CITIC 21CN
中信 21世紀

CITIC 21CN COMPANY LIMITED

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

Annual Report 2014

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. WANG Jian *(Chairman and CEO)*
Ms. CHEN Xiao Ying *(Executive Vice Chairman)*

Non-Executive Directors

Mr. ZHANG Yong
Mr. CHEN Jun
Mr. CHIA Pun Kok
Mr. YU Feng

Independent Non-Executive Directors

Mr. WONG King On, Samuel
Mr. YAN Xuan
Mr. LUO Tong

Audit Committee

Mr, WONG King On, Samuel *(Chairman)*
Mr. ZHANG Yong
Mr. YAN Xuan
Mr. LUO Tong

Remuneration Committee

Mr. YAN Xuan *(Chairman)*
Mr. ZHANG Yong
Mr. WONG King On, Samuel

Nomination Committee

Dr. WANG Jian *(Chairman)*
Mr. WONG King On, Samuel
Mr. LUO Tong

COMPANY SECRETARY

Mr. AU Kin Fai, HKICPA

QUALIFIED ACCOUNTANT

Mr. YUEN Wai Ho, FCCA, FCPA

LEGAL ADVISORS

Michael Tam & Co in association with
Berwin Leighton Paisner (HK) LLP
Chu & Lau Solicitors & Notaries

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL PLACE OF BUSINESS

Units 614-616, Level 6
Core D, Cyberport 3
100 Cyberport Road
Hong Kong

PRINCIPAL SHARE REGISTRAR (IN BERMUDA)

Appleby Management (Bermuda) Ltd.
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

BRANCH SHARE REGISTRAR (IN HONG KONG)

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

China CITIC Bank International Limited
The Hongkong and Shanghai Banking Corporation Limited

CHAIRMAN'S STATEMENT

2013 has been an extraordinary year for CITIC 21CN Company Limited and its subsidiaries (collectively referred to as the "Group"). On the one hand, the Group achieved far-reaching advancement in all aspects according to established development directions with the hard work and efforts of the whole management and staff; on the other hand, the strategic investment of Alibaba Group and Yunfeng Fund brings a good opportunity for the future development of the Group.

The previous directors and management of the Group used their tireless efforts to make progress in the Group's business of Product Identification, Authentication, Tracking System ("PIATS") which laid a solid foundation for the future development of the Group. We greatly cherish the current status the Group achieved. We believe that data can effectively improve the efficiency of social operation. In the future the Group will focus on operating data. We hope to be able to use the accumulated data, together with cloud computing platform, to build a good infrastructure for China's health industry. We will carefully study and understand the needs of each aspect of society, enhance the quality of services, create value for our customers and use data to improve people's health.

Following the growing concern over the safety of medical products on the national level, the promotion of the Group's business of Drugs PIATS has been well-recognized and supported by the relevant governmental departments, and Drugs PIATS business has expanded quite well. During the year, the Group has significantly enhanced the overall efficiency of Drugs PIATS by using cloud computing platform. In the future, the Group will further reinforce on the infrastructure facilities of the Drugs PIATS, so as to ensure the practicability, user-friendliness and manageability of the system. The Group will also strive to work with various parties in the society including drug manufacturers, drug wholesalers and retailers, and medical institutions which already joined or will join Drugs PIATS to develop new business models which will benefit the country and its people by assisting the government's healthcare reform and reinforcing the health protection of all the people. Honglian 95, a joint venture of the Group, has remained its position in the mobile and telecommunication value-added services industry and call centre service sectors. In the same time, it is also in the process of transforming its services and expanding into new business. The business of Dongfang Customs under the Group's investment still provided us with reasonable return.

The entire staff of the Group will strive to generate sustainable returns for our shareholders with our long-term vision, advanced technology and highly efficient business operations. Finally, I would like to take this opportunity to express my deepest gratitude to our shareholders, business partners, investment institutions, the government authorities and our staff for their long and unswerving support.

Wang Jian
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The key financial figures of the Group for the year ended 31st March 2014 and the restated comparative figures for the year ended 31st March 2013 are summarised as follows:

	2014 **HK$'000**	2013 HK$'000 (Restated)	Change %
Turnover	**60,215**	15,889	279.0
Gross profit (loss)	**46,292**	(2,003)	N/A
Gross profit (loss) percentage	**76.9%**	(12.6%)	N/A
Other income, gains and losses	**3,698**	579	538.7
Administrative expenses	**58,671**	40,880	43.5
Share of profit of an associate	**9,602**	1,962	389.4
Share of losses of joint ventures	**(1,816)**	(806)	125.3
Net loss attributable to owners of the Company	**6,472**	41,344	(84.3)
Loss per share			
Basic and diluted	**0.17 HK cent**	1.11 HK cents	(84.7)

FINANCIAL REVIEW (Continued)

Results

– **Turnover**

Turnover of the Group for the year substantially increased by 279.0% from the restated turnover of HK$15,889,000 to HK$60,215,000. The increase was mainly due to the following reasons:

(a) 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) and 中信國檢信息技術有限公司 (China Credit Information Technology Company Limited ("CCIT")) (a 50%-owned subsidiary of the Group) are engaged in PIATS business. The Group's revenue from PIATS business, generated substantially from the drug industry, for the year ended 31st March 2014 increased by 362.4% to HK$57,648,000 from HK$12,468,000 for the year ended 31st March 2013. The growth in revenue during the year was due to the increase in joining fee income received from medical and health institutions following the intensive promotion of PIATS in drug industry and the increased adoption of PIATS by drug manufacturers, drug distributors and pharmaceutical stores and other drug retailers in China.

(b) 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 2014 was HK$2,567,000 as compared with the turnover of HK$3,421,000 for the year ended 31st March 2013. The operations of Grand Cycle had already been scaled down and the turnover for both years represented the revenue generated from the outstanding system integration service contracts to the telecom industry.

– **Gross profit percentage**

During the current year, the Group recorded an improved gross profit percentage of 76.9% when compared with that of gross loss percentage of 12.6% based on the restated figures for the corresponding prior year. The improvement in profitability was mainly attributable to the increase in turnover from PIATS business while most of the cost of services of PIATS were fixed in nature. PIATS business is an innovatively developing business, hence the management expects that the gross profit percentage would still be fluctuating in the coming future.

– **Other income, gains and losses**

During the year, other income, gains and losses recorded a gain of HK$3,698,000, representing an increase of 538.7% compared with the restated gain of HK$579,000 for the corresponding prior year. Such increase was the net result of various items mainly due to i) bad debt recovered during the year of HK$2,271,000 (2013: HK$nil); ii) net loss on deemed disposal of a joint venture and deemed acquisition of a subsidiary of HK$11,492,000 in the last corresponding year; iii) imputed interest income on loans receivable of HK$3,320,000 in the last corresponding year; and iv) the decrease in gain on the change in fair value of investments held for trading from HK$6,091,000 for the year ended 31st March 2013 to HK$606,000 for the year ended 31st March 2014.

FINANCIAL REVIEW (Continued)

Results (Continued)

– **Administrative expenses**

Administrative expenses for the year ended 31st March 2014 was HK$58,671,000, representing an increase of 43.5% compared with the restated administrative expenses of HK$40,880,000 for the corresponding prior year. Such increase was principally due to the continuous development of PIATS which led to higher technical staff costs on informatisation construction and higher office expenses to cope with the growth in business.

– **Share of profit of an associate**

Share of profit of an associate represented the share of profit of a 30%-owned associate, 東方口岸科技有限公司 (Dongfang Customs Technology Company Limited ("Dongfang Customs")), which is engaged in electronic customs processing and other electronic government services. The share of profit of Dongfang Customs increased to HK$9,602,000 for the year ended 31st March 2014, representing an increase of 389.4% when compared with HK$1,962,000 for the year ended 31st March 2013. The increase was mainly due to the increase in turnover and the reduction of office expenses arising from the relocation to the Dongfang Custom's owned property in late 2012.

– **Share of losses of joint ventures**

Share of losses of joint ventures represented the share of loss of a 49%-owned joint venture, 北京鴻聯九五信息產業有限公司 (Beijing Honglian 95 Information Industries Company Limited ("HL95")), which is engaged in telecommunications/information value-added services ("VAS"). The share of loss of HL95 was HK$1,816,000 for the year ended 31st March 2014 as compared with the share of HL95's profit of HK$8,424,000 for the corresponding prior year after restatement. The share of loss of HK$1,816,000 was mainly caused by the increase in operating costs and higher competition in the industry, mostly arising from the setting up of several large call centres during the year which incurred higher initial setup costs and took time to reach economies of scale. The increasing acceptance of smartphone messaging applications used by consumers also affected the traditional short messaging services business market during the year.

In the past, HL95 was recognised as a jointly controlled entity and accounted for using the proportionate consolidation method. Upon the adoption of the new and revised Hong Kong financial reporting standards on consolidation, joint arrangements, associates and disclosures as stated in note 2 for this financial year beginning 1st April 2013, HL95 was classified as a joint venture and accounted for using the equity method under HKFRS 11.

For the year ended 31st March 2013, the share of losses of joint ventures also included the share of loss of a former 50%-owned joint venture, CCIT amounting to HK$9,230,000. CCIT became a subsidiary of the Group in March 2013.

– **Net loss attributable to owners of the Company**

Net loss attributable to owners of the Company for the year ended 31st March 2014 was HK$6,472,000, representing a decrease of 84.3% over the net loss of HK$41,344,000 for the corresponding prior year. The decrease in loss was due to the net result of various factors including the increase in turnover of PIATS from the drug industry which led to an improved gross profit margin, the increase in gain in other income, gains and losses and the increase in share of profit of an associate as partly offset by the increase in administrative expenses and increase in share of loss of a joint venture. These various factors are explained above.

– **Loss per share**

Basic loss per share was HK0.17 cent for the year ended 31st March 2014, representing a substantial decrease of 84.7% over the basic loss per share of HK1.11 cents for the last corresponding year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESOURCES, LIQUIDITY AND FOREIGN EXCHANGE EXPOSURES

The financial positions of the Group as at 31st March 2014 and the corresponding restated comparative figures as at 31st March 2013 are summarised as follows:

	31st March 2014 HK$'000	31st March 2013 HK$'000 (Restated)
Current assets	**248,067**	156,687
Including		
– bank balances and cash (including fixed deposits and mainly denominated in Hong Kong dollar, United States dollar and Renminbi)	**221,339**	116,730
– debtors	**18,456**	3,158
Current liabilities	**98,926**	107,989
Current ratio (current assets/current liabilities)	**2.51**	1.45
Quick ratio (bank balances and cash & debtors/current liabilities)	**2.42**	1.11
Shareholders' equity	**454,571**	361,817
Gearing ratio (bank loans/shareholders' equity)	**N/A**	N/A

As at 31st March 2014, the Group's bank balances and cash including fixed deposit held at a bank with maturity over three months was HK$221,339,000, an increase of HK$104,609,000 or 89.6% as compared with HK$116,730,000 as at 31st March 2013. The increase was mainly attributable to the funds received from the exercise of share options of HK$98,352,000 together with the improved results from PIATS from the drug industry which generated positive cash flows during the year.

Debtors increased from a restated balance of HK$3,158,000 as at 31st March 2013 to HK$18,456,000 as at 31st March 2014. The increase was mainly due to the increase in turnover of PIATS from the increased adoption of PIATS by drug manufacturers, drug distributors and pharmaceutical stores, and other drug retailers in China. Most of the debts are current.

As at 31st March 2014, the Group showed substantial increase in both current and quick ratios after restatement, mainly because of the increase in bank and cash balances as explained above. The current ratio was 2.51 (31st March 2013: 1.45) and the quick ratio was 2.42 (31st March 2013: 1.11).

Shareholders' equity increased from HK$361,817,000 as at 31st March 2013 to HK$454,571,000 as at 31st March 2014, mainly because of the issue of shares arising from the exercise of share options during the year.

The Group did not have any bank borrowings as at 31st March 2013 and as at 31st March 2014 and hence no gearing ratio is shown for both years.

FINANCIAL RESOURCES, LIQUIDITY AND FOREIGN EXCHANGE EXPOSURES (Continued)

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. 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.

- **PIATS Business**

  The Group's subsidiaries, CITIC 21CN Technology and CCIT, 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 drug industries, and some products in food and beverage, cosmetics and agricultural resources, 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 recognised by consumers, government and enterprises.

  As to the area of electronic monitoring of drugs, the coverage scope of PIATS for the drugs industry has been further enlarged during the year. Regarding the categories of drugs, currently, those national-declared basic drugs (Version 2012) of all types, as manufactured by all production enterprises, have basically been finished and PIATS electronic monitoring bar codes have been attached to these basic drugs. Moreover, imported drugs as per above-mentioned categories (including those re-packaged in the PRC) have also attached the PIATS electronic monitoring bar codes and implemented using the PIATS. It signified that the electronic monitoring of basic drugs by the country has advanced to a new stage. In the fields of production and circulation, after successful application by most drug manufacturers and all drug wholesalers, PIATS is now accelerating its expansion to medical and healthcare institutions, pharmaceutical stores and other drug retailers in China. Recently, PIATS has successfully migrated to the Alibaba cloud computing platform, which improved the manageability, scalability, and data processing and analysis power of the system, and enhanced significantly its overall efficiency and degree of stability. During the year, the Company has continued to undertake the relevant technical support services, enterprises' corporate training and corporate implementation guidance work.

BUSINESS REVIEW (Continued)

- ### PIATS Business (Continued)

Future prospect

The continuous advancement of electronic monitoring has already evidenced that the government will make electronic monitoring an important tool for increasing management. The relevant authorities in the PRC continue to further apply the electronic monitoring to other areas of drugs by stages. Moreover, the relevant authorities in the PRC has continued to expedite the relevant working trainings to those medical and healthcare institutions besides drug production and distribution enterprises, and to include drug retailers in the pilot program under the electronic monitoring. The Group 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. At the same time, the Group will combine resources and experience accumulated in the medicine field with that the experience and expertise of the Alibaba Group to innovate and diversify the Group's business. By leveraging on Alibaba Group's experience and service offerings in the areas of big data, cloud computing, data processing, data analysis and e-business platforms, the Group will further develop and expand its domestic drug PIATS platform as well as develop a data infrastructure for medical and health care industry. The Group has already started to look into various ways aiming to continuously enhance the ability to analyse, process and utilise the drug PIATS platform so as to provide integrated product tracking and data processing and managing solutions, including pioneering cloud-based information management and sharing platform for healthcare enterprises.

- ### 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, call center outsourcing service and other telecom services in the PRC. HL95 mainly provides call center outsourcing service for telecom operators, financial institutions, and e-commerce companies throughout the country. HL95 currently has more than 6,000 call center seats. It is one of the top call center outsourcing service providers in the PRC. 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 business SMS services.

Future prospect

HL95 will continue to shift from a value-added telecom service provider for individual consumers to a value-added telecom service provider that mainly focus on call center outsourcing services for large and medium-sized enterprises. HL95 has accumulated successful experience and has earned good reputation in call center business in the PRC. In the future, HL95 will continue to maintain and develop cooperation partners, and expand call center outsourcing business. The rapid development of smartphone messaging applications to be used by individual consumers will continue to impose pressure on HL95's traditional value-added SMS and business SMS services. HL95's management will strive to look into other SMS business opportunities with enterprise customers so as to reduce the downside effect. Moreover, HL95 also invested considerable resources in mobile internet field in order to find some breakthroughs in the combination of traditional value-added services and mobile Internet.

BUSINESS REVIEW (Continued)

- ### Dongfang Customs

Dongfang Customs, a joint venture with the PRC Customs Department and China Telecom, is mainly engaged in the development, technical support, operation and maintenance, and customer service of China e-port logistics business projects. It provides logistics e-commerce services and solutions (products) for government administrative departments, logistics industry, banks, insurance companies, information security industry and over 800 thousand import/export entities. Its products or services include CA authentication and secure exchange, logistics chain integration, logistics and customs systems development, electronic billing and payment, telecommunications value-added services, and enterprise ERP consultation and implementation.

Future prospect

The PRC government has been encouraging customs and enterprises in different regions to construct e-port logistics business operation system because informatisation construction in the field of import/export logistics business not only speeds up the customs declaration procedures but also helps minimize the handling costs involved in the declaration. Given that China is the manufacturing base for the world and Dongfang Customs will continue to look for new business opportunities in addition to its existing technical support, database management and hardware trading activities, the management considers that the business of Dongfang Customs under the Group's investment will continue to provide us with reasonable returns.

- ### Grand Cycle

Grand Cycle is engaged in system integration and software development.

Future prospect

Grand Cycle will still provide certain continuous service of system integration and software development.

EMPLOYEES AND REMUNERATION POLICIES

The numbers of full-time employees of the Group as at 31st March 2014 are detailed as follows:

Location	PIATS business	System integration and software development	Corporate	Joint venture	Associate
– Hong Kong	–	–	7	–	–
– The PRC	80	3	–	8,289	270
Total	80	3	7	8,289	270

Total staff costs of the Group excluding joint venture and associate for the year ended 31st March 2014 were HK$37,506,000. 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 2014, no share options were granted to employees of the Group.

DIRECTORS' REPORT

The Directors submit their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31st March 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is an integrated information and content service provider. The principal activities of the Group comprise the provision of Product Identification, Authentication and Tracking System ("PIATS") principally for the drug industry in the PRC and system integration and software development.

An analysis of the Group's performance for the year by operating segments is set out in note 8 to the consolidated financial statements.

RESULTS

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 35 of this annual report.

RESERVES

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 37 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 27 to the consolidated financial statements.

No pre-emptive rights exist under the Company's Bye-laws or the laws in Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 94 of this annual report.

PURCHASE, SALE AND 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.

DIRECTORS' REPORT

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Dr. Wang Jian (Chairman and Chief Executive Officer)	(appointed as executive director on 30th April 2014 and further appointed as Chairman and Chief Executive Officer on 9th May 2014)
Ms. Chen Xiao Ying (Executive Vice Chairman)	
Mr. Wang Jun (Chairman)	(resigned on 30th April 2014)
Mr. Luo Ning (Vice Chairman)	(resigned on 30th April 2014)
Mr. Sun Yalei	(resigned on 30th April 2014)
Mr. Zhang Lianyang	(resigned on 30th April 2014)
Ms. Xia Guilan	(resigned on 30th April 2014)

Non-Executive Directors

Mr. Zhang Yong	(appointed on 30th April 2014)
Mr. Chen Jun	(appointed on 30th April 2014)
Mr. Chia Pun Kok	(appointed on 30th April 2014)
Mr. Yu Feng	(appointed on 30th April 2014)

Independent Non-Executive Directors

Mr. Wong King On, Samuel	(appointed on 9th May 2014)
Mr. Yan Xuan	(appointed on 9th May 2014)
Mr. Luo Tong	(appointed on 9th May 2014)
Dr. Hui Ho Ming, Herbert, JP	(resigned on 9th May 2014)
Mr. Zhang Jian Ming	(resigned on 9th May 2014)
Dr. Long Junsheng	(resigned on 9th May 2014)

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Pursuant to Rule 13.51B of the listing Rules, the changes in Directors information are set out below:

With effect from 30th April 2014:

– each of Mr. Wang Jun, Mr. Luo Ning, Mr. Sun Yalei, Mr. Zhang Lianyang and Ms. Xia Guilan resigned as an executive director of the Company;

– Dr. Wang Jian has been appointed as an executive director of the Company; and each of Mr. Zhang Yong, Mr. Chen Jun, Mr. Chia Pun Kok and Mr. Yu Feng has been appointed as a non-executive director of the Company.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS (Continued)

With effect from 9th May 2014:

– each of Dr. Long Junsheng, Dr. Hui Ho Ming, Herbert, JP, and Mr. Zhang Jian Ming resigned as an independent non-executive director and a member of the Audit Committee and the Remuneration Committee of the Company;

– Dr. Wang Jian has been appointed as the Chairman of the Board, the Chairman of the Nomination Committee and the Chief Executive Officer of the Company;

– Mr. Yan Xuan has been appointed as an independent non-executive director, the Chairman of the Remuneration Committee and a member of the Audit Committee;

– Mr. Luo Tong has been appointed as an independent non-executive director, a member of the Audit Committee and a member of the Nomination Committee;

– Mr. Wong King On, Samuel has been appointed as an independent non-executive director, the Chairman of the Audit Committee, a member of the Nomination Committee and a member of the Remuneration Committee;

– Mr. Zhang Yong has been appointed as a member of the Audit Committee and a member of the Remuneration Committee.

Save as disclosed above, during the year ended 31st March 2014, there were no changes to information which are required to be disclosed and had been disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

In accordance with Clauses 99 and 102 of the Bye-laws of the Company, Dr. Wang Jian, Ms. Chen Xiao Ying, Mr. Zhang Yong, Mr. Chen Jun, Mr. Chia Pun Kok, Mr. Yu Feng, Mr. Wong King On, Samuel, Mr. Yan Xuan and Mr. Luo Tong will be retiring from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

No Director being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The Company has complied with the requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") to have three independent non-executive directors during the year and up to the date of this report. The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules on the Stock Exchange. The Company considers all of the independent non-executive directors are independent.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of Directors are set out on pages 22 to 24 of this annual report.

CONVERTIBLE SECURITIES, OPTIONS OR SIMILAR RIGHTS

Other than the share options as set out in note 29 to the consolidated financial statements, the Company had no outstanding convertible securities, options or other similar rights as at 31st March 2014. Particulars of the movements of the share options or similar rights during the year are set out in the aforesaid note.

DIRECTORS' REPORT

SHARE OPTION

At the annual general meeting of the Company held on 29th August 2013, the shareholders of the Company approved the adoption of a new share option scheme (the "Scheme") under which the Directors of the Company may at their discretion, invite executives and key employees of the Company or its subsidiaries and other eligible persons as defined in the Scheme to subscribe for shares in the Company subject to terms and conditions stipulated therein. The old share option scheme which was approved by the shareholders at the annual general meeting of the Company on 30th August 2002 had expired on 29th August 2012, such that no further options shall be offered but the options granted shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects its provisions shall remain in full force and effect.

Details of the movement of the share options during the year are set out below:

	Date of grant	Exercise price HK$	Exercise period	Number of options at 1st April 2013	Expired during the year	Exercised during the year	Number of options at 31st March 2014	Weighted average closing price of shares immediately before the date(s) on which options were exercised HK$
Directors								
Mr. Wang Jun	23.3.2005	3.175	23.3.2006 to 23.3.2015	10,000,000	–	(10,000,000)	–	5.69
	23.3.2005	3.175	23.3.2007 to 23.3.2015	10,000,000	–	(10,000,000)	–	5.69
	23.3.2005	3.175	23.3.2008 to 23.3.2015	10,000,000	–	(10,000,000)	–	5.69
Ms. Chen Xiao Ying	24.6.2003	0.322	10.9.2004 to 23.6.2013	30,000,000	(30,000,000)	–	–	–
	24.6.2003	0.322	10.3.2005 to 23.6.2013	30,000,000	(30,000,000)	–	–	–
	24.6.2003	0.322	10.9.2005 to 23.6.2013	30,000,000	(30,000,000)	–	–	–

SHARE OPTION (Continued)

	Date of grant	Exercise price HK$	Exercise period	Number of options at 1st April 2013	Expired during the year	Exercised during the year	Number of options at 31st March 2014	Weighted average closing price of shares immediately before the date(s) on which options were exercised HK$
Directors (Continued)								
Mr. Luo Ning	24.6.2003	0.322	24.6.2004 to 23.6.2013	3,333,333	(3,333,333)	–	–	–
	24.6.2003	0.322	24.12.2004 to 23.6.2013	3,333,333	(3,333,333)	–	–	–
	24.6.2003	0.322	24.6.2005 to 23.6.2013	3,333,334	(3,333,334)	–	–	–
Mr. Sun Yalei	24.6.2003	0.322	24.6.2004 to 23.6.2013	3,333,333	(3,333,333)	–	–	–
	24.6.2003	0.322	24.12.2004 to 23.6.2013	3,333,333	(3,333,333)	–	–	–
	24.6.2003	0.322	24.6.2005 to 23.6.2013	3,333,334	(3,333,334)	–	–	–
Mr. Zhang Lianyang	24.6.2003	0.322	24.6.2004 to 23.6.2013	5,000,000	(5,000,000)	–	–	–
	24.6.2003	0.322	24.12.2004 to 23.6.2013	5,000,000	(5,000,000)	–	–	–
	24.6.2003	0.322	24.6.2005 to 23.6.2013	5,000,000	(5,000,000)	–	–	–
				155,000,000	(125,000,000)	(30,000,000)	–	
Employees	2.3.2005	2.525	2.9.2005 to 1.3.2015	200,000	–	(200,000)	–	5.05
	2.3.2005	2.525	2.9.2006 to 1.3.2015	200,000	–	(200,000)	–	5.05
	2.3.2005	2.525	2.3.2008 to 1.3.2015	200,000	–	(200,000)	–	5.05
	23.3.2005	3.175	23.3.2006 to 22.3.2015	200,000	–	(100,000)	100,000	5.09
	23.3.2005	3.175	23.3.2007 to 22.3.2015	200,000	–	(100,000)	100,000	5.09
	23.3.2005	3.175	23.3.2008 to 22.3.2015	200,000	–	(100,000)	100,000	5.09
	23.3.2005	3.175	23.3.2009 to 22.3.2015	200,000	–	(100,000)	100,000	5.09
	23.3.2005	3.175	23.3.2010 to 22.3.2015	200,000	–	(100,000)	100,000	5.09
				1,600,000	–	(1,100,000)	500,000	
				156,600,000	(125,000,000)	(31,100,000)	500,000	

The share options granted are recognised in the consolidated financial statements in accordance with the accounting policies of the Group as set out in note 3 to the consolidated financial statements.

SHARE OPTION (Continued)

Except for the share option scheme, at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors or chief executives of the Company nor their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company did not have any reserves available for distribution at the end of the reporting period.

DIRECTORS' INTERESTS IN CONTRACTS

Ms. Chen Xiao Ying was a party to the subscription agreement entered into by the Company with Perfect Advance Holding Limited dated 23rd January 2014 in relation to the subscription of the 4,423,175,008 shares in aggregate by Perfect Advance Holding Limited (the "Subscription"). The Subscription was, among other things, approved by independent shareholders of the Company on 7th April 2014, in which Ms. Chen Xiao Ying and her associates had abstained from voting. The Subscription was completed on 30th April 2014.

Save for disclosed in the above, no contracts of significance in relation to the Company's business to which the Company, any of its subsidiaries or its holding companies were a party and in which a Director of the Company had a material interest, whether directly or indirectly, existed at the end of the year or at any time during the year.

DIRECTORS' INTERESTS OR SHORT POSITIONS IN EQUITY SECURITIES

As at 31st March 2014, the Directors and their associates have the following interests or short positions in shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Securities and Futures Ordinance ("SFO")) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were recorded in the register of the Company required to be kept under section 352 of the SFO, which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") in the Listing Rules:

Long Position in Shares of the Company

	Number of ordinary shares held		
	Shares (Personal interest)	Shares (Corporate interest)	% of the issued share capital of the Company
Mr. Wang Jun	30,000,000[(1)]	–	0.80%
Ms. Chen Xiao Ying	–	784,937,030[(2)]	20.94%
	30,000,000	784,937,030	21.74%

(1) Mr. Wang Jun exercised his share options for 30,000,000 shares on 28th March 2014 at an exercise price of HK$3.175. Mr. Wang Jun resigned from his office as executive director and chairman of the Board with effect from 30th April 2014.

(2) Pollon Internet Corporation, a company wholly-owned by Ms. Chen Xiao Ying, owns 100% interest in 21CN Corporation. Uni-Tech International Group Limited, a wholly owned subsidiary of 21CN Corporation, holds 784,937,030 shares in the Company. Accordingly, Ms. Chen Xiao Ying is interested in the shares held by Uni-Tech International Group Limited. As at the date of this report, the Subscription had been completed and the long position held by Ms. Chen Xiao Ying and her associates had been reduced to 9.60%.

DIRECTORS' INTERESTS OR SHORT POSITIONS IN EQUITY SECURITIES (Continued)

Long Position in Shares of the Company (Continued)

Save as disclosed above, none of Directors nor any chief executive of the Company has any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register maintained under section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS IN EQUITY SECURITIES

As at 31st March 2014, the following parties (other than a Director or chief executive of the Company) had interests or short positions in the shares of underlying shares of the Company would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO:

Name	Nature of interest	Number of shares held	Total interest	Approximate percentage of the issued share capital
Uni-Tech International Group Limited *(note (a))*	Beneficial owner	784,937,030	784,937,030	20.94%
21CN Corporation *(note (a))*	Interest of controlled corporation	784,937,030	784,937,030	20.94%
Pollon Internet Corporation *(note (a))*	Interest of controlled corporation	784,937,030	784,937,030	20.94%
CITIC Group Corporation *(note (b))*	Interest of controlled corporation	807,998,000	807,998,000	21.55%
Perfect Advance Holding Limited *(note (c))*	Beneficial owner	4,423,175,008	4,423,175,008	117.98%

Notes:

(a) Uni-Tech International Group Limited is wholly-owned by 21CN Corporation. 21CN Corporation is owned as to 100% by Pollon Internet Corporation, which is wholly-owned by Ms. Chen Xiao Ying, Executive Vice Chairman of the Company. As at the date of this report, the Subscription had been completed and the long position held by Ms. Chen Xiao Ying and her controlled corporations had been reduced to 9.60%.

(b) Road Shine Developments Limited, Goldreward.com Ltd and Perfect Deed Co. Ltd. hold 600,000,000 shares, 163,818,000 shares and 44,180,000 shares, respectively, all of which are controlled by CITIC Group Corporation (previously known as "CITIC Group"). As at the date of this report, the Subscription had been completed and the long position held by CITIC Group Corporation and its controlled corporations had been reduced to 9.89%.

(c) Perfect Advance Holding Limited ("Perfect Advance") is owned by Alibaba Investment Limited ("AIL") as to 70.21% and Innovare Tech Limited ("Innovare") as to 29.79%. AIL is wholly-owned by Alibaba Group Holding Limited. Innovare is wholly controlled by Yunfeng Fund II, L.P., which is a direct wholly-owned subsidiary of Yunfeng Investment II, L.P. and an indirect wholly-owned subsidiary of Yunfeng Investment GP II, Ltd.. Yunfeng Investment GP II, Ltd. is owned by Mr. Ma Yun as to 40% and Mr. Yu Feng, the non-executive director of the Company, as to 60%. Perfect Advance is a party to the shareholders agreement dated 30th April 2014 entered into with AIL and Innovare which constitutes a concert party agreement for the purpose of section 317(1)(a) of the SFO. Please refer to the circular of the Company dated 21st March 2014 for the details of the said shareholders agreement. As at the date of this report, the Subscription had been completed and the long position beneficially held by Perfect Advance had been reduced to 54.12%.

Save as disclosed above, there are no other interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained under section 336 of SFO.

CONNECTED TRANSACTIONS

(A) Loans to a 50%-owned subsidiary China Credit Information Technology Company Limited*

On 20th December 2013, 中信二十一世紀(中國)科技有限公司 (Citic 21CN (China) Technology Company Limited*) ("CITIC 21CN Technology") as the lender and 中信國檢信息技術有限公司 (China Credit Information Technology Company Limited*) ("CCIT") as the borrower entered into the CITIC 21CN Technology Loan Agreement (as defined in the Company's circular dated 13th January 2014) ("Circular") in relation to the extension of the maturity dates of the Existing CITIC 21CN Technology Loans in the aggregate sum of RMB50,000,000 and the grant of the New CITIC 21CN Technology Loan in the sum of RMB35,000,000 to CCIT (both as defined in the Circular) with particular as follows:

(a) The maturity dates of the Existing CITIC 21CN Technology Loans were further extended from 15th April 2014 to 30th November 2016;

(b) The grant of New CITIC 21CN Technology Loan was agreed with a maturity date of 30th November 2016;

(c) Both the Existing CITIC 21CN Technology Loans and the New CITIC 21CN Technology Loan are advanced for CCIT's capital expenditure and/or general working capital;

(d) Both the Existing CITIC 21CN Technology Loans and the New CITIC 21CN Technology Loan are non-interest bearing and unsecured; and

(e) Both the Existing CITIC 21CN Technology Loans and the New CITIC 21CN Technology Loan shall only be used as the capital expenditure and/or general working capital of CCIT. If CCIT uses the Existing CITIC 21CN Technology Loans and the New CITIC 21CN Technology Loan for any purposes other than capital expenditure and/or general working capital, CITIC 21CN Technology has the right to request CCIT to request immediate repayment of both the Existing CITIC 21CN Technology Loans and the New CITIC 21CN Technology Loan and CCIT has to pay a penalty amounting to 30% of both the Existing CITIC 21CN Technology Loans and the New CITIC 21CN Technology Loan to CITIC 21CN Technology.

As at 31st March 2014, CCIT has drawn RMB50,000,000 and RMB22,000,000 from the Existing CITIC 21CN Technology Loans and the New CITIC 21CN Technology Loan respectively.

CITIC 21CN Telecom Company Limited ("CITIC 21CN Telecom"), which is a wholly owned subsidiary of the Company, provided a loan in the sum of US$6,900,000 ("CITIC 21CN Telecom Loan") to CCIT under the loan agreement and supplemental agreement dated 3rd March 2006. CITIC 21CN Telecom Loan was for the first time renewed for a term of 3 years between CITIC 21CN Telecom and CCIT dated 22th May 2008. CITIC 21CN Telecom Loan was for the second time renewed for a term of approximately 3.1 years to 15th April 2014 between CITIC 21CN Telecom and CCIT dated 23rd November 2010. On 20th December 2013, CITIC 21CN Telecom Loan also entered into a CITIC 21CN Telecom Loan Renewal Agreement (as defined in the Circular) with CCIT, pursuant to which CITIC 21CN Telecom Loan was for the third time further extended from 15th April 2014 to 30th November 2016.

As at 31st March 2014, the aggregate loan amount, including the Existing CITIC 21CN Technology Loans, the New CITIC 21CN Technology Loan and the CITIC 21CN Telecom Loan, is approximately RMB115,056,000.

CONNECTED TRANSACTIONS (Continued)

(A) Loans to a 50%-owned subsidiary China Credit Information Technology Company Limited* (Continued)

As at 31st March 2014, CCIT is owned as to 50%, 30% and 20% by the Company, CITIC Group Corporation and 中國華信郵電經濟開發中心 (China Huaxin Telecom Economic Development Centre*) respectively, and CITIC Group Corporation is a substantial shareholder of the Company, holding 21.55% of the shareholdings of the Company. CCIT is a non wholly-owned subsidiary and a connected person of the Company under the Listing Rules. The Company obtained the approval of the independent shareholders in respect of the grant of the Existing CITIC 21CN Technology Loans, the New CITIC 21CN Technology Loan and the CITIC 21CN Telecom Loan and all the transactions contemplated thereunder in accordance with the Bye-Laws and the Listing Rules during special general meetings of the Company held on 29th January 2014.

As from 30th April 2014, upon the completion of the Subscription (as defined in the Company's circular dated 21st March 2014) by Perfect Advance Holding Limited, CITIC Group Corporation is no longer a substantial shareholder of the Company. Accordingly CCIT is no longer a connected person of the Company as defined in the Listing Rules as from 30th April 2014.

* for identification purpose only

(B) Loan from a director to CCIT

On 20th August 2013, CCIT, a 50%-owned subsidiary of the Group, entered into a loan agreement with a director of the Company, Ms. Chen Xiao Ying, in which the director granted a non-interest bearing and unsecured three-year loan of RMB27,537,000 (approximately equivalent to HK$34,421,000) to CCIT for the continuous development of the PIATS business. During the year ended 31st March 2014, the loan has been fully repaid and the obligations of all the parties to such loan agreement had been discharged.

In addition to the above, during the year, the Group entered into certain connected transactions, as defined in Chapter 14A of the Listing Rules of the Stock Exchange, which are also related party transactions, references to which are set out in note 35 to the consolidated financial statements.

Regarding all the connected transactions mentioned, the independent non-executive directors have received and confirmed that all such transactions have been entered into:

(a) in the ordinary and usual course of business of the Company;

(b) on normal commercial terms or on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant master agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' REPORT

RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefits schemes are set out in note 34 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate purchase attributable to the Group's five largest suppliers were less than 30% of total. The aggregate turnover during the year attributable to the Group's five largest customers was 51% of the total turnover of the Group, of which 23% was made to the largest customer.

None of the Directors, their associates or any shareholders who to the knowledge of the Directors owns more than 5% of the share capital of the Company has an interest in the suppliers or customers disclosed above.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors of the Company have any beneficial interest in other businesses which constitute a competing business to the Group.

EMOLUMENT POLICY

The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence.

The emoluments of the Directors of the Company are decided having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out in note 29 to the consolidated financial statements.

ARBITRATION AND LITIGATION

Details of arbitration and litigation are set out in note 36 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float of not less than 25% throughout the year.

CORPORATE GOVERNANCE

Please see the "Corporate Governance Report" set out on pages 25 to 33 of this annual report of the Company for details of its compliance with the Code on Corporate Governance Practices.

AUDIT COMMITTEE

The Group's annual report for the year ended 31st March 2014 has been reviewed by the Audit Committee. Information on the work of Audit Committee and its composition are set out in the Corporate Governance Report on pages 25 to 33 of this annual report.

EVENT AFTER THE REPORTING PERIOD

Details of significant event occurring after the reporting period are set out in note 39 to the consolidated financial statements.

AUDITOR

The consolidated financial statements for the year ended 31 March 2014 have been audited by Messrs. Deloitte Touche Tohmatsu.

DIRECTORS' REPORT

PROPOSED CHANGE OF COMPANY NAME

On 9th May 2014, the Board announced that the Company proposed to change the name of the Company from "CITIC 21CN Company Limited" to "Alibaba Health Information Technology Limited". Please refer to the Company's announcement dated 9th May 2014 for details. The change of name is subject to satisfaction of, among other things, the passing of special resolution by the shareholders of the Company approving such change of company name at the coming annual general meeting to be held in or around August 2014.

The Company will make further announcements on the result of the special resolution in relation to the change of company name, the effective date of the change of company name and the consequential change of stock short name(s) for trading in the securities of the Company upon the change of company name becoming effective.

On behalf of the Board

Wang Jian
CHAIRMAN

Hong Kong, 19th June 2014

THE BIOGRAPHICAL INFORMATION OF DIRECTORS

EXECUTIVE DIRECTORS

Dr. WANG Jian, aged 51, is the Chairman of the Board and Chief Executive Officer of the Company. Dr Wang holds a bachelor's degree in psychology and a Ph.D. degree in engineering from Hangzhou University (now integrated into Zhejiang University). Dr. Wang is currently the chief technology officer of Alibaba Group. From September 2009 to September 2013, Dr. Wang was the president of Alibaba Cloud Computing. Before joining Alibaba Group, Dr. Wang was assistant managing director at Microsoft Research Asia, where he had served since 1999. Prior to that, he worked at Zhejiang University in Hangzhou, China as a professor and as head of the psychology department. Dr. Wang is a committee member of the China Computer Federation (CCF). Dr. Wang has served as Executive director of the Company since 30th April 2014.

Ms. CHEN Xiao Ying, aged 51, is the Executive Vice Chairman of the Company. Ms. Chen has been Chairman of the Pollon Group, a private investment group, since its inception in 1989 and which invests in power plants, telecommunications and property development in the PRC. Ms. Chen has been a Member of the Chinese National People's Political Consultative Committee since 1998 and a Permanent Honorary President of Friends of Hong Kong Association Limited since 1999. Ms. Chen has served as Executive director of the Company since May 2000.

NON-EXECUTIVE DIRECTORS

Mr. ZHANG Yong, aged 42, holds a bachelor's degree in finance from Shanghai University of Finance and Economics. Mr. Zhang is currently the chief operating officer of Alibaba Group. Prior to his current position, Mr. Zhang has held several senior positions within Alibaba Group including chief financial officer of Taobao after joining in August 2007 and general manager of Tmall.com (then Taobao Mall) after the platform was founded in 2008. Mr. Zhang was appointed president of Tmall.com in June 2011, after Tmall.com became independent from Taobao, and served as senior vice president of Alibaba Group from January 2013 until taking up his current role in September 2013. Mr. Zhang is currently an non-executive director of Haier Electronics Group Co., Ltd., a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. From August 2005 to August 2007, Mr. Zhang served as chief financial officer of Shanda Interactive Entertainment Limited, an online game developer and operator listed on NASDAQ. From 2002 to 2005, Mr. Zhang was senior manager of PricewaterhouseCoopers' Audit and Business Advisory Division in Shanghai. Prior to that, he worked in the Shanghai office of Arthur Andersen for seven years. Mr. Zhang is also a member of the Chinese Institute of Certified Public Accountants. Mr. Zhang has served as Non-executive director of the Company since 30th April 2014.

Mr. CHEN Jun, aged 40, is currently a vice president of Alibaba Group. Mr. Chen has been involved in many direct investments by Alibaba Group in e-retail, logistics, travel, and software & solution companies. Mr. Chen has more than 18 years of experience in strategy management, strategic market development, and business and financial advisory services. Prior to joining Alibaba Group, Mr. Chen worked for SAP, a Fortune 500 high-tech software company. Mr. Chen received an EMBA degree from INSEAD in France in 2005. Mr. Chen has served as Non-executive director of the Company since 30th April 2014.

Mr. CHIA Pun Kok, aged 48, holds an EMBA degree from Tsinghua University, an EMBA from INSEAD, a bachelor's degree in business in computing from University of Southern Queensland, and a graduate diploma in information system from University of New South Wales. Mr. Chia is currently vice president of business intelligence department and head of data committee at Alibaba Group after joining in August 2010. Prior to that, Mr. Chia held CPO (chief products officer) at DHgate.com, a B2B (business-to-business) e-commerce website connecting China-based small and medium enterprises with buyers overseas, from August 2006 to July 2010. Prior to that, Mr. Chia held senior positions at well-known enterprises including eBay, Microsoft and HSBC. Mr. Chia has served as Non-executive director of the Company since 30th April 2014.

THE BIOGRAPHICAL INFORMATION OF DIRECTORS

Mr. YU Feng, aged 50, received an EMBA degree from China Europe International Business School in 2001 and a Master of Arts degree in philosophy from Fudan University in 1991. Mr. YU is the founder and chairman of Yunfeng Fund which was launched by Mr. Yu together with other entrepreneurs in 2010. Mr. Yu is currently an executive director of Media Asia Group Holdings Limited, a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. Mr. Yu is currently a director of each of Huayi Brothers Media Corporation, a company whose securities are listed and traded on the China Growth Enterprise Market and Shanghai Guangdian Electric Group Co., Ltd, a company whose securities are listed and traded on the Shanghai Stock Exchange. From 2006 to 2008, Mr. Yu served as co-chairman of Focus Media Holding Limited. From 2003 until 2006, Mr. Yu was chairman and chief executive officer of Target Media Holdings Limited. Mr. Yu has served as Non-executive director of the Company since 30th April 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WONG King On, Samuel, aged 61, is currently the professor of practice (accounting), school of accounting and finance of the Hong Kong Polytechnic University and the honorary secretary of the Outstanding Polytechnic University Alumni Association. Mr. Wong holds a master of business administration degree from the University of Bradford in the United Kingdom where he was awarded the Binder Hamlyn Prize for the best student in financial management in 1978. Mr. Wong has over 30 years of experience in accounting and finance. Mr. Wong joined Ernst & Young in 1979 and was elected to its partnership in 1993. Mr. Wong was the managing partner, China Central of Ernst & Young and a member of the management committee of the China firm of Ernst & Young from 2005 until his retirement in January 2010. Mr. Wong is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants ("ACCA") and the Certified Practising Accountant Australia. Mr. Wong was the president of ACCA Hong Kong in 1998–1999 and a member of the global Council of ACCA from 1999 to 2005. Mr. Wong was also the first non-European global president of ACCA in 2003–2004. Mr. Wong was awarded the outstanding accounting alumnus by the Hong Kong Polytechnic University in 2002 and the outstanding Polytechnic University alumnus by the Hong Kong Polytechnic University in 2003. Mr. Wong had been the adjunct professor of the school of accounting & finance of the Hong Kong Polytechnic University from 2002–2010. Mr. Wong has served as Independent non-executive director of the Company since 9th May 2014.

Mr. Yan Xuan, aged 51, received his J.D. from Duke University School of Law as a Richard M. Nixon Scholar in the early 1980s and attended the Harvard Business School Advanced Management Program in 2000. Mr. Yan is the president of greater China for Nielsen Holdings N.V.. Appointed in June 2011, Mr. Yan leads Nielsen Holdings N.V.'s business initiatives in mainland China, Hong Kong, Taiwan and Macau. Before joining Nielsen, Mr. Yan spent close to two decades in China in senior and executive positions with leading global companies such as AT&T, Microsoft Corporation, Oracle Corporation and Qualcomm Incorporated. Trained as a U.S. lawyer, Mr. Yan has had an accomplished career in leading sales, business development, strategic investment and government affairs. Mr. Yan has served on several boards of directors. Mr. Yan was the vice chairman of the board of governors of American Chamber of Commerce in China as well as a member of the board of directors of the United States Information Technology Office. Mr. Yan also served as a director or vice chairman on the board of directors of several U.S. – China telecom equipment and software joint ventures. Mr. Yan has served as Independent non-executive director of the Company since 9th May 2014.

THE BIOGRAPHICAL INFORMATION OF DIRECTORS

Mr. Luo Tong, aged 47, is currently the general manager of retail development of Guangzhou Pharmaceuticals Corporation. Mr. Luo graduated from Guangzhou Finance and Trade Management Institute in 1991, majoring in business administration and graduated from Guangdong Social Science College in 1993, majoring in English. Mr. Luo has over 20 years of experience of retailing operation and management. He worked as the vice president of operations for Tesiro Jewellery Company from June 2012 to December 2013, as the operation vice president and development vice-president for China Nepstar Chain Drugstore Ltd. from June 2010 to May 2012, as the regional general manager of Zhejiang Province for Wal-Mart's Hangzhou branch from August 2007 to June 2010, as the general manager for Guiyang and Chengdu store of Wal-Mart from March 2005 to July 2007, as an executive general manager for Sichuan Nicety Homestead Chain Supermarket Co., Ltd. from March 2004 to February 2005, as the regional general manager of the Zhujiang Delta region and the operation general president of the south China region of A-Best Supermarket Co., Ltd. from April 2003 to March 2004, as the shopping mall executive vice president, general vice president and general manager of Wal-Mart's Kunming and Shenzhen branches from September 1998 to April 2003, as the fresh food/dry food/non-food manager and the general manager of Guangzhou store and Shantou store for Chai Tai Macro Co., Ltd. from April 1996 to September 1998, and as the store manager and the supervisor for Guangzhou Sunshine Interlock Store from December 1994 to April 1996. Mr. Luo has served as Independent non-executive director of the Company since 9th May 2014.

COMPANY SECRETARY

Mr. AU Kin Fai, aged 48, is a member of the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor Degree in Commerce. Mr. Au worked for an international CPA firm and a public company listed on the Hong Kong Stock Exchange prior to his first joining of the Group in January 2007. Mr. Au was appointed as Company Secretary in September 2010.

CORPORATE GOVERNANCE REPORT

In the opinion of the Board of Directors (the "Board") of the Company, throughout the year ended 31st March 2014, 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 ex-Chairman of the Board of the Company, Mr. Wang Jun, was not subject to retirement by rotation pursuant to Clause 99 of the Company's Bye-Laws. The Board considered this deviation acceptable as disclosed in the Company's interim report dated 28th November 2013 ("Interim Report"). As from 9th May 2014, the new Chairman of the Board of the Company, Dr. Wang Jian, shall be subject to retirement by rotation and re-election in compliance with the Code Provisions of the CG Code.

2. During the financial year ended 31st March 2014, the Company had not established a nomination committee or adopted any formal board diversity policy which were deviations considered acceptable by the Board. As from 9th May 2014 and 19th June 2014, a nomination committee has been formed and a board diversity policy has been adopted in compliance with the Code Provisions of the CG Code.

3. Throughout the year ended 31st March 2014, the Company did not arrange insurance cover in respect of legal action against its directors, which was a deviation as discussed in the Interim Report. However, the Board has arranged such an insurance cover on 18th June 2014.

4. The ex-Chairman of the Board of the Company, Mr. Wang Jun, did not attend the annual general meeting of the Company held on 29th August 2013 and the special general meeting of the Company held on 29th January 2014. However, these meetings were conducted in an effective manner under the Bye-Laws of the Company.

THE BOARD

Composition

As at the date of this report, the Board comprises nine directors, including (i) two executive directors, namely Dr. Wang Jian and Ms. Chen Xiao Ying; (ii) four non-executive directors, namely Mr. Zhang Yong, Mr. Chen Jun, Mr. Chia Pun Kok and Mr. Yu Feng; and (iii) three independent non-executive directors ("INED(s)"), namely Mr. Wong King On, Samuel, Mr. Yan Xuan and Mr. Luo Tong. The names and biographical details of each director are disclosed on pages 22 to 24 of this Annual Report.

Changes to Information in Respect of Directors

Pursuant to Rule 13.51B of the Listing Rules, the changes in Directors information are set out below:

With effect from 30th April 2014:

– each of Mr. Wang Jun, Mr. Luo Ning, Mr. Sun Yalei, Mr. Zhang Lianyang and Ms. Xia Guilan has resigned as an executive director of the Company;

– Dr. Wang Jian has been appointed as an executive director of the Company; and each of Mr. Zhang Yong, Mr. Chen Jun, Mr. Chia Pun Kok and Mr. Yu Feng has been appointed as a non-executive director of the Company.

THE BOARD (Continued)

Changes to Information in Respect of Directors (Continued)

With effect from 9th May 2014:

- each of Dr. Long Junsheng, Dr. Hui Ho Ming, Herbert, JP, and Mr. Zhang Jian Ming has resigned as independent non-executive directors and a member of the Audit Committee and the Remuneration Committee of the Company;

- Dr. Wang Jian has been appointed as the Chairman of the Board, the Chairman of the Nomination Committee and the Chief Executive Officer of the Company;

- Mr. Yan Xuan has been appointed as an independent non-executive director, the Chairman of the Remuneration Committee and a member of the Audit Committee;

- Mr. Luo Tong has been appointed as an independent non-executive director, a member of the Audit Committee and a member of the Nomination Committee;

- Mr. Wong King On, Samuel has been appointed as an independent non-executive director, the Chairman of the Audit Committee, a member of the Nomination Committee and a member of the Remuneration Committee;

- Mr. Zhang Yong has been appointed as a member of the Audit Committee and a member of the Remuneration Committee.

Save as disclosed above, during the year ended 31st March 2014, there were no changes to information which are required to be disclosed and had been disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

During the year and up to the date of this report, all Directors (including the Directors and the INEDs resigned on 30th April 2014 and 9th May 2014, respectively), have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions. The INEDs are invited to serve on the Audit Committee and the Remuneration Committee. With effect from 9th May 2014, a nomination committee has been formed under the Board, and two INEDs have been appointed as members of the Nomination Committee.

Throughout the year ended 31st March 2014 and up to the date of this report, each INED (including the INEDs resigned and the INEDs appointed on 9th May 2014) has, pursuant to the guidelines set out in rule 3.13 of the Listing Rules, confirmed he is independent of the Company and the Company also considers that they are independent. Each INED is subject to the requirement that one-third of all the directors shall retire from office by rotation at each annual general meeting pursuant to the Bye-Laws of the Company. There is no relationship (including financial, business, family or other material or relevant relationship) between INEDs with members of the Board.

THE BOARD (Continued)

Function

The key responsibilities of the Board include, among other things, formulating the Group's overall strategies, setting any major acquisition and disposal, major capital investment and dividend policy, regulating and reviewing internal controls, formulating the Company's corporate governance policy, supervising management's performance while the day-to-day operations and management of the Group are delegated by the Board to the management team, and ensuring adequacy of resources, qualifications, experience and training programmes and budget of the financial staff.

The INEDs play a significant role in the Board by virtue of their independent judgment and their views carry significant weight in the Board's decision. They bring an impartial view on issues of the Company's strategies, performance and control.

The Company views that well-developed and timely reporting systems and internal controls are essential, and the Board plays a key role in the implementation and monitoring of internal financial controls.

Chairman and Chief Executive Officer ("CEO")

During the financial year ended 31st March 2014, there was a segregation of duties between Chairman and CEO. The then Chairman Mr. Wang Jun was the leader of the Board and he oversaw the Board so that it acted in best interests of the Group. The then Chairman had overall responsibility for providing leadership, vision and direction in the development of the business of the Company. The then CEO Ms. Chen Xiao Ying, assisted by the management team, was responsible for the day-to-day management of the business of the Group, attended to formulation and successful implementation of policies, and assumed full accountability of the Board for all operations of the Group. Working with the then Chairman and the management team of each core business division, she ensured smooth operations and developments of the Group. She also maintained continuing dialogue with the then Chairman and all directors to keep them fully informed of all major business development and issues. Mr. Wang Jun resigned as Chairman of the Company with effect from 30th April 2014 and Ms. Chen Xiao Ying resigned as CEO of the Company with effect from 9th May 2014.

On 9th May 2014, the Board announced that Dr. Wang Jian had been appointed as Chairman of the Board and CEO of the Company. The Board believes that it is necessary to vest the roles of Chairman of the Board and CEO of the Company in the same person given Dr. Wang Jian's experience and established market reputation in the industry, and the importance of Dr. Wang Jian in the strategic development of the Company. The dual role arrangement helps provide strong and consistent market leadership and is critical for efficient business planning and decision making of the Company. As all major decisions will be made in consultation with members of the Board and relevant Board committees, and there are three INEDs on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board.

THE BOARD (Continued)

Meetings

The Board held 7 Board meetings during the year ended 31st March 2014. An agenda and accompanying board papers are sent in full to all directors in a timely manner. The directors who cannot attend in person might through other electronic means of communications to participate. Individual attendance of each director at the Board meetings, Board Committee meetings and Shareholder meeting(s) during the year ended 31st March 2014 are set out in the table below:

	Attendants/Number of Meetings			
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Annual/ Special General Meetings**
Executive Directors				
Mr. Wang Jun *(Chairman)* (i)	5/7	–	–	0/2
Ms. Chen Xiao Ying *(Executive Vice Chairman)*	7/7	–	–	1/2
Mr. Luo Ning *(Vice Chairman)* (i)	7/7	–	–	0/2
Mr. Sun Yalei (i)	7/7	–	–	0/2
Mr. Zhang Lianyang (i)	6/7	–	–	0/2
Ms. Xia Guilan (i)	7/7	–	–	0/2
Independent Non-Executive Directors				
Dr. Hui Ho Ming, Herbert, JP (ii)	7/7	2/2	1/1	2/2
Mr. Zhang Jian Ming (ii)	7/7	2/2	1/1	0/2
Dr. Long Junsheng (ii)	7/7	2/2	1/1	1/2

Notes:

(i) Mr. Wang Jun, Mr. Luo Ning, Mr. Sun Yalei, Mr. Zhang Lianyang and Ms. Xia Guilan resigned as executive directors on 30th April 2014.

(ii) Dr. Hui Ho Ming, Herbert, JP, Mr. Zhang Jian Ming and Dr. Long Junsheng resigned as independent non-executive directors on 9th May 2014.

Directors' Training

Each newly-appointed director will be offered training by the Company upon the appointment, so as to ensure that they have appropriate understanding of the Company's business and they are aware of their duties as directors under the applicable laws and regulations.

THE BOARD (Continued)

Directors' Training (Continued)

Pursuant to Code Provision A6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the financial year ended 31st March 2014, all directors have participated in continuous professional development by self-studying of materials on the topics related to corporate governance and regulations:

Executive Directors	
Mr. Wang Jun *(Chairman)* (i)	Self-study of relevant materials
Ms. Chen Xiao Ying *(Executive Vice Chairman)*	Self-study of relevant materials
Mr. Luo Ning *(Vice Chairman)* (i)	Self-study of relevant materials
Mr. Sun Yalei (i)	Self-study of relevant materials
Mr. Zhang Lianyang (i)	Self-study of relevant materials
Ms. Xia Guilan (i)	Self-study of relevant materials
Independent Non-Executive Directors	
Dr. Hui Ho Ming, Herbert, JP (ii)	Self-study of relevant materials
Mr. Zhang Jian Ming (ii)	Self-study of relevant materials
Dr. Long Junsheng (ii)	Self-study of relevant materials

Notes:

(i) Mr. Wang Jun, Mr. Luo Ning, Mr. Sun Yalei, Mr. Zhang Lianyang and Ms. Xia Guilan resigned as executive directors on 30th April 2014.

(ii) Dr. Hui Ho Ming, Herbert, JP, Mr. Zhang Jian Ming and Dr. Long Junsheng resigned as independent non-executive directors on 9th May 2014.

Board Committees

Throughout the year ended 31st March 2014, the Board only established two committees, namely, the Remuneration Committee and the Audit Committee. With effect from 9th May 2014, the Nomination Committee has been formed under the Board. These three committees oversee corresponding aspects of the Company's affairs.

Remuneration Committee

With effect from 9th May 2014, the Board appointed Mr. Yan Xuan as the chairman of the Remuneration Committee and Mr. Zhang Yong and Mr. Wong King On, Samuel as members of the Remuneration Committee. The Remuneration Committee currently comprises these three directors, with specific terms of reference which clearly deals with its authorities and duties.

On the same date of 9th May 2014, Dr. Long Junsheng, Dr. Hui Ho Ming, Herbert, JP, and Mr. Zhang Jian Ming resigned as Independent Non-Executive Directors of the Company and members of Remuneration Committee of the Board.

THE BOARD (Continued)

Remuneration Committee (Continued)

The main duties of the Remuneration Committee shall include:

(a) to make recommendations to the Board on the Company's policy and structure for all directors of the Company and senior management remuneration and on establishment of a formal and transparent procedure for developing remuneration policy;

(b) to make recommendations to the Board on the remuneration packages of individual executive directors and senior management, including benefits in kind, pension rights and compensation payments, and make recommendations to the Board on the remuneration of non-executive directors; and

(c) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives.

The Remuneration Committee held one meeting for the year ended 31st March 2014.

Audit Committee

With effect from 9th May 2014, the Board appointed Mr. Wong King On, Samuel as chairman of the Audit Committee, and Mr. Zhang Yong, Mr. Yan Xuan and Mr. Luo Tong as members of the Audit Committee. The Audit Committee currently comprises these four directors, with specific terms of reference which clearly deals with its authorities and duties.

On the same date of 9th May 2014, Dr. Long Junsheng, Dr. Hui Ho Ming, Herbert, JP, and Mr. Zhang Jian Ming resigned as Independent Non-Executive Directors of the Company and members of Audit Committee of the Board.

The main duties of the Audit Committee include:

(a) to consider the appointment of the external auditor and any questions in relation to its resignation or dismissal;

(b) to discuss with the external auditor the nature and scope of the audit;

(c) to review the half-year and annual financial statements before submission to the Board;

(d) to discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss;

(e) to review the external auditors' management letter and management's response;

(f) to review the Company's statement on internal control systems prior to endorsement by the Board;

(g) to review the internal audit function, and ensure coordination with external auditors, and ensure the internal audit function has adequate resources and appropriate standing within the company; and

(h) to consider the major findings of internal investigations and management's response.

The Audit Committee held two meetings for the financial year ended 31st March 2014.

THE BOARD (Continued)

Nomination Committee

With effect from 9th May 2014, the Nomination Committee has been newly formed under the Board. On the same date, Dr. Wang Jian has been appointed as chairman of the Nomination Committee, and Mr. Wong King On, Samuel and Mr. Luo Tong have been appointed as members of the Nomination Committee. The Nomination Committee currently comprises these three directors, with specific terms of reference which clearly deals with its authorities and duties.

The main duties of the Nomination Committee include:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become members of the Board and to select or to make recommendations to the Board on the selection of individuals nominated for directorships;

(c) to assess the independence of the independent non-executive directors; and

(d) to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman of the Board and the Chief Executive Officer of the Company.

Board Diversity Policy

The Board had not formalized the adoption of a board diversity policy during the financial year ended 31st March 2014 as the Nomination Committee had only been established since 9th May 2014. The Board considered that diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The newly-established Nomination Committee have adopted a board diversity policy setting out the approval to achieve diversity on the Board on 19th June 2014.

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.

COMPANY SECRETARY

The Company Secretary is a full-time employee of the Company. The Company Secretary supports the daily operation of the Board by ensuring good information flow and reports to the Board in an effective and efficient manner. The biographical detail of the Company Secretary is disclosed on page 24 of this Annual Report. The Company Secretary met the requirements on professional training under the Rule 3.29 of the Listing Rules during the financial year.

AUDITORS' REMUNERATION

The remuneration paid to Deloitte Touche Tohmatsu for audit and non-audit services for the year ended 31st March 2014 amounted to HK$1,788,800 and HK$76,500 respectively.

INTERNAL CONTROL

The Board and the management of the Group maintain a sound and effective system of internal control of the Group so as to ensure the effectiveness and efficiency of operations of the Group in achieving the established corporate objectives, safeguarding assets of the Group, rendering reliable financial reporting and complying with the applicable laws and regulations.

The Board is also responsible for making appropriate assertions on the adequacy of internal controls over financial reporting and the effectiveness of disclosure controls and procedures. Through the audit committee of the Board, the Board reviews the effectiveness of these systems.

SHAREHOLDER COMMUNICATION POLICY

Purpose

1. This policy aims to set out the provisions with the objective of ensuring that CITIC 21CN Company Limited's (the "Company") shareholders, both individual and institutional (collectively, "Shareholders"), and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company.

Communication Strategies

Corporate Website

2. The Company communicates to its Shareholders through announcements, interim and annual reports published on its website http://www.irasia.com/listco/hk/citic21cn/ and the information on the website is updated on a regular basis.

3. Information released by the Company to Hong Kong Exchanges and Clearing Limited (the "HKEx") is also posted on the HKEx website immediately thereafter. Such information includes financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents etc.

Shareholders' meetings

4. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings.

5. The process of the Company's general meetings will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served.

6. Board members, in particular, either the chairman or deputy chairman of Board committees or their delegates, appropriate management executives and external auditors will attend annual general meetings to answer Shareholders' questions.

Shareholder Privacy

7. The Company recognises the importance of Shareholders' privacy and will not disclose Shareholders' information without their consent, unless required by law to do so.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene a special general meeting

Shareholders, holding at the date of the requisition not less than 10% of the paid-up capital of the Company carrying the right to vote at general meetings of the Company, shall at all times have the right by written requisition to the Board or the company secretary, to require a general meeting (the "SGM") to be called by the Board for the transaction of any business specified in such requisition.

The requisitionists must state the purpose of the meeting and contact details in the requisition, sign and deposit the requisition at the principal place of business of the Company for the attention of the company secretary.

The SGM shall be held within two months from the deposit of the requisition. It the Board fails to proceed to convene the SGM within 21 days of such deposit, the requisitionists, or any of them representing more than 50% of the total voting rights of all of them, may convene the SGM by themselves in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda (as amended), but any SGM so convened shall not be held after the expiration of three months from the deposit of the requisition.

Procedures for putting forward proposals at general meetings

Shareholders holding not less than 5% of the total voting rights of all shareholders having a right to vote at the general meeting or not less than 100 shareholders can submit a written request stating a resolution to be moved at the AGM or a statement of not more than 1,000 words with respect to a matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting.

The requisitionists must sign and deposit the written request or statement at the registered office of the Company and the principal place of business of the Company for the attention of the company secretary, not less than six weeks before the AGM in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition.

If the written request is in order, the company secretary will ask the Board to include the resolution in the agenda for the AGM, as the case may be, to circulate the statement for the general meeting, provided that the requisitionists have deposited a sum of money reasonably determined by the Board sufficient to meet the expenses in serving the notice of the resolution and/or circulating the statement submitted by the requisitionists in accordance with the statutory requirements to all the registered shareholders.

Procedures for sending enquires to the Board

Shareholders may send their enquiries with sufficient contact details to the Board at the principal place of the business of the Company for the attention of the company secretary. When the written enquiries are in order, the company secretary will direct them to the Board.

CONSTITUTIONAL DOCUMENTS

There was no significant change to the Company's Bye-Laws or Memorandum of Association during the financial year.

DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the Company's financial statements of the Group (the "Financial Statements") which give a true and fair view and are in accordance with generally accepted accounting standards published by the Hong Kong Institute of Certified Public Accountants. The Directors endeavour to ensure a balanced, clear and understandable assessments of the Group's performance, position and prospects in financial reporting. Accordingly, appropriate accounting policies are selected and applied consistently; judgments and estimates made are prudent and reasonable.

The statement of the Company's auditors about their reporting responsibilities on the Financial Statements is set out in the Independent Auditor's Report on page 34.

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF CITIC 21CN COMPANY LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of CITIC 21CN Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 93, which comprise the consolidated statement of financial position as at 31st March 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st March 2014, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19th June 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March 2014

	Notes	2014 HK$'000	2013 HK$'000 (Restated)
Turnover	7	**60,215**	15,889
Cost of sales and services		**(13,923)**	(17,892)
Gross profit (loss)		**46,292**	(2,003)
Other income, gains and losses	9	**3,698**	579
Administrative expenses		**(58,671)**	(40,880)
Share of profit of an associate	18	**9,602**	1,962
Share of losses of joint ventures	19	**(1,816)**	(806)
Loss before taxation		**(895)**	(41,148)
Taxation	10	**(960)**	(196)
Loss for the year	11	**(1,855)**	(41,344)
Other comprehensive income for the year:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**–**	4,201
Total comprehensive expense for the year		**(1,855)**	(37,143)
Loss for the year attributable to:			
Owners of the Company		**(6,472)**	(41,344)
Non-controlling interests		**4,617**	–
		(1,855)	(41,344)
Total comprehensive expense attributable to:			
Owners of the Company		**(6,472)**	(37,143)
Non-controlling interests		**4,617**	–
		(1,855)	(37,143)
		HK cent	HK cents
Loss per share			
– Basic and diluted	15	**(0.17)**	(1.11)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st March 2014

	Notes	31.3.2014 HK$'000	31.3.2013 HK$'000 (Restated)	1.4.2012 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	16	**10,094**	8,367	14,172
Intangible assets	17	**36,033**	39,157	42,622
Interest in an associate	18	**107,947**	97,471	93,170
Interests in joint ventures	19	**86,855**	88,671	78,120
Loans receivable		**–**	–	90,930
Available-for-sale investments	20	**–**	9,375	9,150
		240,929	243,041	328,164
Current assets				
Amounts due from customers for contract work	21	**–**	949	2,918
Debtors and prepayments	22	**26,728**	11,517	36,706
Investments held for trading	23	**–**	27,491	41,565
Fixed deposit held at a bank with maturity over three months	24	**4,962**	11,063	–
Bank balances and cash	24	**216,377**	105,667	118,083
		248,067	156,687	199,272
Current liabilities				
Creditors and accruals	25	**98,907**	107,970	67,533
Taxation payable		**19**	19	1,849
Provision of constructive obligations in a joint venture	19	**–**	–	54,933
		98,926	107,989	124,315
Net current assets		**149,141**	48,698	74,957
Total assets less current liabilities		**390,070**	291,739	403,121
Non-current liability				
Deferred taxation	26	**5,308**	4,348	4,152
		384,762	287,391	398,969
Capital and reserves				
Share capital	27	**37,490**	37,179	37,179
Reserves		**417,081**	324,638	361,781
		454,571	361,817	398,960
Non-controlling interests		**(69,809)**	(74,426)	9
Total equity		**384,762**	287,391	398,969

The financial statements on pages 35 to 93 were approved and authorised for issue by the Board of Directors on 19th June 2014 and are signed on its behalf by:

Wang Jian
DIRECTOR

Chen Xiao Ying
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2014

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 *(note 28)*	Contributed surplus HK$'000 *(note 28)*	Translation reserve HK$'000	Share options reserve HK$'000	General reserve HK$'000 *(note 28)*	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st April 2012	37,179	769,675	19,215	78,108	73,229	20,831	12,931	(612,208)	398,960	9	398,969
Exchange differences arising on translation of foreign operations	–	–	–	–	4,201	–	–	–	4,201	–	4,201
Loss for the year	–	–	–	–	–	–	–	(41,344)	(41,344)	–	(41,344)
Total comprehensive income (expense) for the year	–	–	–	–	4,201	–	–	(41,344)	(37,143)	–	(37,143)
Transfers	–	–	–	–	–	–	502	(502)	–	–	–
Reserve released upon dissolution of a subsidiary	–	–	–	–	(1,892)	–	–	1,892	–	–	–
Reserve released upon deemed disposal of a joint venture	–	–	–	–	(678)	–	–	678	–	–	–
Deemed acquisition of a subsidiary *(note 30)*	–	–	–	–	–	–	–	–	–	(74,435)	(74,435)
At 31st March 2013	37,179	769,675	19,215	78,108	74,860	20,831	13,433	(651,484)	361,817	(74,426)	287,391
Loss and total comprehensive expense for the year	–	–	–	–	–	–	–	(6,472)	(6,472)	4,617	(1,855)
Exercise of share options	311	110,603	–	–	–	(12,562)	–	–	98,352	–	98,352
Expiry of share options	–	–	–	–	–	(8,037)	–	8,037	–	–	–
Deemed contribution from other shareholders of an associate *(note 28)*	–	–	874	–	–	–	–	–	874	–	874
At 31st March 2014	37,490	880,278	20,089	78,108	74,860	232	13,433	(649,919)	454,571	(69,809)	384,762

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st March 2014

	Notes	2014 HK$'000	2013 HK$'000 (Restated)
Operating activities			
Loss before taxation		**(895)**	(41,148)
Adjustments for:			
Interest income from bank deposits		**(618)**	(1,339)
Dividends from listed equity securities		**(1,085)**	(919)
Recovery of amounts due from customers for contract work previously written off		**(1,322)**	(829)
Share of profit of an associate		**(9,602)**	(1,962)
Share of losses from joint ventures		**1,816**	806
Depreciation		**3,008**	13,214
Amortisation of intangible assets		**3,124**	4,404
Allowance for doubtful debts on other receivables		**352**	–
Reversal of allowance for doubtful debts		**–**	(167)
Change in value of loans receivable upon initial recognition		**–**	180
Net loss on deemed disposal of a joint venture and deemed acquisition of a subsidiary		**–**	11,492
Imputed interest income on loans receivable		**–**	(3,320)
Operating cash flows before movements in working capital		**(5,222)**	(19,588)
Decrease in amounts due from customers for contract work		**2,271**	2,870
(Increase) decrease in debtors and prepayments		**(15,563)**	8,983
Decrease in investments held for trading		**27,491**	14,074
increase in creditors and accruals		**(9,063)**	(17,103)
Cash used in operations		**(86)**	(10,764)
Interest received		**618**	1,339
Dividends received from listed equity securities		**1,085**	919
Taxation paid		**–**	(1,830)
Net cash from (used in) operating activities		**1,617**	(10,336)
Investing activities			
Proceeds from disposal of a subsidiary	31	**9,375**	–
Purchase of property, plant and equipment		**(4,735)**	(7,351)
Placement of fixed deposit held at a bank with maturity over three months		**(4,962)**	(11,063)
Withdrawal of fixed deposit held at a bank with maturity over three months		**11,063**	–
Loan advanced		**–**	(3,750)
Dividends received from an associate		**–**	18,300
Net cash inflow from deemed disposal of a joint venture and deemed acquisition of a subsidiary	30	**–**	904
Net cash from (used in) investing activities		**10,741**	(2,960)
Cash from financing activity			
Exercise of share options and cash from financing activity		**98,352**	–
Net increase (decrease) in cash and cash equivalents		**110,710**	(13,296)
Cash and cash equivalents at beginning of the year		**105,667**	118,083
Effect of foreign exchange rate changes		**–**	880
Cash and cash equivalents at end of the year, representing bank balances and cash		**216,377**	105,667

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March 2014

1. GENERAL

CITIC 21CN Company Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The address of the registered office and principal place of business of the Company is disclosed in the "Corporate Information" section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars while the functional currency of the Company is Renminbi ("RMB"). The reason for selecting Hong Kong dollars ("HK$") as presentation currency is because the Company is a public company in Hong Kong with the shares listed on the Stock Exchange.

The Company is an investment holding company. The Company and its subsidiaries (the "Group") is an integrated information and content service provider. The principal activities of the Group comprise the provision of Product Identification, Authentication and Tracking System ("PIATS") principally for the drug industry in the People's Republic of China (the "PRC") and system integration and software development.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Application of new and revised HKFRSs

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year.

Amendments to HKAS 1	Presentation of items of other comprehensive income
Amendments to HKFRSs	Annual improvements to HKFRSs 2009–2011 cycle
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine

Except as described below, the application of these new and revised HKFRSs in the current year has had no material effect 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated financial statements", HKFRS 11 "Joint arrangements", HKFRS 12 "Disclosure of interests in other entities", HKAS 27 (as revised in 2011) "Separate financial statements" and HKAS 28 (as revised in 2011) "Investments in associates and joint ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10 and HKFRS 12

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 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

The directors made an assessment as at the date of initial application of HKFRS 10 and HKFRS 12 (i.e. 1st April 2013) and concluded that the Group exercised control over its non-wholly owned subsidiary. As a result, the directors concluded that the application of HKFRS 10 and HKFRS 12 has had no material effect on the consolidated financial statements of the Group for the current or prior accounting period except that the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements as set out in notes 18, 19 and 37.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 "Interests in joint ventures", and the guidance contained in a related interpretation, HK(SIC) – INT 13 "Jointly controlled entities – Non-monetary contributions by venturers", has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Impact of the application of HKFRS 11 (Continued)

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11. The directors of the Company concluded that the Group's investments in Beijing Honglian 95 Information Industries Company Limited 北京鴻聯九五信息產業有限公司 ("HL95") and China Credit Information Technology Company Limited 中信國檢信息技術有限公司 ("CCIT") (prior to the deemed acquisition on 28th March 2013 as disclosed in note 30) which were classified as jointly controlled entities under HKAS 31 and were accounted for using the proportionate consolidation method, should be classified as joint ventures under HKFRS 11 and accounted for using the equity method. The changes in accounting of the Group's investment in HL95 and CCIT have been applied in accordance with the relevant transitional provisions set out in HKFRS 11. The initial investments as at 1st April 2013 for the purposes of applying the equity method are measured as the aggregate of the carrying amounts of the assets and liabilities that the Group had previously proportionately consolidated (see the tables below for details), which is regarded as its deemed cost at initial recognition. Also, the directors of the Company performed an impairment assessment on the initial investments as at 1st April 2013 and concluded that no impairment loss is required. Comparative amounts for 2013 have been restated to reflect the change in accounting for the Group's investments in HL95 and CCIT.

Summary of the effect of the above changes in accounting policy

The effects of changes in accounting policies described above on the results for the current and prior year by line items are as follows:

Impact on profit or loss for the year

	2013 HK$'000
Decrease in turnover	(473,996)
Decrease in cost of sales and services	400,610
Increase in other income, gains and losses	1,384
Decrease in administrative expenses	71,057
Increase in share of losses of joint ventures	(806)
Decrease in interest expenses	668
Decrease in taxation	1,083
Net change in loss for the year	–
Owners of the Company	–
Non-controlling interests	–
	–

There is no impact on basic and diluted loss per share amounts.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Summary of the effect of the above changes in accounting policy (Continued)

Impact on assets, liabilities and equity

The effect of the change in accounting policy described above on the financial position of the Group as at the end of the immediately preceding financial year, i.e. 31st March 2013 and 1st April 2012, is as follows:

	As at 31st March 2013 as previously reported HK$'000	HKFRS 11 Adjustments HK$'000	As at 31st March 2013 as restated HK$'000
Property, plant and equipment	51,575	(43,208)	8,367
Intangible assets	39,157	–	39,157
Interest in an associate	97,471	–	97,471
Interests in joint ventures	–	88,671	88,671
Available-for-sale investments	9,375	–	9,375
Amounts due from customers for contract work	949	–	949
Debtors and prepayments	96,497	(84,980)	11,517
Investments held for trading	27,491	–	27,491
Fixed deposit held at a bank with maturity over three months	11,063	–	11,063
Bank balances and cash	123,885	(18,218)	105,667
Creditors and accruals	(159,261)	51,291	(107,970)
Taxation payable	(338)	319	(19)
Short-term bank loans	(6,125)	6,125	–
Deferred taxation	(4,348)	–	(4,348)
Total effects on net assets	287,391	–	287,391
Equity attributable to owners of the Company	361,817	–	361,817
Non-controlling interests	(74,426)	–	(74,426)
Total effects on equity	287,391	–	287,391

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Summary of the effect of the above changes in accounting policy (Continued)

Impact on assets, liabilities and equity (Continued)

	As at 1st April 2012 as previously reported HK$'000	HKFRS 11 Adjustments HK$'000	As at 1st April 2012 as restated HK$'000
Property, plant and equipment	72,031	(57,859)	14,172
Intangible assets	42,622	–	42,622
Interest in an associate	93,170	–	93,170
Interests in joint ventures	–	78,120	78,120
Loans receivable	45,465	45,465	90,930
Available-for-sale investments	9,150	–	9,150
Amounts due from customers for contract work	2,940	(22)	2,918
Debtors and prepayments	96,764	(60,058)	36,706
Investments held for trading	41,565	–	41,565
Bank balances and cash	133,813	(15,730)	118,083
Creditors and accruals	(120,265)	52,732	(67,533)
Taxation payable	(2,178)	329	(1,849)
Provision of constructive obligations in a joint venture	–	(54,933)	(54,933)
Short-term bank loans	(11,956)	11,956	–
Deferred taxation	(4,152)	–	(4,152)
Total effects on net assets	398,969	–	398,969
Equity attributable to owners of the Company	398,960	–	398,960
Non-controlling interests	9	–	9
Total effects on equity	398,969	–	398,969

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKAS 1 "Presentation of items of other comprehensive income"

Upon the adoption of the amendments to HKAS 1, the Group's "statement of comprehensive income" is renamed as the "statement of profit or loss and 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. Furthermore, 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 do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The Group has not early applied any new and revised HKFRSs that have been issued but are not yet effective for the current accounting period.

New and revised HKFRSs issued but not yet effective

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 2010–2012 cycle[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle[2]
HKFRS 9	Financial instruments[3]
HKFRS 14	Regulatory deferred accounts[5]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[4]
Amendments to HKFRS 11	Accounting for acquisition of interests in joint operations[6]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[6]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[4]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[4]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[4]
HK(IFRIC) – INT 21	Levies[4]

1 Effective for annual periods beginning on or after 1st July 2014, with limited exceptions.
2 Effective for annual periods beginning on or after 1st July 2014.
3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1st January 2014.
5 Effective for first annual HKFRS financial statements beginning on or after 1st January 2016.
6 Effective for annual periods beginning on or after 1st January 2016.

The directors anticipate that the application of the other new and revised HKFRSs, amendments or interpretation will have no material impact on the consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, that are measured at fair values at the end of each reporting period, as explained in the principal accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at the date when the Group lost significant influence or joint control and the fair value is regarded as its fair value on initial recognition. On disposal or partial disposal of an associate or a joint venture which resulted in discontinuation of equity method, the difference between the carrying amount of the associate or joint venture at the date the Group lost significant influence a joint control, and the fair value of any retained interest and any proceeds from disposing of a partial interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal or partial disposal.

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of sales related taxes.

Revenue from the use of product identification, authentication and tracking system business is recognised when the services are provided. Revenue in respect of granting the customers an access right to PIATS platform is recognised upon the delivery of the security key to customers.

Service income from system integration and software development contracts (see policy below) is recognised on the percentage of completion method by reference to the value of work carried out during the year.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

System integration and software development contracts

When the outcome of a contract for system integration and software development can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs for each contract.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

Where it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimated being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Impairment losses on tangible and intangible asset other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible and intangible asset other than goodwill (see the accounting policy in respect of goodwill above) (Continued)

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'loss before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associate, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate and tax laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other lease are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets at FVTPL are the financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value, with any gains or losses on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "other gains and losses".

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including debtors and other receivables, fixed deposit held at a bank with maturity over three months and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For other financial assets, the objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets carried at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including creditors and other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual right to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise. Exchange differences arising on retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees on or before 7th November 2002, or granted after 7th November 2002 and vested before 1st January 2005

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Share options granted to employees of the Company after 7th November 2002 and vested on or after 1st January 2005

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the date of grant is expensed on a straight line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss, such that the cumulative expense reflects the revised estimate, with corresponding adjustment to share options reserve.

When the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

Retirement benefit cost

Payments to the state-managed retirement benefit schemes or the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimated impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are stated at cost less subsequent accumulated depreciation/amortisation and accumulated impairment losses. Property, plant and equipment and intangible assets are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimation of the future cash flows generated by each asset or group of assets. If the recoverable amounts are less than the carrying amounts of the property, plant and equipment and intangible assets, the relevant asset's carrying amount is written down to the recoverable amount. If the actual result is different or the management's expectation changes, the carrying value and write downs of property, plant and equipment and intangible assets will be affected in the periods in which such estimate is changed. At 31st March 2014, the carrying amount of property, plant and equipment and intangible assets are HK$10,094,000 (2013: HK$8,367,000) and HK$36,033,000 (2013: HK$39,157,000), respectively (net of accumulated impairment losses of HK$9,193,000 (2013: HK$9,193,000) and HK$22,893,000 (2013: HK$22,893,000), respectively.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st March 2014, the carrying amount of trade receivables is HK$18,031,000 (2013: HK$2,231,000) (net of allowance for doubtful debts of HK$2,821,000 (2013: HK$2,821,000)).

Income taxes

As at 31st March 2014, no deferred tax asset was recognised in the consolidated statement of financial position in relation to the estimated unused tax losses of HK$183,597,000 (2013: HK$266,593,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, it may lead to utilisation of tax losses and recognition of deferred tax asset, which would be recognised in profit or loss for the period in which such utilisation and recognition take place.

Provision for litigation

The Group is involved in legal proceedings as disclosed in note 36. The management has evaluated and assessed the claims made against the Group based on legal advice received and information presently available and are of the view that an adequate provision has been made in the consolidated financial statements in relation to the Oracle Licence and Service Agreement as defined in note 36.

5. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2014 HK$'000	2013 HK$'000 (Restated)
Financial assets		
Investments held for trading	**–**	27,491
Loans and receivables (including cash and cash equivalents)	**239,795**	119,888
Available-for-sale investments	**–**	9,375
	239,795	156,754
Financial liabilities		
Amortised cost	**52,767**	62,589

Financial risk management objectives and policies

The Group's major financial instruments include debtors and other receivables, available-for-sale investments, investments held for trading, fixed deposit held at a bank with maturity over three months, bank balances and cash and creditors and other payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

5. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk

Currency risk

The carrying amounts of the Group's foreign currency denominated assets (including investments held for trading and bank balances and cash) at the end of the reporting period are as follows:

	Assets	
	2014	2013
	HK$'000	HK$'000
	equivalent	equivalent
		(Restated)
United States Dollars ("USD") against HK$	**9,175**	43,998
USD against RMB	**50,464**	33,530

Sensitivity analysis

The Group is mainly exposed to the foreign exchange risk of USD against RMB. Exposures on balances which are denominated in USD in group companies against HK$ as functional currency are not considered significant as HK$ is pegged to USD.

The following table details the Group's sensitivity to a 5% (2013: 5%) increase and decrease in RMB against USD. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates a decrease in loss for the year where USD strengthen 5% against RMB. For a 5% weakening of USD against the RMB, there would be an equal and opposite impact on the loss, and the balances below would be negative.

	2014	2013
	HK$'000	HK$'000
		(Restated)
USD	**2,523**	1,677

Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate fixed deposit held at a bank with maturity over three months (see note 24). However, the management considered the relevant risks are insignificant due to short term nature.

The Group's cash flow interest rate risk relates primarily to variable-rate bank balances (See note 24 for details of these bank balances).

The Group currently does not have hedging policy in respect of the interest rate risks. However, management monitors the related interest rate risk exposure closely and will consider hedging significant interest rate risk exposure should the need arise.

5. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk (Continued)

Sensitivity analysis

No sensitivity analyses have been prepared since the management of the Group considers that the Group's interest rate risk at the end of the reporting period is insignificant.

Other price risk

The Group is exposed to equity price risk through its investments in equity securities listed in Hong Kong and the United States at the end of the reporting period. The management manages these exposure by maintaining a portfolio of investments with different risks. Details of the investment are set out in note 23. The management has closely monitored the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective listed equity instruments had been 20% higher/lower, loss for the year ended 31st March 2013 would decrease/increase by HK$5,498,000 as a result of the changes in fair value of investments held for trading.

As all the investments held for trading were disposed during the year ended 31st March 2014, there is no impact on equity price risks to the Group.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk in relation to debtors as at 31st March 2014 and as at 31st March 2013, the management of the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk in relation to bank balances and cash is limited because the majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation in the PRC.

5. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows.

Liquidity tables

	Weighted average effective interest rate %	Less than 1 month or repayable on demand HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
2014				
Non-derivative financial liabilities				
Creditors and other payables	–	52,767	52,767	52,767

	Weighted average effective interest rate %	Less than 1 month or repayable on demand HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
2013 (restated)				
Non-derivative financial liabilities				
Creditors and other payables	–	62,589	62,589	62,589

Fair value measurements of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

5. FINANCIAL INSTRUMENTS (Continued)

Fair value measurements of financial instruments (Continued)

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

Some of the Group's financial assets that are measured at fair value at the end of each reporting period as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the fair value is observable.

	31st March 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at FVTPL:				
Investments held for trading				
– Listed equity securities	27,491	–	–	27,491

There were no transfers between Level 1 and 2 in the current and prior years.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new issues of share as well as raising bank loans.

7. TURNOVER

	2014	2013
	HK$'000	HK$'000
		(Restated)
An analysis of the Group's turnover is as follows:		
PIATS business	**57,648**	12,468
System integration and software development	**2,567**	3,421
	60,215	15,889

8. SEGMENT INFORMATION

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

The Group is an integrated information and content service provider. During the year ended 31st March 2013, the Group was organised into three operating divisions namely 1) telecommunications/information value-added services, 2) PIATS business which mainly provides service to the drug industry in PRC and 3) system integration and software development. These divisions are the basis on which the Group reports its segment information to the Executive Vice-Chairman. During the year ended 31st March 2014, the management decided to exclude the provision of telecommunications/information value-added services from the operating and reportable segment after the application of HKFRS 11 (see note 2). The segment information relating to the provision of telecommunication/information value-added services is solely derived from the joint venture, HL95. As the results of HL95 is accounted for using the equity method upon the application of HKFRS 11, the Group's chief operating decision maker does not review the provision of telecommunication/information value-added service as a separate operating segment. The comparative figures have been restated to conform with the current year's presentation. On 28th March 2013, the Group obtained control over CCIT, the then joint venture (see note 30). The financial information of CCIT is reported on a full consolidation basis under PIATS business segment subsequent to 28th March 2013. Before that, the financial information of CCIT was included in "share of losses of joint ventures".

Principal activities are as follows:

PIATS business	–	Operation of an exclusive platform for PIATS in drugs and other consumer products industries
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)	
	2014	2013	**2014**	2013
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
PIATS business	**57,648**	12,468	**6,554**	(28,756)
System integration and software development	**2,567**	3,421	**1,083**	921
Total	**60,215**	15,889	**7,637**	(27,835)
Other income, gains and losses			**3,698**	579
Share of profit of an associate			**9,602**	1,962
Share of losses of joint ventures			**(1,816)**	(806)
Unallocated corporate expenses			**(20,016)**	(15,048)
Loss before taxation			**(895)**	(41,148)

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 described in note 3. Segment profit (loss) represents the profit earned by or loss suffered from each segment without allocation of central administrative costs, share of profit of an associate, share of losses of joint ventures and other income, gains and losses. 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.

8. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	2014 HK$'000	2013 HK$'000 (Restated)
Segment assets		
PIATS business	69,550	54,109
System integration and software development	907	4,069
Total segment assets	70,457	58,178
Interest in an associate	107,947	97,471
Interests in joint ventures	86,855	88,671
Investments held for trading	–	27,491
Available-for-sale investments	–	9,375
Fixed deposit held at a bank with maturity over three months	4,962	11,063
Bank balances and cash	216,377	105,667
Other unallocated assets	2,398	1,812
Consolidated assets	488,996	399,728
Segment liabilities		
PIATS business	86,552	93,118
System integration and software development	6,273	6,298
Total segment liabilities	92,825	99,416
Deferred taxation	5,308	4,348
Other unallocated liabilities	6,101	8,573
Consolidated liabilities	104,234	112,337

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, fixed deposit held at a bank with maturity over three months, bank balances and cash, interest in an associate, interests in joint ventures and assets used jointly by operating segments.

– All liabilities are allocated to operating segments other than deferred taxation and liabilities for which operating segments are jointly liable.

8. SEGMENT INFORMATION (Continued)

Other segment information

2014

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

	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)*	**4,708**	**4**	**4,712**	**23**	**4,735**
Depreciation	**3,001**	**1**	**3,002**	**6**	**3,008**
Amortisation of intangible assets	**3,124**	**–**	**3,124**	**–**	**3,124**

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

2013 (Restated)

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

	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)*	7,351	–	7,351	–	7,351
Depreciation	12,034	2	12,036	1,178	13,214
Amortisation of intangible assets	4,404	–	4,404	–	4,404
Net loss on deemed disposal of a joint venture and deemed acquisition of a subsidiary *(note 30)*	–	–	–	11,492	11,492

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

8. SEGMENT INFORMATION (Continued)

Geographical information

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

Information about major customers

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

	2014 **HK$'000**	2013 HK$'000 (Restated)
Customer A[1,2]	**14,139**	–
Customer B[1,2]	**9,484**	–
Customer C[3,4]	**–**	3,421

1 Revenue from PIATS.
2 Customers A and B contributed less than 10% of the total revenue of the Group during the year ended 31st March 2013.
3 Revenue from system integration and software development.
4 Customer C contributed less than 10% of the total revenue of the Group during the year ended 31st March 2014.

9. OTHER INCOME, GAINS AND LOSSES

	2014 **HK$'000**	2013 HK$'000 (Restated)
Included in other income, gains and losses are the following items:		
Allowance for doubtful debts on other receivables	**(352)**	–
Net loss on deemed disposal of a joint venture and deemed acquisition of a subsidiary *(note 30)*	**–**	(11,492)
Interest income from bank deposits	**618**	1,339
Imputed interest income on loans receivable	**–**	3,320
Dividends from listed equity securities	**1,085**	919
Change in fair value of investments held for trading	**606**	6,091
Change in value of loans receivable upon initial recognition	**–**	(180)
Net exchange (loss) gain	**(530)**	415
Reversal of allowance for doubtful debts	**–**	167
Recovery of bad debt previously written off	**2,271**	–
	3,698	579

10. TAXATION

	2014 HK$'000	2013 HK$'000 (Restated)
Deferred tax		
– Current year *(note 26)*	**960**	196

No provision for Hong Kong Profits Tax has been made for both years as the Group did not derive taxable profits in Hong Kong in either year.

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 is 25% from 1st January 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, one of the PRC subsidiaries of the Company, which had been classified as a joint venture of the Group before 28th March 2013 (as disclosed in note 30), was awarded the Advanced-technology Enterprise Certificate and is eligible for tax concession rate of 15% for three years commenced from 1st January 2011. The renewed Advanced-technology Enterprise Certificate has not yet been applied by the end of the reporting period.

Another subsidiary of the Group was also awarded the Advanced-technology Enterprise Certificate and is eligible for tax concession rate of 15% for three years commenced from 1st January 2012.

The charge for the year can be reconciled to the loss before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	2014 HK$'000	2013 HK$'000 (Restated)
Loss before taxation	**(895)**	(41,148)
Tax credit at the applicable tax rate of 25% (2013: 25%)	**(224)**	(10,287)
Tax effect of income that is not taxable for the tax purposes	**(431)**	(2,193)
Tax effect of share of profit of an associate	**(2,400)**	(491)
Tax effect of share of losses of joint ventures	**454**	201
Tax effect of expenses that are not deductible for tax purposes	**3,099**	5,718
Tax effect of tax losses not recognised	**2,526**	6,628
Utilisation of tax losses previously not recognised	**(4,559)**	(340)
Effect of different tax rates of subsidiaries operating in Hong Kong	**1,535**	764
Deferred taxation arising from withholding tax on undistributed profit of an associate *(note 26)*	**960**	196
Taxation for the year	**960**	196

11. LOSS FOR THE YEAR

	2014 HK$'000	2013 HK$'000 (Restated)
Loss for the year has been arrived at after charging (crediting):		
Directors' and chief executive's remuneration *(note 12)*	**2,860**	2,860
Other staff's retirement benefits scheme contributions	**2,669**	2,181
Other staff costs	**31,977**	21,959
Total staff costs	**37,506**	27,000
Amortisation of intangible assets (included in cost of sales and services) *(note 17)*	**3,124**	4,404
Auditor's remuneration	**2,067**	2,007
Depreciation *(note 16)*	**3,008**	13,214
Operating lease rentals in respect of buildings	**8,278**	5,212
Recovery of amounts due from customers for contract work previously written off	**(1,322)**	(829)

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 17 (2013: 9) directors and the chief executive were as follows:

	Executive directors							Non-executive directors				Independent non-executive directors						
	Mr. Wang Jun[(1)] HK$'000	Ms. Chen Xiao Ying HK$'000	Mr. Luo Ning[(1)] HK$'000	Mr. Sun Yalei[(1)] HK$'000	Mr. Zhang Lian Yang[(1)] HK$'000	Ms. Xia Guilan[(1)] HK$'000	Dr. Wang Jian[(2)] HK$'000	Mr. Zhang Yong[(2)] HK$'000	Mr. Chen Jun[(2)] HK$'000	Mr. Chia Pun Kok[(2)] HK$'000	Mr. Yu Feng[(2)] HK$'000	Dr. Hui Ho Ming, Herbert, JP[(3)] HK$'000	Mr. Zhang Jian Ming[(3)] HK$'000	Dr. Long Junsheng[(3)] HK$'000	Mr. Yan Xuan[(4)] HK$'000	Mr. Luo Tong[(4)] HK$'000	Mr. Wong King On, Samuel[(4)] HK$'000	2014 Total HK$'000
Fees	1,000	-	-	-	-	-	-	-	-	-	-	360	-	200	-	-	-	1,560
Other emoluments																		
– salaries and other benefits	-	1,285	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,285
– contributions to retirement benefits schemes	-	15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15
Total emoluments	1,000	1,300	-	-	-	-	-	-	-	-	-	360	-	200	-	-	-	2,860

	Executive directors						Independent non-executive directors			
	Mr. Wang Jun HK$'000	Ms. Chen Xiao Ying HK$'000	Mr. Luo Ning HK$'000	Mr. Sun Yalei HK$'000	Mr. Zhang Lian Yang HK$'000	Ms. Xia Guilan HK$'000	Dr. Hui Ho Ming, Herbert, JP HK$'000	Mr. Zhang Jian Ming HK$'000	Dr. Long Junsheng HK$'000	2013 Total HK$'000
Fees	1,000	–	–	–	–	–	360	–	200	1,560
Other emoluments										
– salaries and other benefits	–	1,285	–	–	–	–	–	–	–	1,285
– contributions to retirement benefits schemes	–	15	–	–	–	–	–	–	–	15
Total emoluments	1,000	1,300	–	–	–	–	360	–	200	2,860

(1) The directors resigned on 30th April 2014.
(2) The directors were appointed on 30th April 2014.
(3) The independent non-executive directors resigned on 9th May 2014.
(4) The independent non-executive directors were appointed on 9th May 2014.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

During the year ended 31st March 2014, Ms. Chen Xiao Ying was the Chief Executive of the Company and her emoluments disclosed above include those for services rendered by her as the Chief Executive. Ms. Chen Xiao Ying resigned as Chief Executive of the Company on 9th May 2014 and Dr. Wang Jian has been appointed as the Chief Executive of the Company with effect from 9th May 2014.

During both years, no emoluments were paid by the Group to the five highest paid individuals (including directors, chief executive and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors and the chief executive has waived any emoluments during both years.

13. EMPLOYEES' EMOLUMENTS

The aggregate emoluments of the five highest paid individuals included two (2013: two) directors of the Company, whose emoluments are included in note 12 above. The aggregate emoluments of the remaining three (2013: three) highest paid individuals are as follows:

	2014 **HK$'000**	2013 HK$'000
Salaries and allowances	**2,788**	2,571
Retirement benefits scheme contributions	**32**	44
	2,820	2,615

The emoluments of the individuals fall within the following bands:

	Number of individuals **2014**	2013
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	1
	3	3

14. DIVIDENDS

No dividend was paid or proposed during both years, nor has dividend been proposed since the end of both reporting periods (2013: nil).

15. 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:

	2014 **HK$'000**	2013 HK$'000 (Restated)
Loss for the purposes of basic and diluted loss per share	**(6,472)**	(41,344)

Number of ordinary shares

	2014	2013
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**3,718,249,357**	3,717,869,631

For the years ended 31st March 2014 and 2013, the effect of the outstanding share options has not been taken into account in the calculation of diluted loss per share as their exercise would result in a decrease in loss per share for both years.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements, furniture and equipment HK$'000	Computer and special computer equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST					
At 1st April 2012 (Restated)	11,738	59,343	3,491	3,290	77,862
Currency realignment	46	1,403	22	76	1,547
Additions	468	6,883	–	–	7,351
Deemed acquisition of a subsidiary *(note 30)*	–	21	34	–	55
At 31st March 2013 (Restated)	12,252	67,650	3,547	3,366	86,815
Additions	2,794	1,927	–	14	4,735
Disposal of a subsidiary	(3,294)	–	(1,789)	–	(5,083)
At 31st March 2014	11,752	69,577	1,758	3,380	86,467
DEPRECIATION AND IMPAIRMENT					
At 1st April 2012 (Restated)	9,446	50,753	3,491	–	63,690
Currency realignment	26	1,496	22	–	1,544
Provided for the year	1,442	11,772	–	–	13,214
At 31st March 2013 (Restated)	10,914	64,021	3,513	–	78,448
Provided for the year	565	2,443	–	–	3,008
Eliminated on disposal of a subsidiary	(3,294)	–	(1,789)	–	(5,083)
At 31st March 2014	8,185	66,464	1,724	–	76,373
CARRYING VALUES					
At 31st March 2014	3,567	3,113	34	3,380	10,094
At 31st March 2013 (Restated)	1,338	3,629	34	3,366	8,367

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Items of property, plant and equipment other than construction in progress are depreciated on a straight line basis less their residual values, over their estimated useful lives as follows:

Leasehold improvements	5 years or over the unexpired period of leases, whichever is shorter
Furniture and equipment	5 to 20 years
Computer and special computer equipment	2 to 10 years
Motor vehicles	5 to 10 years

17. INTANGIBLE ASSETS

	Licence rights HK$'000
COST	
At 1st April 2012	88,087
Currency realignment	2,166
At 31st March 2013 and 31st March 2014	90,253
AMORTISATION AND IMPAIRMENT	
At 1st April 2012	45,465
Currency realignment	1,227
Provided during the year	4,404
At 31st March 2013	51,096
Provided during the year	3,124
At 31st March 2014	54,220
CARRYING VALUES	
At 31st March 2014	36,033
At 31st March 2013	39,157

Licence rights represented the amounts paid for obtaining the unlimited deployment right of Oracle database management software and middleware for use in PIATS business.

The Group's licence rights were acquired from third parties. Such licences are amortised over an estimated useful life of 20 years on a straight line basis.

18. INTEREST IN AN ASSOCIATE

	2014 HK$'000	2013 HK$'000 (Restated)
Cost of investment in unlisted shares	**28,026**	28,026
Deemed contribution from a shareholder	**20,089**	19,215
Share of post-acquisition profits and other comprehensive income, net of dividend received	**53,085**	43,483
Currency realignment	**6,747**	6,747
	107,947	97,471

Details of the Group's associate at 31st March 2014 and 2013 are as follows:

Name of the company	Place of registration and operation	Proportion of equity interest and voting power held by the Group 2014	2013	Principal activity
Dongfang Customs Technology Company Limited ("Dongfang Customs") ("東方口岸科技有限公司")	PRC	**30%**	30%	Operation of a platform for electronic customs processing

The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

The associate is accounted for using the equity method in the consolidated financial statements.

	2014 HK$'000	2013 HK$'000 (Restated)
Bank balances and cash	**175,984**	125,712
Trade and other receivables	**39,378**	52,286
Other current assets	**20,322**	19,215
Property , plant and equipment	**154,338**	154,939
Other non-current assets	**41,643**	43,582
Total assets	**431,665**	395,734
Current liabilities	**(71,841)**	(70,829)
Net assets	**359,824**	324,905

18. INTEREST IN AN ASSOCIATE (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2014 HK$'000	2013 HK$'000
Net assets of Dongfang Customs	359,824	324,905
Proportion of the Group's ownership interest in Dongfang Customs	30%	30%
Carrying amount of the Group's interest in Dongfang Customs	107,947	97,471

	2014 HK$'000	2013 HK$'000
Revenue	204,059	172,564
Profit for the year	32,006	6,539
Other comprehensive income for the year	–	7,797
Total comprehensive income for the year	32,006	14,336
Group's share of profit of an associate for the year	9,602	1,962

19. INTERESTS IN JOINT VENTURES

	2014 HK$'000	2013 HK$'000 (Restated)
Cost of investments in unlisted joint ventures	80,041	80,041
Share of post-acquisition profits and other comprehensive income	6,814	8,630
	86,855	88,671

19. INTERESTS IN JOINT VENTURES (Continued)

Details of the Group's joint ventures as at 31st March 2014 and 2013 are as follows:

Name of entity	Place of registration/ operation	Effective percentage of ownership interest and voting power held by the Group 31.3.2014	31.3.2013	Principal activities
HL95	PRC	**49%**	49%	Provision of telecommunications/ information value added services
CCIT ("中信國檢信息技術有限公司")	PRC	**–**	–*	Provision of product identification, authentication, tracking system business in other consumer products industries

* During the year ended 31st March 2013, the Group had deemed disposed 50% interest in CCIT. Details are disclosed in note 30.

Summarised financial information of joint ventures

Summarised financial information in respect of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

19. INTERESTS IN JOINT VENTURES (Continued)

Summarised financial information of joint ventures (Continued)

HL95

	2014 HK$'000	2013 HK$'000 (Restated)
Current assets*	236,068	215,417
Property , plant and equipment	83,282	88,178
Total assets	319,350	303,595
Current liabilities*	(142,095)	(122,634)
Net assets*	177,255	180,961
* The above amounts of assets and liabilities include the following:		
Trade and other receivables	163,900	178,238
Cash and cash equivalents	72,168	37,179
Current financial liabilities (excluding trade and other payables and provision)	(12,500)	(12,500)

Reconciliation of the above summarised financial information to the carrying amount of the interest in HL95 recognised in the consolidated financial statements:

	2014 HK$'000	2013 HK$'000
Net assets of HL95	177,255	180,961
Proportion of the Group's ownership interests in HL95	49%	49%
Carrying amount of the Group's interest in HL95	86,855	88,671

	2014 HK$'000	2013 HK$'000
Revenue	1,231,245	966,627
(Loss) profit for the year*	(3,707)	17,192
Other comprehensive income for the year	–	4,341
Total comprehensive (expense) income for the year	(3,707)	21,533
Group's share of (loss) profit from HL95	(1,816)	8,424

19. INTERESTS IN JOINT VENTURES (Continued)

Summarised financial information of joint ventures (Continued)

HL95 (Continued)

	2014 **HK$'000**	2013 HK$'000
* (Loss) profit for the year includes:		
Depreciation and amortisation	**15,789**	15,896
Interest income	**233**	135
Interest expense	**1,062**	1,364
Income tax expense	**2,083**	2,209

CCIT

	2014 **HK$'000**	2013 HK$'000
Share of loss of a joint venture *(note)*	**–**	9,230

Note: HK$9,230,000 included in the year ended 31st March 2013 was the share of loss of the Group's joint venture, CCIT. Provision of HK$9,230,000 was recognised and credited to the provision of constructive obligations in a joint venture during the year ended 31st March 2013. The provision was derecognised on 28th March 2013 when CCIT was deemed acquired as a subsidiary by the Group (see note 30).

20. AVAILABLE-FOR-SALE INVESTMENTS

	2014 **HK$'000**	2013 HK$'000 (Restated)
Unlisted club debenture	**–**	9,375

As at 31st March 2013, the above available-for-sale investments are stated at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably. The available-for-sale investment was disposed upon the disposal of a subsidiary as disclosed in note 31 during the year ended 31st March 2014.

21. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2014 HK$'000	2013 HK$'000 (Restated)
Cost incurred plus recognised profits less recognised losses	**36,256**	34,934
Less: Progress billings	**(36,256)**	(33,985)
	–	949

22. DEBTORS AND PREPAYMENTS

	2014 HK$'000	2013 HK$'000 (Restated)
Trade receivables		
– PIATS business	**18,031**	31
– System integration and software development	**2,821**	5,021
Less: Allowance for doubtful debts	**(2,821)**	(2,821)
	18,031	2,231
Other receivables	**425**	927
Deposits and prepayments	**8,272**	8,359
	26,728	11,517

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, which approximated the respective revenue recognition dates:

	2014 HK$'000	2013 HK$'000 (Restated)
0–90 days	**17,330**	31
91–180 days	**670**	–
Over 360 days	**31**	2,200
	18,031	2,231

Before accepting any customer, the Group will internally assess the potential customer's credit quality and defines credit limits by customer.

22. DEBTORS AND PREPAYMENTS (Continued)

Management closely monitors the credit quality of trade and other receivables and considers the trade and other receivables that are neither past due nor impaired to be of a good credit quality based on the good payment history of the related debtors from historical experience.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$701,000 (2013: HK$2,200,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss, as there has not been significant changes in credit quality and the amounts are still considered recoverable based on the relationship and repayment history from the debtors. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired

	2014	2013
	HK$'000	HK$'000
		(Restated)
91–180 days	**670**	–
Over 360 days	**31**	2,200
	701	2,200

Movement in the allowance for doubtful debts

	2014	2013
	HK$'000	HK$'000
		(Restated)
Balance at beginning of the year	**2,821**	2,921
Currency realignment	**–**	67
Impairment losses reversed	**–**	(167)
Balance at end of the year	**2,821**	2,821

The Group's allowance for doubtful debts are related to individually impaired trade receivables. The individually impaired receivables related to customers that were in financial difficulties and the directors consider the recoverability of these debts is remote.

23. INVESTMENTS HELD FOR TRADING

	2014 HK$'000	2013 HK$'000 (Restated)
Listed securities at fair value:		
– equity securities listed in Hong Kong	–	22,410
– equity securities listed elsewhere	–	5,081
	–	27,491

The fair value of the above investments held for trading was determined based on the quoted market bid price of the listed securities available on the relevant exchanges. All the investments held for trading have been disposed during the year.

Included in investments held for trading is the following amount denominated in currency other than the functional currency of the respective group entities to which it relates:

	2014 HK$'000 equivalent	2013 HK$'000 equivalent
USD	–	5,081

24. FIXED DEPOSIT HELD AT A BANK WITH MATURITY OVER THREE MONTHS/BANK BALANCES AND CASH

The fixed deposit held at a bank with maturity over three months at 31st March 2014 carries fixed interest of 3.1% per annum (2013: 2.8% per annum). Bank balances carry interest at market rates ranging from 0.001% to 1.0% per annum (2013: 0.001% to 0.500% per annum) during the year.

Included in the bank balances as at 31st March 2014 are Renminbi short-term bank deposits of HK$27,904,000 (2013: HK$43,000,000) kept in banks registered in the PRC, and which are subjected to exchange control.

In addition, included in bank balances and cash are the following amounts denominated in currency other than the functional currency of the respective group entities to which it relates:

	2014 HK$'000 equivalent	2013 HK$'000 equivalent
USD	**59,639**	72,447

25. CREDITORS AND ACCRUALS

	2014 HK$'000	2013 HK$'000 (Restated)
Trade payables	**2,742**	13,647
Receipt in advance from customers *(note)*	**38,625**	13,703
Other payables and accruals	**57,540**	80,620
	98,907	107,970

Note: Substantially all of receipt in advance represent payments made in advance from PIATS customers in the drug industry.

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

	2014 HK$'000	2013 HK$'000 (Restated)
0–90 days	**115**	112
91–180 days	**177**	50
181–360 days	**10**	264
Over 360 days	**2,440**	13,221
	2,742	13,647

26. DEFERRED TAXATION

The following deferred tax liability mainly arising from withholding tax applied on the profit of the associate in PRC for the year ended 31st March 2014 and 2013 and movement thereon during the year:

	HK$'000
At 1st April 2012 (Restated)	4,152
Charged to profit or loss during the year *(note 10)*	196
At 31st March 2013 (Restated)	4,348
Charged to profit or loss during the year *(note 10)*	960
At 31st March 2014	5,308

26. DEFERRED TAXATION (Continued)

At the end of the reporting period, the Group has unused tax losses of approximately HK$183,597,000 (2013: HK$266,593,000) available to set off against future assessable profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit stream. Included in tax losses are losses of HK$26,360,000, HK$25,488,000, HK$18,930,000, HK$26,514,000 and HK$10,102,000 (2013: HK$56,968,000, HK$35,319,000, HK$34,187,000, HK$27,934,000 and HK$35,983,000) that will expire from year 2015 to 2018 (2013: year 2014 to 2017), respectively. These tax losses have not been agreed with the local tax bureau in the PRC. Other losses may be carried forward indefinitely.

27. SHARE CAPITAL

	Number of ordinary shares	HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
– at 1st April 2012, 31st March 2013 and 31st March 2014	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
– at 1st April 2012 and 31st March 2013	3,717,869,631	37,179
– Exercise of share options *(note)*	31,100,000	311
– at 31st March 2014	3,748,969,631	37,490

Note: During the year ended 31st March 2014, 31,100,000 shares of HK$0.01 each were issued at the price ranging from HK$2.525 to HK$3.175 per share upon exercise of the share options (note 29) by the option holders.

28. RESERVES

Capital reserve represents the deemed contribution from a shareholder, CITIC Group Corporation (formerly known as "CITIC Group"), made upon the acquisition of the associate, Dongfang Customs, from that shareholder during the year ended 31st March 2005.

During the year ended 31st March 2014, another shareholder of Dongfang Customs waived the payable of HK$2,913,000 (2013: nil) due from Dongfang Customs and the amount is accounted for as deemed contribution from that shareholder.

Contributed surplus represents the difference between the nominal value of the Company's shares issued in exchange for the issued share capital of the subsidiaries and the net asset value of the subsidiaries acquired, and the surplus arising from the reduction of share capital. Under the Companies Act of Bermuda and the Bye-laws of the Company, the contributed surplus is distributable to shareholders.

General reserve represents the share of PRC statutory reserves from the joint ventures. PRC statutory reserves are required to be maintained under the relevant PRC laws applicable to the joint ventures of the Group.

29. SHARE OPTION

The Company operates share option schemes under which options are granted to individuals as incentive or rewards for their contribution or potential contribution to the Group. At the annual general meeting of the Company held on 29th August 2013, the shareholders of the Company approved and adopted a new share option scheme (the "Scheme") to replace the share option scheme which was approved at annual general meeting of the Company on 30th August 2002 and expired on 29th August 2012. Under the Scheme, the directors of the Company may at their discretion, grant options to executives and key employees in the service of any member of the Group and other persons who may make a contribution to the Group subject to terms and conditions stipulated therein. The exercise price for any particular option shall be such price as the Board of Directors of the Company may in its absolute discretion determine at the time of grant of the relevant option subject to the compliance with the requirements for share option schemes under the Listing Rules. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed, in nominal amount, ten per cent of the issued share capital of the Company from time to time, excluding for this purpose shares issued upon the exercise of any options granted under the Scheme. All outstanding options granted under the previous scheme remain valid and exercisable in accordance with their terms of issue. Movements in the number of share options during the year are as follows:

Date of grant	Exercisable period	Exercise price HK$	Outstanding at 1.4.2012 and 31.3.2013	Exercised during the year ended 31.3.2014	Expired during the year ended 31.3.2014	Outstanding at 31.3.2014
Directors of the Company, including ex-Director:						
24.6.2003	10.9.2004–23.6.2013	0.3220	30,000,000	–	(30,000,000)	–
24.6.2003	10.3.2005–23.6.2013	0.3220	30,000,000	–	(30,000,000)	–
24.6.2003	10.9.2005–23.6.2013	0.3220	30,000,000	–	(30,000,000)	–
24.6.2003	24.6.2004–23.6.2013	0.3220	11,666,666	–	(11,666,666)	–
24.6.2003	24.12.2004–23.6.2013	0.3220	11,666,666	–	(11,666,666)	–
24.6.2003	24.6.2005–23.6.2013	0.3220	11,666,668	–	(11,666,668)	–
23.3.2005	23.3.2006–23.3.2015	3.1750	10,000,000	(10,000,000)	–	–
23.3.2005	23.3.2007–23.3.2015	3.1750	10,000,000	(10,000,000)	–	–
23.3.2005	23.3.2008–23.3.2015	3.1750	10,000,000	(10,000,000)	–	–
			155,000,000	(30,000,000)	(125,000,000)	–
Exercisable at the end of the year			155,000,000	(30,000,000)	(125,000,000)	–
Weighted average exercise price			HK$0.8742	HK$3.1750	HK$0.3220	N/A

– The vesting period ends on the date the exercisable period of the share options begins.

29. SHARE OPTION (Continued)

Date of grant	Exercisable period	Exercise price HK$	Outstanding at 1.4.2012 and 31.3.2013	Exercised during the year ended 31.3.2014	Expired during the year ended 31.3.2014	Outstanding at 31.3.2014
Employees:						
2.3.2005	2.9.2005–1.3.2015	2.5250	200,000	(200,000)	–	–
2.3.2005	2.9.2006–1.3.2015	2.5250	200,000	(200,000)	–	–
2.3.2005	2.3.2008–1.3.2015	2.5250	200,000	(200,000)	–	–
23.3.2005	23.3.2006–22.3.2015	3.1750	200,000	(100,000)	–	100,000
23.3.2005	23.3.2007–22.3.2015	3.1750	200,000	(100,000)	–	100,000
23.3.2005	23.3.2008–22.3.2015	3.1750	200,000	(100,000)	–	100,000
23.3.2005	23.3.2009–22.3.2015	3.1750	200,000	(100,000)	–	100,000
23.3.2005	23.3.2010–22.3.2015	3.1750	200,000	(100,000)	–	100,000
4.6.2007	4.6.2008–3.6.2017	2.5000	–	–	–	–
4.6.2007	4.6.2009–3.6.2017	2.5000	–	–	–	–
4.6.2007	*Note (a)*	2.5000	–	–	–	–
4.6.2007	*Note (b)*	2.5000	–	–	–	–
			1,600,000	(1,100,000)	–	500,000
Total			156,600,000	(31,100,000)	(125,000,000)	500,000
Exercisable at the end of the year			156,600,000	(31,100,000)	(125,000,000)	500,000
Weighted average exercise price			HK$2.9313	HK$3.1625	HK$0.3220	HK$3.1750

Notes:

(a) These options are exercisable upon a trigger event of the Company's share price quoted on the Stock Exchange equal to HK$8 or above until 3.6.2017.

(b) These options are exercisable upon a trigger event of the Company's share price quoted on the Stock Exchange equal to HK$12 or above until 3.6.2017.

In respect of the share options exercised during the year ended 31st March 2014, the weighted average share price at the dates of exercise is HK$5.67. No share options were exercised during the year ended 31st March 2013.

The Group did not recognise any expense for the years ended 31st March 2014 and 2013 in relation to share options granted by the Company.

30. DEEMED DISPOSAL OF A JOINT VENTURE/DEEMED ACQUISITION OF A SUBSIDIARY

In terms of the shareholders' agreement dated 20th January 2005, the Group had joint control over CCIT and CCIT was classified and accounted for as a joint venture. On 28th March 2013, the Group entered into a supplementary agreement (the "Arrangement") with the other party to the joint arrangement in terms of which the latter agreed to vote in accordance with the instructions of the Group on CCIT's relevant activities. As a result of this Arrangement, the Group obtained control over CCIT.

Upon the completion of the Arrangement, the Group lost joint control over CCIT and was deemed to have disposed of 50% equity interest in CCIT, which resulted in a gain on deemed disposal of the joint venture of HK$62,943,000.

At the same time, CCIT became a non-wholly owned subsidiary of the Group and the Arrangement resulted in goodwill arising from deemed acquisition of a subsidiary of approximately HK$74,435,000 which is fully impaired because of the continuous operating loss and postponed development in PIATS business in other consumer products industry. The acquisition has been accounted for using the acquisition method.

The fair value of the previously held interest and the fair values of the identifiable assets and liabilities at the deemed acquisition date were determined by reference to the valuation carried out by Asset Appraisal Limited, an independent qualified professional valuer not connected with the Group. The valuation was arrived at by reference to the assets based approach.

The net liabilities of CCIT at the date of deemed acquisition are as follows:

	Fair value HK$'000
Net liabilities acquired:	
Property, plant and equipment	55
Other receivables	748
Bank balances and cash	904
Trade and other payables	(38,888)
Amount due to a fellow subsidiary	(12,830)
Loans from Telecom and CITIC 21CN Technology	(98,859)
	(148,870)
Non-controlling interests	74,435
	(74,435)

30. DEEMED DISPOSAL OF A JOINT VENTURE/DEEMED ACQUISITION OF A SUBSIDIARY (Continued)

Net loss on deemed disposal of a joint venture and deemed acquisition of a subsidiary

	HK$'000
Net liability of CCIT attributable to the Group upon consolidation	(74,435)
Provision on constructive obligations derecognised upon consolidation	62,943
Net loss on deemed disposal of a joint venture and deemed acquisition of a subsidiary *(note 9)*	(11,492)
Bank balances and cash acquired	904

As the date of deemed acquisition of CCIT was close to year end, there was no material difference between the Group's turnover and loss for the year ended 31st March 2013 between the date of deemed acquisition and at the end of the reporting period.

If the deemed acquisition had been completed on 1st April 2012, total Group's turnover for the year ended 31st March 2013 would have been approximately HK$16,587,000, and loss for the year ended 31st March 2013 would have been HK$49,686,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st April 2012, nor is it intended to be a projection of future results.

31. DISPOSAL OF A SUBSIDIARY

On 11th December 2013, the Group entered into an agreement with an independent third party to dispose its entire equity interest in 21CN Advertising Agency Limited for a cash consideration of RMB7,500,000 (equivalent to HK$9,375,000). The transaction was completed immediately upon signing of the agreement and no gain or loss is resulted for the year ended 31st March 2014.

The net asset of 21CN Advertising Agency Limited at the date of disposal was as follows:

	HK$'000
Net asset disposed of:	
Available-for-sale investment	9,375
Cash consideration received	9,375
Net asset disposed of	(9,375)
	–

32. OPERATING LEASES

At the end of the reporting period, the Group had commitments for future minimum lease payments in respect of buildings under non-cancellable operating leases which fall due as follows:

	2014 **HK$'000**	2013 HK$'000 (Restated)
Within one year	**7,871**	7,173
In the second to fifth year inclusive	**16,616**	20,298
	24,487	27,471

Leases are negotiated for a term of one to five years.

33. CAPITAL COMMITMENTS

	2014 **HK$'000**	2013 HK$'000 (Restated)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**–**	314

34. RETIREMENT BENEFITS SCHEMES

Defined contributed plans

The Group has enrolled all employees in Hong Kong into the mandatory provident fund scheme (the "MPF Scheme"), which is a master trust scheme established under trust arrangement and governed by laws in Hong Kong. Under the Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong) (the "MPF Ordinance"), both the employer and employees are required to contribute 5% of the employees' relevant income as defined in the MPF Ordinance up to a maximum of HK$1,250 (HK$1,000 before 1st June 2012) per employee per month. The contributions are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF Scheme. There were no forfeited contributions under the MPF Scheme.

The Group also participates in the employees' pension schemes of the respective municipal government in various places in the PRC where the Group operates. The Group makes monthly contributions calculated as a percentage of the monthly basic payroll costs and the respective municipal government undertakes to assume the retirement benefit obligations of all existing and future retirees of the Group. The Group has no other obligations for the payment of pension and other post-retirement benefits of employees other than the above contributions payments.

35. RELATED PARTY TRANSACTIONS

(a) Transactions with other government-related entities in the PRC

The Company's substantial shareholder with significant influence over the Group, CITIC Group Corporation, is controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities").

Apart from the transactions with the entities under CITIC Group Corporation, the Group also conducts business with other government-related entities in the ordinary course of the business, including deposit placements and other general banking facilities with certain banks and financial institutions. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful. The directors consider those government-related entities are independent third parties so far as the Group's business transactions with them are concerned.

In establishing its pricing strategies and approval process for transactions with government-related entities, the Group does not differentiate whether the counter-party is a government-related entity or not.

The following is a summary of significant related party transactions between the Group and government-related entities (other than transactions with government-related entities which are not individually or collectively significant) during the year and balances arising from related party transactions at the end of the reporting period.

Significant related party transactions are as follows:

	2014 **HK$'000**	2013 HK$'000 (Restated)
Revenue from government-related parties	**45,061**	–
Purchases from government-related parties	**2,592**	–

Balances with related parties are as follows:

	2014 **HK$'000**	2013 HK$'000 (Restated)
Balances with entities under CITIC Group Corporation		
Bank balances	**73,892**	43,207
Balances with the other government-related entities		
Prepayment	**1,412**	3,158
Trade and other payables	**(535)**	(281)
Bank balances	**3,359**	1,812

The Group believes that it has provided, at the best of its knowledge, adequate and appropriate disclosure of related party transactions as summarised above.

35. RELATED PARTY TRANSACTIONS (Continued)

(b) Transaction with a director

On 30th August 2013, the director of the Company, Chen Xiao Ying provided an interest-free loan of RMB27,537,000 (equivalent to HK$34,421,000) to the Group. The loan was fully repaid by the Group during the year ended 31st March 2014.

36. 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 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 Service Agreement in an aggregate amount of approximately RMB116 million (the "Oracle Licence and Service Agreement") 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.

During the financial year ended 31st March 2011, the Company received an Arbitral Award handed down by CIETAC (the "Arbitral Award") and received a court order (the "Order") from the High Court of the Hong Kong Special Administrative Region ("HKSAR") that leave be granted to Oracle Beijing to enforce the Arbitral Award. Details of the Arbitral Award were set out in the Company's announcement dated 24th June 2010. By a judgement 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 Arbitral Award ceased to have legal effect.

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 the Oracle Licence and Services Agreement and Payment Agreement and compensation from Oracle Beijing. On 24th February 2014, the Beijing First Intermediate People's Court made a judgement and terminated the Oracle Licence and Services Agreement and Payment Agreement with effect from the judgement date. On 31st March 2014, Oracle Beijing appealed to the Beijing High People's Court. The legal proceedings of the claim were still in progress at the end of the reporting period and as at the date that these consolidated financial statements were authorised for issue.

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 the 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 but was refused by a judgement dated 18th September 2013. The defence of the Company and CITIC 21CN Technology has been filed and served on 6th November 2013. 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 2014 and 31st March 2013.

As the above litigations are still waiting for court decision, the result 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.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

(a) General information of subsidiaries

Details of the Company's principal subsidiaries, all of which are limited liability companies, at 31st March 2014 and 2013 are as follows:

Name of subsidiary	Form of entity	Place of incorporation/ operations	Nominal value of issued and fully paid ordinary share/ registered capital	Attributable proportion of nominal value of issued/ registered capital held by the Company		Principal activities
				Directly	Indirectly	
CITIC 21CN Telecom Company Limited	Incorporated	Hong Kong	HK$1,000,000	–	100% (2013: 100%)	System integration and software development
CITIC 21CN (China) Technology Company Limited	Incorporated	PRC	RMB50,000,000	–	100% (2013: 100%)	Provision of product identification, authentication and tracking system business in drugs industry
Guangdong Grand Cycle Technology Company Limited	Incorporated	PRC	HK$21,000,000	–	100% (2013: 100%)	System integration and software development for a term of 50 years commencing December 2002
CCIT	Incorporated	PRC	RMB60,000,000	–	50% *(note)* (2013: 50%)	Provision of product identification, authentication and tracking system business in other consumer products industries

Note: CCIT is the non-wholly owned subsidiary of the Group because the Group had obtained control over the relevant activities of CCIT on 28th March 2013 (see note 30).

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

(b) Details of material non-controlling interests in subsidiaries

The table below shows details of material non-controlling interests in subsidiaries of the Group:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	**2014**	2013	**2014**	2013
				HK$'000	HK$'000	**HK$'000**	HK$'000
CCIT	PRC	**50%**	50%	**4,617**	–	**(69,818)**	(74,435)

CCIT

	2014	2013
	HK$'000	HK$'000
		(Restated)
Current assets	**2,711**	1,652
Non-current assets	**34**	453
Current liabilities	**(19,783)**	(52,116)
Non-current liabilities	**(122,598)**	(98,859)
Equity attributable to owners of the Company	**(69,818)**	(74,435)
Non-controlling interest	**(69,818)**	(74,435)
Revenue	**18,460**	–
Expenses	**(9,226)**	–
Profit for the year	**9,234**	–
Profit attributable to owners of the Company	**4,617**	–
Profit attributable to the non-controlling interests	**4,617**	–
Profit for the year	**9,234**	–
Total comprehensive income attributable to owners of CCIT	**4,617**	–
Total comprehensive income attributable to the non-controlling interests of CCIT	**4,617**	–
Total comprehensive income for the year	**9,234**	–
Net cash outflow from operating activities	**(40,007)**	–
Net cash inflow from financing activities	**41,250**	–
Net cash inflow	**1,243**	–

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2014 HK$'000	2013 HK$'000
Investment in subsidiaries	**13,000**	13,000
Amounts due from subsidiaries	**164,803**	260,628
Other assets	**248,066**	121,359
	425,869	394,987
Total liabilities	**(43,503)**	(42,549)
Net assets	**382,366**	352,438
Capital and reserves		
Share capital	**37,490**	37,179
Reserves	**344,876**	315,259
Total equity	**382,366**	352,438

Movement of share capital and reserves

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st April 2012	37,179	769,675	58,318	20,831	(515,388)	370,615
Loss and total comprehensive expense for the year	–	–	–	–	(18,177)	(18,177)
At 31st March 2013	37,179	769,675	58,318	20,831	(533,565)	352,438
Loss and total comprehensive expense for the year	–	–	–	–	(68,424)	(68,424)
Exercise of share options	311	110,603	–	(12,562)	–	98,352
Expiry of share options	–	–	–	(8,037)	8,037	–
At 31st March 2014	37,490	880,278	58,318	232	(593,952)	382,366

39. EVENT AFTER THE REPORTING PERIOD

On 23rd January 2014, the Company entered into a subscription agreement pursuant to which the Company has conditionally agreed to allot and issue 4,423,175,008 shares to Perfect Advance Holding Limited ("Perfect Advance"). Perfect Advance has conditionally agreed to subscribe 4,423,175,008 subscription shares in cash at a subscription price of HK$0.30 per subscription share. Completion of the subscription took place on 30th April 2014 and the Company received gross proceeds of HK$1,326,953,000 from Perfect Advance on allotment of the subscription shares. Immediately after the completion of the allotment, there are a total of 8,172,644,639 shares in issue and Perfect Advance holds 54.12% of the shares of the Company. With effect from 30th April 2014, Mr. Wang Jun, Mr. Luo Ning, Mr. Sun Yalei, Mr. Zhang Lianyang and Ms. Xia Guilan resigned as executive directors of the Company, Dr. Wang Jian is appointed as an executive director of the Company and Mr. Zhang Yong, Mr. Chen Jun, Mr. Chia Pun Kok and Mr. Yu Feng are appointed as non-executive directors of the Company.

Upon the completion of the subscription, Perfect Advance is the parent of the Company.

On 9th May 2014, Dr. Long Junsheng, Dr. Hui Ho Ming, Herbert, JP and Mr. Zhang Jian Ming resigned as independent non-executive directors of the Company and Mr. Yan Xuan, Mr. Luo Tong and Mr. Wong King On, Samuel were appointed as independent non-executive directors of the Company.

FINANCIAL SUMMARY

	Year ended 31st March				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
RESULTS					
Turnover	**60,215**	15,889	10,992	6,813	8,113
Loss before taxation	**(895)**	(41,148)	(5,616)	(25,538)	(50,937)
Taxation	**(960)**	(196)	(2,120)	(812)	(580)
Loss for the year	**(1,855)**	(41,344)	(7,736)	(26,350)	(51,517)
Attributable to:					
Owners of the Company	**(6,472)**	(41,344)	(7,735)	(26,350)	(51,516)
Non-controlling interests	**4,617**	–	(1)	–	(1)
	(1,855)	(41,344)	(7,736)	(26,350)	(51,517)

	As at 31st March				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
ASSETS AND LIABILITIES					
Total assets	**488,996**	399,728	527,436	508,467	520,522
Total liabilities	**(104,234)**	(112,337)	(128,467)	(106,051)	(100,070)
	384,762	287,391	398,969	402,416	420,452
Equity attributable to owners of the Company	**454,571**	361,817	398,960	402,406	420,442
Non-controlling interests	**(69,809)**	(74,426)	9	10	10
	384,762	287,391	398,969	402,416	420,452