Financial Assets and Financial Liabilities [2] |
| Amendments to HKFRS 7 and HKFRS 9 | Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3] |
| HKFRS 9 | Financial Instruments[3] |
| HKFRS 10 | Consolidated Financial Statements[2] |
| HKFRS 11 | Joint Arrangements[2] |
| HKFRS 12 | Disclosure of Interests on Other Entities[2] |
| HKFRS 13 | Fair Value Measurement[2] |
| Amendments to HKAS 1 | Presentation of Items of Other Comprehensive Income[5] |
| Amendments to HKAS 12 | Deferred tax: Recovery of underlying assets[4] |
| HKAS 19 (as revised in 2011) | Employee Benefits[2] |
| HKAS 27 (as revised in 2011) | Separate Financial Statements[2] |
| HKAS 28 (as revised in 2011) | Investments in Associates and Joint Ventures[2] |
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities[6] |
| HK(IFRIC) – Int 20 | Stripping Costs in the Production Phase of a Surface Mine[2] |

1 Effective for annual periods beginning on or after 1st July 2011.
2 Effective for annual periods beginning on or after 1st January 2013.
3 Effective for annual periods beginning on or after 1st January 2015.
4 Effective for annual periods beginning on or after 1st January 2012.
5 Effective for annual periods beginning on or after 1st July 2012.
6 Effective for annual periods beginning on or after 1st January 2014.

*HKFRS 9 Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at 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 reporting periods. In addition, under HKFRS 9, entities may make an irrecoverable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liabilities (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. 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 recognition 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. 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 the application of HKFRS 9 for annual period beginning 1st April 2013 will affect the classification and measurement of the available-for-sale investments but do not expect the application of HKFRS 9 will have material impact on the amounts reported in respect of the Group's other financial assets and financial liabilities based on the Group's financial instruments reported at the end of the reporting period.

*New and revised standards on consolidation, associates and disclosures*

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011). HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC) – Int 12 "Consolidation – Special Purpose Entities". HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in joint ventures" and HK(SIC) – INT 13 "Jointly controlled entities – Non-monetary contributions by venturers". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements.

In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These standards are effective for annual periods beginning on or after 1st January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Directors of the Company anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1st April 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. The application of HKFRS 11 will result in the Group changing from proportionate accounting to equity method of accounting for the Group's joint ventures. However, the Directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

*HKFRS 13 Fair Value Measurement*

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1st January 2013, with earlier application permitted. The Directors anticipate that the application of the new standard shall have no material impact on the amounts reported in the consolidated financial statements but shall result in more extensive disclosures in the consolidated financial statements. The Directors of the Company anticipate that this standard will be adopted for annual period beginning 1st April 2013.

*Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income*

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments to HKAS 1 are effective for annual period beginning on or after 1st July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods. The directors of the Company anticipate that this standard will be adopted for annual period beginning 1st April 2013.

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

## 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. For the telecommunications/information value-added services and PIATS business divisions, information reported to the Board of Directors of the Company includes the financial information of its joint ventures prepared on a proportionate consolidation basis.

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 and reportable segments:

| | **Segment revenue** | | **Segment profit (loss)** | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Telecommunication/information value-added services | **470,671** | 365,319 | **6,838** | 4,793 |
| PIATS business | **9,741** | 3,880 | **(28,119)** | (28,920) |
| System integration and software development | **1,251** | 2,933 | **(425)** | 2,176 |
| Total | **481,663** | 372,132 | **(21,706)** | (21,951) |
| Other income, gains and losses | | | **(5,699)** | 3,752 |
| Share of profit of an associate | | | **19,172** | 16,249 |
| Reversal of accrued interest and related expenses in connection with litigation and arbitration | | | **26,271** | – |
| Interest expenses | | | **(939)** | (653) |
| Unallocated expenses | | | **(19,657)** | (22,331) |
| Loss before taxation | | | **(2,558)** | (24,934) |

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

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 income, 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 operating and reportable segments.

*Segment assets*

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Telecommunications/information value-added services | **115,293** | 114,208 |
| PIATS business | **67,736** | 85,766 |
| System integration and software development | **9,759** | 10,761 |
| Total segment assets | **192,788** | 210,735 |
| Interest in an associate | **93,170** | 92,005 |
| Loans receivable | **45,465** | 39,137 |
| Investments held for trading | **41,565** | 50,225 |
| Available-for-sale investments | **9,150** | 8,925 |
| Bank balances and cash | **133,813** | 160,335 |
| Dividend receivable from an associate | **18,300** | – |
| Other unallocated assets | **3,269** | 4,423 |
| Consolidated assets | **537,520** | 565,785 |

*Segment liabilities*

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Telecommunications/information value-added services | **34,090** | 31,262 |
| PIATS business | **68,758** | 88,287 |
| System integration and software development | **6,203** | 6,725 |
| Total segment liabilities | **109,051** | 126,274 |
| Short-term bank loans | **11,956** | 23,324 |
| Deferred taxation | **4,152** | 2,032 |
| Other unallocated liabilities | **13,392** | 11,739 |
| Consolidated liabilities | **138,551** | 163,369 |

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 and deferred taxation and liabilities for which operating segments are jointly liable.

**Other segment information**

**2012**

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)* | **16,987** | **4,441** | **4** | **21,432** | **–** | **21,432** |
| Depreciation | **10,599** | **12,619** | **11** | **23,229** | **1,196** | **24,425** |
| Amortisation of intangible assets | **–** | **4,404** | **–** | **4,404** | **–** | **4,404** |
| Impairment loss recognised in respect of property, plant and equipment | **–** | **2,919** | **–** | **2,919** | **–** | **2,919** |
| Impairment loss recognised in respect of intangible assets | **–** | **4,889** | **–** | **4,889** | **–** | **4,889** |
| Loss on disposal of property, plant and equipment | **81** | **–** | **–** | **81** | **–** | **81** |

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

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 |
| 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.*

**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 analysis is presented.

**Information about major customers**

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

| | 2012 | 2011 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Customer A[1] | **153,303** | 99,214 |
| Customer B[1] | **120,263** | 42,325 |
| Customer C[1] | **60,131** | 36,041 |

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

## 3 OTHER INCOME, GAINS AND LOSSES

| | 2012 | 2011 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Included in other income, gains and losses are the following items: | | |
| Interest income from bank deposits | **734** | 906 |
| Imputed interest income on loans receivable | **1,500** | 1,007 |
| Dividends from listed equity securities | **837** | 438 |
| Change in fair value of investments held for trading | **(8,660)** | 4,191 |
| Change in value of loans receivable resulting from extension of maturity and upon initial recognition | **(432)** | (4,241) |
| Written-back of long outstanding trade payables | **836** | – |
| Net exchange (loss) gain | **(520)** | 949 |
| Reversal of allowance for doubtful debts | **6** | 502 |
| | **(5,699)** | 3,752 |

## 4 IMPAIRMENT LOSSES RECOGNISED IN RESPECT OF PIATS BUSINESS

| | 2012 | 2011 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Impairment loss recognised in respect of property, plant and equipment | **2,919** | 3,821 |
| Impairment loss recognised in respect of intangible assets | **4,889** | 5,459 |
| | **7,808** | 9,280 |

Impairment losses were identified for property, plant and equipment and intangible assets in relation to 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 19.14% (2011: 20.68%), 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 further impairment losses of HK$2,919,000 (2011: HK$3,821,000) and HK$4,889,000 (2011: HK$5,459,000) 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

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current tax: | | |
| – PRC Enterprise Income Tax – Jointly controlled entities | **1,228** | 568 |
| Underprovision in prior years: | | |
| – PRC Enterprise Income Tax – Jointly controlled entities | **–** | 36 |
| Withholding tax on dividends | **1,830** | – |
| Deferred tax: | | |
| – Current year | **2,120** | 812 |
| | **5,178** | 1,416 |

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

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss for the year has been arrived at after charging (crediting): | | |
| Directors' remuneration | **2,860** | 2,860 |
| Other staff's retirement benefits scheme contributions | **9,264** | 6,387 |
| Other staff costs | **230,457** | 173,185 |
| Total staff costs | **242,581** | 182,432 |
| Amortisation of intangible assets (included in cost of sales and services) | **4,404** | 4,188 |
| Auditor's remuneration | **2,384** | 2,267 |
| Cost of inventories recognised as an expense included in cost of sales and services | **1,260** | 2,025 |
| Depreciation | **24,425** | 23,348 |
| Loss on disposal of property, plant and equipment | **81** | 278 |
| Operating lease rentals in respect of buildings | **13,856** | 9,979 |
| Recovery of amounts due from customers for contract work previously written off | **–** | (1,913) |
| Share of tax of an associate (included in share of profit of an associate) | **1,718** | 2,567 |

## 8 LOSS PER SHARE

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

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss for the purposes of basic loss per share | **(7,735)** | (26,350) |

**Number of ordinary shares**

| | **2012** | 2011 |
|---|---|---|
| Number of ordinary shares for the purposes of basic loss per share | **3,717,869,631** | 3,717,869,631 |

The diluted loss per share for the year ended 31st March 2012 and 2011 are not presented as the exercise of the outstanding share options would result in a decrease in loss per share for both years.

## 9 DEBTORS AND PREPAYMENTS

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **90,110** | 95,596 |
| Less: Allowance for doubtful debts | **(26,470)** | (25,825) |
| | **63,640** | 69,771 |
| Other receivables | **2,200** | 2,145 |
| Deposits and prepayments | **12,624** | 11,904 |
| Dividend receivable from an associate | **18,300** | – |
| | **96,764** | 83,820 |

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:

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0-90 days | **44,975** | 48,997 |
| 91-180 days | **8,689** | 11,944 |
| 181-360 days | **1,729** | 1,388 |
| Over 360 days | **8,247** | 7,442 |
| | **63,640** | 69,771 |

## 10 CREDITORS AND ACCRUALS

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade payables | **32,446** | 31,113 |
| Receipts in advance from customers | **12,014** | 9,499 |
| Other interest payable | **–** | 28,239 |
| Other payables and accruals | **75,805** | 68,638 |
| | **120,265** | 137,489 |

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

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0-90 days | **12,548** | 15,215 |
| 91-180 days | **1,792** | 69 |
| 181-360 days | **720** | 234 |
| Over 360 days | **17,386** | 15,595 |
| | **32,446** | 31,113 |

## 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 a payment agreement signed by Oracle Beijing, CITIC 21CN (China) Technology Co., Ltd. ("CITIC 21CN Technology"), the Company and Oracle Systems Hong Kong Limited, an independent third party, on 30th May 2006 (the "Payment Agreement"). The Payment Agreement provided, among others, the settlement arrangement of licence 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 handed down by CIETAC. Details of the Arbitral Award were set out in the Company's announcement dated 24th June 2010. 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 Administration Region ("HKSAR"), the Company received a court order (the "Order") from the High Court of the HKSAR that leave be granted to Beijing Oracle to enforce the Arbitral Award, subject to the right of application by the Company and CITIC 21CN Technology to set aside the Order within 14 days after service of the Order. By a judgment made by Beijing First Intermediate People's Court dated 25th October 2011, the Arbitral Award was set aside. As a result, the Company received another court order dated 7th December 2011 from the High Court of the HKSAR that the legal action of the Order was discontinued. Accordingly, the interest expenses with other legal and related costs of RMB21,534,000 (equivalent to HK$26,271,000) arising from the Arbitral Award previously recognised were reversed during the current year.

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

On 18th January 2012, Oracle Beijing, being the plaintiff, commenced a new legal action in the High Court of the HKSAR against the Company, CITIC 21CN Technology and Oracle Systems Hong Kong Limited, an independent third party, for an alleged breach of the Oracle Licence and Services Agreement and Payment Agreement and claimed for payment in relation to the agreements of approximately RMB88 million together with it costs. On 5th April 2012, the Company and CITIC 21CN Technology took out a Summons to apply for the legal action to be stayed. Such further filing of documents by both parties is still in progress at the end of the reporting period. The aforesaid amounts of licence fee and other related costs, net of deposits paid, has been properly accounted for in the consolidated financial statements as at 31st March 2012.

As the above application and litigation are still at the 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 consolidated financial statements.

## FINAL DIVIDEND

The Directors do not recommend payment of a final dividend for the year ended 31st March 2012 (2011: Nil).

## FINANCIAL REVIEW

The key financial figures of the Group for the year ended 31st March 2012 and the comparative figures for the year ended 31st March 2011 are summarized as follows:

| | **2012**<br>***HK$'000*** | 2011<br>*HK$'000* | Change<br>*%* |
|---|---|---|---|
| Turnover | **481,663** | 372,132 | 29.4 |
| Gross profit | **54,919** | 37,765 | 45.4 |
| Gross profit percentage | **11.4%** | 10.1% | 12.9 |
| Other income, gains and losses | **(5,699)** | 3,752 | N/A |
| Administrative expenses | **88,474** | 72,767 | 22.4 |
| Impairment losses recognised in respect of PIATS business | **7,808** | 9,280 | (15.9) |
| Share of profit of an associate | **19,172** | 16,249 | 18.0 |
| Reversal of accrued interest and related expenses in connection arbitration and litigation | **26,271** | – | N/A |
| Net loss attributable to owners | **7,735** | 26,350 | (70.6) |
| Loss per share | | | |
| Basic | **0.21 cents** | 0.71 cents | (70.4) |

**Results**

– *Turnover*

Turnover of the Group for the year increased by 29.4% from HK$372,132,000 to HK$481,663,000. 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 2012 increased by 28.8% to HK$470,671,000 from HK$365,319,000 for the year ended 31st March 2011. The Group's share of the turnover of HL95 comprised HK$173,286,000 (2011: HK$136,795,000) from short messaging services ("SMS"), HK$10,554,000 (2011: HK$13,003,000) from fixed-line interactive voice response system ("IVRS"), HK$7,485,000 (2011: HK$10,885,000) from mobile IVRS, HK$9,963,000 (2011: HK$18,168,000) from Internet-protocol ("IP") phone, HK$261,861,000 (2011: HK$184,904,000) from call centres, and HK$7,522,000 (2011: HK$1,564,000) from other value-added services. The increase in turnover was mainly attributable to the increases in both call centre and SMS revenue, despite the decrease in revenues from fixed-line IVRS, mobile IVRS and IP Phone businesses. Call centre revenue and SMS revenue continued their healthy trends and recorded a growth of 41.6% and 26.6% respectively during the year. Call centre revenue increased significantly was mainly due to the continuous expansion of call centre capacity and the procurement of various new outsourcing contracts across China. HL95's call centre customer base has been extended to various industries of bank, telecom, insurance and utility. Call centre industry is still fast growing in China and HL95 has successfully become one of the largest reputable operators in the industry. SMS revenue also increased sharply because SMS is always an important ancillary service tool to call centre industry. The fixed-line IVRS business was affected by the change in consumer habits to use less fixed line as main communication tool at home and its revenue decreased by 18.8% during the year. Decrease in mobile IVRS revenue by 31.2% was due to the regulatory measures imposed by the relevant authorities to restrict on the interactive programmes on the media during the year. IP Phone revenue decreased by 45.1% because of the keen competition from other IP phone providers. Increase in other value-added service revenue was mainly due to the increase in revenue generated from technical supporting services to customers.

(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世紀 (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 2012 increased by 151.1% to HK$9,741,000 from HK$3,880,000 for the year ended 31st March 2011. The growth in revenue during the year was due to an increased service fee income following the intensive promotion of PIATS in drug industry.

(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 2012 was HK$1,251,000 as compared with the turnover of HK$2,933,000 for the year ended 31st March 2011. The operations of Grand Cycle had already been scaled down and the turnover for both years represented those revenue generated from the outstanding system integration service contracts to the telecom industry.

– *Gross profit percentage*

During the current year, the Group maintained a relatively stable gross profit percentage of 11.4% when compared with that of 10.1% last corresponding year. The slight improvement was mainly attributable to the decrease in gross loss of the PIATS business as a result of the increase in turnover.

– *Other income, gains and losses*

During the year, other income, gains and losses recorded a loss of HK$5,699,000 as compared with a gain of HK$3,752,000 for the last corresponding year. Such decrease was mainly the net result regarding i) the change in fair value of investments held for trading amounted to a loss of HK$8,660,000 during the year (2011: gain of HK$4,191,000), and ii) which was partly offset by the decrease in loss arising from the change in fair value of loans receivable resulting from extension of maturity and upon initial recognition of HK$432,000 during the year (2011: bigger loss of HK$4,241,000), The investment market exhibited a sharp downturn during this year.

– *Administrative expenses*

Administrative expenses for the year ended 31st March 2012 was HK$88,474,000 when compared to HK$72,767,000 in last corresponding year. Such increase was principally due to the continuous expansion of HL95's call centre business which led to higher labour costs and office expenses.

– *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$19,172,000 for the year ended 31st March 2012, representing an increase of 18.0% when compared with HK$16,249,000 for the year ended 31st March 2011. Dongfang Customs has been upgrading its existing system by introducing more new and enhanced features to attract users using their services.

– *Reversal of accrued interest and related expenses in connection with arbitration and litigation*

During the year, the Company reversed the accrued interest and related expenses of HK$26,271,000 in connection with arbitration and litigation. Details were set out in the note 11 "Arbitration and litigation".

– *Net loss attributable to shareholders*

Net loss attributable to shareholders for the year ended 31st March 2012 was HK$7,735,000, representing a decrease of 70.6% over HK$26,350,000 in last corresponding year, mainly the net result of various factors due to the increase in gross profit resulting from the increase in turnover, the reversal of accrued interest and related expenses and the increase in share of profit of an associate, as partly offset by the decrease in other income, gains and losses and the increase in administrative expenses during the current year as explained above.

– *Loss per share*

Basic loss per share was HK0.21 cents for the year ended 31st March 2012, representing a decrease of 70.4% over HK0.71 cents for the previous year.

## FINANCIAL RESOURCES, LIQUIDITY AND FOREIGN EXCHANGE EXPOSURES

The financial positions of the Group as at 31st March 2012 and the corresponding comparative figures as at 31st March 2011 are summarized as follows:

| | **31st March 2012** | 31st March 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current assets | **275,082** | 298,468 |
| Including | | |
| – bank balances and cash (mainly denominated in Hong Kong dollar, United States dollar and Renminbi) | **133,813** | 160,335 |
| – debtors | **65,840** | 71,916 |
| Current liabilities | **134,399** | 161,337 |
| Including | | |
| – short-term bank loans | **11,956** | 23,324 |
| Current ratio (current asset/current liabilities) | **2.05** | 1.85 |
| Quick ratio (bank balances and cash & debtors/current liabilities) | **1.49** | 1.44 |
| Shareholders' equity | **398,960** | 402,406 |
| Gearing ratio (bank loans/shareholders' equity) | **3.00%** | 5.80% |

Bank balances and cash decreased from HK$160,335,000 as at 31st March 2011 to HK$133,813,000 as at 31st March 2012. The decrease in bank balances and cash was the result of various factors principally due to the repayment of short-term bank loans and the additional capital investment in HL95's new call centre business.

As at 31st March 2012, trade debtors aged over 12 months were HK$8,247,000 (31st March 2011: HK$7,442,000), which were mainly related to system integration and software development business.

Bank loans on the consolidated statement of financial positions as at 31st March 2012 and 31st March 2011 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 2012, the Group's current and quick ratios showed slight improvement. The current ratio was 2.05 (31st March 2011: 1.85) and the quick ratio was 1.49 (31st March 2011: 1.44).

Shareholders' equity decreased from HK$402,406,000 as at 31st March 2011 to HK$398,960,000 as at 31st March 2012, mainly because of the net loss of the Group incurred during the year ended 31st March 2012.

The Group's gearing ratio decreased from 5.80% as at 31st March 2011 to 3.00% as at 31st March 2012, mainly because of the decrease in short-term bank loans during the year ended 31st March 2012.

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, emphasising 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 concepts 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 has 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, the coverage scope has been further enlarged during the year. Regarding those three types of medicine as to the compound drugs containing hemp, the compound codeine phosphate oral solution and the compound drugs containing diphenoxylate have been included under the electronic monitoring. Moreover, the use of bar code by the production enterprises as an "electronic identification" on all basic drugs has gradually been refined and finished. The company has continued to undertake the relevant technical support services, enterprises' corporate training and corporate implementation guidance work etc.

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 authorities in the PRC have not further issued supplemental work rules.

*Future prospect*

The gradual advancement of electronic monitoring has already evidenced that the government will make electronic monitoring an important tool for increasing management. Recently, the relevant authorities in the PRC has commenced planning, under the existing implemented electronic monitoring basis of anaesthetics drugs, mental disorder drugs, blood products, Chinese medicine injections, vaccines, basic drugs of all types etc., to continue to further apply the electronic monitoring to other areas of drugs through stages. 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, 4G 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. Since late 2009, HL95 has received several industry awards for its good achievement in call centre management and outsourcing contract. During the year, HL95 has completed the construction of a major 780 seats call centre in Beijing and has obtained various new outsourcing contracts countrywide. 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 2012 are detailed as follows:

| Location | Telecommunications/ information value-added services | PIATS business | System integration and software development | Corporate | Associate |
|---|---|---|---|---|---|
| – Hong Kong | – | – | – | 6 | – |
| – The PRC | 5,947 | 60 | 3 | – | 270 |
| Total | 5,947 | 60 | 3 | 6 | 270 |

Total staff costs of the Group for the year ended 31st March 2012 were HK$242,581,000. 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 2012, no share options were granted to employees of the Group.

## CORPORATE GOVERNANCE

In the opinion of the Directors, throughout the year ended 31st March 2012, 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 18th August 2011. 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

For the year ended 31st March 2012, the Board established two committees, namely, the Remuneration Committee and the Audit Committee, to oversee corresponding aspects of the Company's affairs.

### Remuneration Committee

For the year ended 31st March 2012, the Remuneration Committee comprised three Independent Non-Executive Directors, namely Dr. Hui Ho Ming, Herbert, JP, Mr. Zhang Jian Ming and Dr. Long Junsheng. Dr. Long Junsheng is the Chairman of the Committee. 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 year ended 31st March 2012, the Audit Committee comprised 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 2012 and has also discussed auditing, internal control and financial reporting matters including the review of accounting practices and principles adopted by the Group.

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

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

By Order of the Board
**CITIC 21CN COMPANY LIMITED**
**Chen Xiao Ying**
*Executive Vice-Chairman*

Hong Kong, 21st June 2012

*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.*