CITIC 21CN
中信 21世紀

CITIC 21CN COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 241

INTERIM REPORT 2013

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. WANG Jun (Chairman)
Ms. CHEN Xiao Ying (Executive Vice Chairman)
Mr. LUO Ning (Vice Chairman)
Mr. SUN Yalei
Mr. ZHANG Lianyang
Ms. XIA Guilan

Independent Non-Executive Directors

Dr. HUI Ho Ming, Herbert, JP
Mr. ZHANG Jian Ming
Dr. LONG Junsheng

COMPANY SECRETARY

Mr. AU Kin Fai, HKICPA

QUALIFIED ACCOUNTANT

Mr. YUEN Wai Ho, FCCA, FCPA

AUTHORISED REPRESENTATIVES

Ms. CHEN Xiao Ying
Mr. AU Kin Fai, HKICPA

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

STOCK CODE

241

LEGAL ADVISOR

Chu & Lau Solicitors & Notaries

Bermuda

Appleby

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
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 BANKER

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

Management Discussion and Analysis

FINANCIAL REVIEW

The key financial figures of the Group for the six months ended 30th September 2013 and the comparative figures for the six months ended 30th September 2012 were summarised as follows:

	2013 HK$'000	2012 HK$'000 (Restated)	Change %
Turnover	**14,892**	7,552	97.2
Gross profit/(loss)	**2,069**	(1,681)	N/A
Gross profit/(loss) percentage	**13.9%**	(22.3%)	N/A
Other income, gains and losses	**885**	(113)	N/A
Administrative expenses	**21,691**	16,528	31.2
Share of profit of an associate	**1,005**	3,585	(72.0)
Share of net results of joint ventures	**530**	434	22.1
Net loss attributable to owners	**14,619**	14,661	(0.3)
Loss per share Basic and diluted	**0.39 cents**	0.39 cents	–

Management Discussion and Analysis (continued)

FINANCIAL REVIEW (continued)

Results

– ***Turnover***

Turnover of the Group for the six months ended 30th September 2013 was HK$14,892,000, an increase of 97.2% as compared with the turnover of HK$7,552,000 for the six months ended 30th September 2012. The increase was mainly due to the following reasons:

(a) 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) and 中信21世紀（中國）科技有限公司 (CITIC 21CN (China) Technology Company Limited ("CITIC 21CN Technology")) (a wholly-owned subsidiary of the Group), are engaged in the Product Identification, Authentication and Tracking System ("PIATS") business. The Group's share of the revenue of PIATS business for the six months ended 30th September 2013 increased by 110.9% to HK$13,286,000 from HK$6,299,000 for the six months ended 30th September 2012. The growth in revenue during the period was attributable to an increased joining fee income of those medical and healthcare institutions following the intensive promotion of PIATS in drug industry.

(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 six months ended 30th September 2013 was HK$1,606,000 as compared with the turnover of HK$1,253,000 for the six months ended 30th September 2012. The operations of Grand Cycle had already been scaled down and the turnover for both periods represented those revenue generated from the outstanding system integration service contracts to the telecom industry.

– ***Gross profit percentage***

The Group reported a gross profit percentage of 13.9% during the six months ended 30th September 2013 as compared with the gross loss percentage of 22.3% during the six months ended 30th September 2012. The improved gross profit margin was mainly due to the increase in turnover of PIATS business while most of its direct operating costs such as depreciation 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 six months ended 30th September 2013, other income, gains and losses recorded a gain of HK$885,000 as compared with the loss of HK$113,000 for the six months ended 30th September 2012. Such increase was due to the gain on change in fair value of held for trading investments of HK$71,000 for the current period as contrasted with the loss of HK$2,412,000 for the last corresponding period. The investment market showed slight improvement during the current period.

FINANCIAL REVIEW (continued)

Results (continued)

– ***Administrative expenses***

Administrative expenses for the six months ended 30th September 2013 was HK$21,691,000, representing an increase of 31.2% over HK$16,528,000 for the six months ended 30th September 2012. Such increase was principally due to higher technical staff costs on the reinforcement of the infrastructure facilities of PIATS system.

– ***Share of profit of an associate***

Share of profit of an associate represented the share of profit of a 30%-owned associate, 東方口岸科技有限公司 (Dongfang Customs Technology Company Limited ("Dongfang Customs")), which was engaged in electronic customs processing and other electronic government services. The share of profit of Dongfang Customs was HK$1,005,000 for the six months ended 30th September 2013, representing a decrease of 72.0% when compared with HK$3,585,000 for the six months ended 30th September 2012. The decrease was mainly due to the increase in costs for the development of new business model on selling equipment and system for customs declaration. Dongfang Customs has been upgrading its existing system by introducing more new and enhanced features to attract users using their services.

– ***Share of net results of joint ventures***

Share of net results of joint ventures represented the share of profits 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 was engaged in telecommunications/information value-added services ("VAS"). The share of profit of HL95 was HK$530,000 for the current period as compared with that of HK$4,069,000 for the last corresponding period. The decrease was mainly caused by increase in operating costs and higher competition in the industry, mostly arising from an increasing acceptance of cross-platform messaging applications used by consumers which had deeply affected the traditional short messaging services business market during the period.

For the six months ended 30th September 2012, the share of net results of joint ventures also included the share of loss of a former 50%-owned joint venture, 中信國檢信息技術有限公司 (China Credit information Technology Company Limited) ("CCIT") amounting to HK$3,635,000, CCIT became a subsidiary of the Group in March 2013.

– ***Net loss attributable to owners***

Net loss attributable to owners for the six months ended 30th September 2013 was HK$14,619,000, representing a decrease of 0.3% over HK$14,661,000 for the same period last year.

– ***Loss per share***

Basic loss per share was HK0.39 cents for the six months ended 30th September 2013 which was the same as that for the corresponding period last year.

Management Discussion and Analysis (continued)

FINANCIAL RESOURCES, LIQUIDITY AND FOREIGN EXCHANGE EXPOSURES

The financial positions of the Group as at 30th September 2013 and the corresponding comparative figures as at 31st March 2013 are summarised as follows:

	30th September 2013 HK$'000	31st March 2013 HK$'000
Current assets	**138,416**	154,494
Including		
– bank balances and cash (mainly denominated in Hong Kong dollar, United States dollar and Renminbi)	**94,454**	116,730
– debtors	**8,919**	38
Current liabilities	**71,060**	107,989
Current ratio (current asset/current liabilities)	**1.95**	1.43
Quick ratio (bank balances and cash and debtors/current liabilities)	**1.45**	1.08
Shareholders' equity	**350,032**	361,817
Gearing ratio (bank loans/shareholders' equity)	**0.00%**	0.00%

Bank balances and cash including fixed deposit held at a bank with maturity over three months decreased by 19.1% from HK$116,730,000 as at 31st March 2013 to HK$94,454,000 as at 30th September 2013. The decrease in bank balances and cash was the result of the net cash used in operating activities arising from the net loss of the Group incurred during the six months ended 30th September 2013.

As at 30th September 2013, trade debtors increased to HK$8,919,000 from HK$38,000 as at 31st March 2013. The increase was mainly due to the increase in sales activities during September 2013. Trade debtors aged over 12 months were minimal.

As at 30th September 2013, the Group maintained relatively healthy current and quick ratios. The current ratio was 1.95 (31st March 2013: 1.43), and the quick ratio was 1.45 (31st March 2013: 1.08).

Shareholders' equity decreased from HK$361,817,000 as at 31st March 2013 to HK$350,032,000 as at 30th September 2013, mainly because of the net loss of the Group incurred during the six months ended 30th September 2013.

The Group's did not have any bank loans and hence maintained zero gearing ratios as at 31st March 2013 and 30th September 2013.

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 dollars or Hong Kong dollars, other assets and liabilities are mainly denominated in either Hong Kong dollars or Renminbi. The Directors believe that there will not be material fluctuation in the exchange rate of US dollars against Hong Kong dollars, the reporting currency, in the foreseeable future, and the gradual and slight increase in the exchange rate of Renminbi against Hong Kong dollars would result in exchange gain for the Group as the net assets of the Group's operating subsidiaries and jointly controlled entities in PRC are denominated in Renminbi. Therefore, the operations of the Group are not subject to significant exchange rate risk.

BUSINESS REVIEW

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

- **PIATS Business**

  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 various products such as drugs, food and beverage, agricultural resources and household appliances, through which staging achievement has been reached, enterprise product brand name and orderly market has been effectively maintained, and helping the market set up a product credit system that has been recognized by consumers, government and enterprises.

  As to the area of electronic monitoring of drugs, the coverage scope has been further enlarging during the period. Currently, those national-declared basic drugs (Version 2009) of all types, as manufactured by all production enterprises, have basically been finished with the bar code use work. It signified that the electronic monitoring of basic drugs by the country has stepped into a new stage. The Group has also further reinforced on the infrastructure facilities of PIATS system, so as to ensure the practicability, user-friendliness and manageability of the system, and to enhance significantly on its overall efficiency and degree of stability. During the period, the company has continued to undertake the relevant technical support services, enterprises' corporate training and corporate implementation guidance work etc., as offered to those medical and healthcare institutions and drug retailers. After this financial period ended 30th September 2013, the joining status for electronic monitoring by the relevant medical and healthcare institutions has gradually accelerated.

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

Management Discussion and Analysis (continued)

BUSINESS REVIEW (continued)

- **PIATS Business (continued)**

  Future prospect

  The gradual advancement of electronic monitoring has already evidenced that the government will make electronic monitoring an important tool for increasing management. Recently, the relevant authorities in the PRC has demanded drug manufacturers which produce those drug categories under national-declared basic drugs (Version 2012) of all types, whatever they participate in basic drugs tender purchase or not, should implement electronic monitoring in accordance with the regulations, on top of the existing implemented electronic monitoring basis of anaesthetics drugs, mental disorder drugs, blood products, Chinese medicine injections, vaccines and national-declared basic drugs (Version 2009) of all types. Moreover, the relevant authorities in the PRC has demanded those imported drugs as per above-mentioned categories (including those re-packaging in China) to apply the corresponding electronic monitoring implementation requirements, and to continue to further apply the electronic monitoring to other areas of drugs through stages. On the other hands, the relevant authorities in the PRC has continued to expedite the relevant working trainings to those medical and healthcare institutions in different provinces other than drug production and distribution enterprises, and to include drug retailers in the pilot program under the electronic monitoring. Pinpointing the various issues of dairy products under food category, the relevant authorities in the PRC is attempting to establish an information tracking system through the application of similar informationalized measures. The company will leverage on the successful and accumulated experience on PIATS and promote to further its cooperation with the relevant authorities in the PRC, so as to strive for the expansion of the scope and coverage of the application of PIATS. The management has confidence that PIATS can combat counterfeit and poor-quality commodities, improve commodity safety, and protect the interests of consumers and enterprises. Given that there are no other companies that can provide service similar to PIATS at the moment, the directors believe that is great potential for PIATS.

- **HL95**

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

  Future prospect

  The rapid development of 3G, the development of 4G and mobile internet will continuously create good business opportunities for HL95. With many years of good long-term relationship with telecom operators and content providers, HL95 will work closely with them so as to provide the latest 3G contents. Presently, HL95 is working on gaining new call centre business opportunities countrywide, for which HL95 has accumulated successful experience and has earned good reputation in the PRC. Since late 2009, HL95 has received several industry awards for its good achievement in call centre management and outsourcing contract. The rapid development of cross-platform messaging applications to be used by individual consumers will continue to impose pressure on HL95’s SMS business. HL95’s management will strive to look into other SMS business opportunities with enterprise customers so as to reduce the downside effect. Moreover, the traditional mobile IVRS and fixed line IVRS services will continue to be under challenge, with regulatory measures from time to time imposed by the telecom operators or the relevant authorities, and with fierce competition arisen from inherent competitive advantages possessed by telecom operators. HL95 is a platform of good value for the Group since it enables the Group to promote the information services of PIATS. For example, CITIC 21CN Technology and CCIT, in providing the PIATS service, uses HL95’s platform to enable consumers anywhere in the PRC to enquire product information by HL95’s IVRS and SMS systems and call centres. In the same time, HL95 could also be intended to achieve to combine the PIATS business for transformation of services and expansion of new business. The Directors believe that HL95 has good potential in the call centre industry and at the same time can provide valuable support to PIATS.

Management Discussion and Analysis (continued)

BUSINESS REVIEW (continued)

- **Dongfang Customs**

  Dongfang Customs, a joint venture with the PRC Customs Department and China Telecom, is engaged in electronic customs processing and other electronic government services. Dongfang Customs provides customs filing and declaration, identity authentication, online payments, electronic customs tax and foreign exchange filings, billing and other customs related services. Dongfang Customs' users principally included manufacturers and import/export corporations for customs declaration and clearance services, and banks for foreign exchange monitoring and online payments to be processed electronically under the same network platform.

  Future prospect

  The PRC government has been encouraging manufacturers and import/export corporations to perform the customs declaration processing electronically as it not only speeds up the customs declaration procedures but also helps minimise the handling costs involved in the declaration. Given that China is the manufacturing base for the world and 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 still provide us with reasonable return.

- **Grand Cycle**

  Grand Cycle is engaged in system integration and software development.

  Future prospect

  Grand Cycle will remain on the system integration and software development support for the expansion of PIATS.

EMPLOYEES AND REMUNERATION POLICIES

The numbers of full-time employees of the Group as at 30th September 2013 are detailed as follows:

Location	Telecommuni-cations/ Information value-added services	PIATS business	System integration and software development	Corporate	Associate
– Hong Kong	–	–	–	6	–
– The PRC	9,351	81	3	–	270
Total	9,351	81	3	6	270

Total staff costs of the Group included in the administrative expenses for the six months ended 30th September 2013 were HK$16,913,000. All the staff 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 absolute 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 six months ended 30th September 2013, no share options were granted to employees of the Group.

Additional Information

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 period are set out below:

				Number of options		
	Date of grant	Exercise price HK$	Exercise period	At 1st April 2013	Lapsed during the period	At 30th September 2013
Directors						
Mr. Wang Jun	23.3.2005	3.175	23.3.2006 to 23.3.2015	10,000,000	–	10,000,000
	23.3.2005	3.175	23.3.2007 to 23.3.2015	10,000,000	–	10,000,000
	23.3.2005	3.175	23.3.2008 to 23.3.2015	10,000,000	–	10,000,000
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)	–
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

Additional Information (continued)

SHARE OPTION (continued)

	Date of grant	Exercise price HK$	Exercise period	Number of options: At 1st April 2013	Lapsed during the period	At 30th September 2013
Employees	2.3.2005	2.525	2.9.2005 to 1.3.2015	200,000	–	200,000
	2.3.2005	2.525	2.9.2006 to 1.3.2015	200,000	–	200,000
	2.3.2005	2.525	2.3.2008 to 1.3.2015	200,000	–	200,000
	23.3.2005	3.175	23.3.2006 to 22.3.2015	200,000	–	200,000
	23.3.2005	3.175	23.3.2007 to 22.3.2015	200,000	–	200,000
	23.3.2005	3.175	23.3.2008 to 22.3.2015	200,000	–	200,000
	23.3.2005	3.175	23.3.2009 to 22.3.2015	200,000	–	200,000
	23.3.2005	3.175	23.3.2010 to 22.3.2015	200,000	–	200,000
				1,600,000	–	1,600,000
				156,600,000	(125,000,000)	31,600,000

Except for the share option scheme, at no time during the period was the Company or its subsidiaries a party to any arrangement 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.

DIRECTORS' INTERESTS IN CONTRACTS

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 period under review or at any time during the six months ended 30th September 2013.

DIRECTORS' INTERESTS OR SHORT POSITIONS IN EQUITY SECURITIES

As at 30th September 2013, 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 (the "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, or 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:

	Number of shares/underlying shares held		
	Shares (Corporate interest)	Share options (Personal interest)[2]	Aggregate interests
Mr. Wang Jun	–	30,000,000	30,000,000
Ms. Chen Xiao Ying	784,937,030[1]	–	784,937,030
	784,937,030	30,000,000	814,937,030

Notes:

1. 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.

2. Particulars of interests of the Directors in the share options of the Company are set out in the section headed "Share Option" above.

Save as disclosed above, none of the 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.

Additional Information (continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS IN EQUITY SECURITIES

As at 30th September 2013, the following parties (other than a Director or chief executive of the Company) had interests or short positions in the shares or 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 Interests	Approximate percentage of the issued share capital
Uni-Tech International Group Limited (note (a))	Beneficial owner	784,937,030	784,937,030	21.11%
21CN Corporation (note (a))	Interest of controlled corporation	784,937,030	784,937,030	21.11%
Pollon Internet Corporation (note (a))	Interest of controlled corporation	784,937,030	784,937,030	21.11%
CITIC Group Corporation (note (b))	Interest of controlled corporation	807,998,000	807,998,000	21.73%

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.

(b) Road Shine Developments Limited, Goldreward.com Ltd. and Perfect Deed Co. Ltd. holds 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").

Saved 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.

Additional Information (continued)

CONNECTED TRANSACTIONS

(a) Loans to a 50%-owned subsidiary CCIT

中信21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 a loan agreement (the "Loan Agreement") on 21st July 2009 in relation to a non-interest bearing and unsecured loan of RMB20,000,000 (the "Loan") with particulars as follows:

(a) the Loan is provided to CCIT as the general working capital of CCIT;

(b) the term of the Loan is for 3 years commenced from 1st April 2009 and repayable on 31st March 2012;

(c) the Loan is non-interest bearing and unsecured;

(d) the Loan shall only be used as the general working capital of CCIT. If CCIT uses the Loan for any purposes other than as its general working capital, CITIC 21CN Technology has the right to request CCIT to repay the Loan immediately and CCIT has to pay a penalty which amounts to 30% of the Loan to CITIC 21CN Technology.

The Loan was further renewed for a term of 2 years to 15th April 2014 under a renewal loan agreement (the "CITIC 21CN Technology Renewal Loan Agreement") between CITIC 21CN Technology and CCIT dated 23rd November 2010 (the "CITIC 21CN Technology Renewal Loan").

CITIC 21CN Technology as the lender and CCIT as the borrower also entered into a second loan agreement (the "Second Loan Agreement") on 23rd November 2010 in relation to a non-interest bearing and unsecured loan of RMB30,000,000 (the "Second Loan") with particulars as follows:

(a) the Second Loan is provided to CCIT as the general working capital of CCIT;

(b) the term of the Second Loan has commenced from the respective dates of drawdown and repayable on 15th April 2014;

(c) the Second Loan is non-interest bearing and unsecured;

(d) the Second Loan shall only be used as the general working capital of CCIT. If CCIT uses the Second Loan for any purposes other than as its general working capital, CITIC 21CN Technology has the right to request CCIT to repay the Second Loan immediately and CCIT has to pay a penalty which amounts to 30% of the Second Loan to CITIC 21CN Technology.

As at 30th September 2013, CCIT has drawn RMB20,000,000 and RMB22,000,000 from the Loan and Second Loan respectively.

Additional Information (continued)

CONNECTED TRANSACTIONS (continued)

(a) Loans to a 50%-owned subsidiary CCIT (continued)

As at 30th September 2013, 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 21.73% 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 Loan, the Loan Agreement, the CITIC 21CN Technology Renewal Loan, the CITIC 21CN Technology Renewal Loan Agreement, the Second Loan, the Second Loan Agreement 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 31st August 2009 and 29th December 2010 respectively ("SGM").

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 renewed for a term of 3 years under the renewal loan agreement (the "Renewal Loan Agreement") between CITIC 21CN Telecom and CCIT dated 22th May 2008 (the "Renewal Loan"). CITIC 21CN Telecom Loan was further renewed for a term of approximately 3.1 years to 15th April 2014 under the second renewal loan agreement (the "Second Renewal Loan Agreement") between CITIC 21CN Telecom and CCIT dated 23rd November 2010 (the "Second Renewal Loan").

As at 30th September 2013, the aggregate loan amount, including the CITIC 21CN Technology Renewal Loan, Second Loan and the Second Renewal Loan, is approximately RMB84,500,000.

(b) Long-term 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, namely Ms. Chen Xiao Ying, in which the director granted a non-interest bearing and unsecured three-year loan of RMB27,537,000 (equivalent to HK$34,421,000) to CCIT for the continuous development of the PIATS business.

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 period under review.

* for identification purpose only

Additional Information (continued)

INTERIM DIVIDEND

The Board of Directors resolved that no interim dividend be declared for the six months period ended 30th September 2013 (2012: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its listed securities of the Company during the period under review. Neither the Company nor any of its subsidiaries has purchased or sold any of listed securities of the Company during the period under review.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

For the period ended 30th September 2013, the Company has complied with the code provisions ("Code Provisions") set out in the Code on Corporate Governance Practices (the "CG Code") under Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") except for the following deviations:–

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

2. The Chairman of the board of the Company did not attend in the annual general meeting of the Company held on 29th August 2013. However, the meeting was conducted in an effective manner under the Bye-Laws of the Company.

3. The Company has not established a nomination committee. According to the Bye-Laws of the Company, the Board has the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. In assessing nomination of new directors, the Board has taken into consideration of the nominee's qualification, ability and potential contributions to the Company. The Board considers that the present arrangement provides the Company with more flexibility to identify individuals suitably qualified to become board members for the innovatively developing business. The Board will be reviewing, and when necessary, the relevant provision of the Company's Bye-Laws, to ensure full compliance with Code Provision A.5.1 of the CG Code.

4. The Company has not yet arranged insurance cover in respect of legal action against its directors. However, the Board will continue to review the arrangements for appropriate insurance cover for its directors from time to time, and may arrange for insurance cover in the future.

ADOPTION OF CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the model code as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions. The Company has made specific enquiry to all directors regarding any non-compliance with the Model Code during the period and they all confirmed that they have fully complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

For the period from 1st April 2013 to 30th September 2013, the Audit Committee comprises three independent non-executive directors, namely Dr. Hui Ho Ming, Herbert, JP, Mr. Zhang JianMing and Dr. Long Junsheng and Dr. Hui was the Chairman of the Audit Committee. The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30th September 2013.

Hong Kong
28th November 2013

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30th September 2013

		Six months ended 30th September	
		2013	2012
			(Unaudited and
		(Unaudited)	restated)
	Notes	**HK$'000**	HK$'000
Turnover	3	**14,892**	7,552
Cost of sales and services		**(12,823)**	(9,233)
Gross profit/(loss)		**2,069**	(1,681)
Other income, gains and losses	4	**885**	(113)
Administrative expenses		**(21,691)**	(16,528)
Share of profit of an associate	5	**1,005**	3,585
Share of net results of joint ventures	6	**530**	434
Loss before taxation		**(17,202)**	(14,303)
Taxation	7	**(100)**	(358)
Loss and total comprehensive expense for the period	8	**(17,302)**	(14,661)
Loss for the period attributable to:			
Owners of the Company		**(14,619)**	(14,661)
Non-controlling interests		**(2,683)**	–
		(17,302)	(14,661)
Total comprehensive expense attributable to:			
Owners of the Company		**(14,619)**	(14,661)
Non-controlling interests		**(2,683)**	–
		(17,302)	(14,661)
		HK cents	HK cents
Loss per share			
Basic and diluted	9	**(0.39)**	(0.39)

Condensed Consolidated Statement of Financial Position

As at 30th September 2013

	Notes	30th September 2013 (Unaudited) HK$'000	31st March 2013 (Restated) HK$'000
Non-current assets			
Property, plant and equipment		**5,660**	8,367
Intangible assets	10	**36,901**	39,157
Interest in an associate		**98,476**	97,471
Interest in a joint venture		**91,394**	90,864
Available-for-sale investments		**9,375**	9,375
		241,806	245,234
Current assets			
Amounts due from customers for contract work		**–**	949
Debtors and prepayments	11	**17,958**	9,324
Investments held for trading		**26,004**	27,491
Fixed deposit held at a bank with maturity over three months		**3,750**	11,063
Bank balances and cash		**90,704**	105,667
		138,416	154,494
Current liabilities			
Creditors and accruals	12	**71,041**	107,970
Taxation payable		**19**	19
		71,060	107,989
Net current assets		**67,356**	46,505
Total assets less current liabilities		**309,162**	291,739
Non-current liabilities			
Long-term loan	13	**28,958**	–
Deferred taxation		**4,448**	4,348
		33,406	4,348
		275,756	287,391
Capital and reserves			
Share capital	14	**37,179**	37,179
Reserves		**312,853**	324,638
		350,032	361,817
Non-controlling interests		**(74,276)**	(74,426)
Total equity		**275,756**	287,391

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September 2013

	Attributable to owners of the Company										
	Share capital (Unaudited and restated) HK$'000	Share premium (Unaudited and restated) HK$'000	Capital reserve (Unaudited and restated) HK$'000	Contributed surplus (Unaudited and restated) HK$'000	Translation reserve (Unaudited and restated) HK$'000	Share options reserve (Unaudited and restated) HK$'000	General reserve (Unaudited and restated) HK$'000	Accumulated losses (Unaudited and restated) HK$'000	Total (Unaudited and restated) HK$'000	Non-controlling interests (Unaudited and restated) HK$'000	Total (Unaudited and restated) HK$'000
At 1st April 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 period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(14,619)**	**(14,619)**	**(2,683)**	**(17,302)**
Deemed contribution from the shareholder	**–**	**–**	**2,834**	**–**	**–**	**–**	**–**	**–**	**2,834**	**2,833**	**5,667**
At 30th September 2013	**37,179**	**769,675**	**22,049**	**78,108**	**74,860**	**20,831**	**13,433**	**(666,103)**	**350,032**	**(74,276)**	**275,756**
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
Loss and total comprehensive expense for the period	–	–	–	–	–	–	–	(14,661)	(14,661)	–	(14,661)
At 30th September 2012	37,179	769,675	19,215	78,108	73,229	20,831	12,931	(626,869)	384,299	9	384,308

Condensed Consolidated Statement of Cash Flow

For the six months ended 30th September 2013

	Six months ended 30th September	
	2013	2012
	(Unaudited)	(Unaudited and restated)
	HK$'000	HK$'000
Net cash (used in) from operating activities	**(56,098)**	2,879
Net cash from (used in) investing activities	**6,714**	(8,700)
Net cash from (used in) financing activities	**34,421**	(431)
Decrease in cash and cash equivalents	**(14,963)**	(6,252)
Cash and cash equivalent at beginning of the period	**105,667**	121,471
Cash and cash equivalent at end of the period, representing bank balances and cash	**90,704**	115,219

Notes to the Condensed Consolidated Financial Statements

1. GENERAL INFORMATION

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 condensed consolidated financial statements are presented in Hong Kong dollars while the functional currency of the Company is Renminbi. The reason for selecting Hong Kong dollars 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 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"), and the system integration and software development.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The condensed consolidated financial statements for the six months ended 30th September 2013 are unaudited and have been reviewed by the audit committee of the Company.

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in condensed consolidated financial statements for the six months ended 30th September 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st March 2013.

In the current interim period, the Group has adopted, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements.

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
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
Amendments to HKAS 1	Presentation of financial statements – Presentation of items of other comprehensive income
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

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

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK (SIC) INT 12 "Consolidation – Special purpose entities". HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. 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 has been 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.

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. HK(SIC) INT 13 "Jointly controlled entities – Non-monetary contributions by venturers" will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements 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. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

Impact of the application of HKFRS 12

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

Upon the adoption of these five standards in the Group's consolidated financial statements for this financial period beginning 1st April 2013, the Group's investment in Beijing Honglian 95 Information Industries Company Limited 北京鴻聯九五信息產業有限公司 ("HL 95"), which was previously classified as a jointly controlled entity ("JCE") under HKAS 31 and accounted for using the proportionate consolidation method, was classified as a joint venture and accounted for using the equity method under HKFRS 11, resulting in the aggregation of the Group's proportionate share of HL 95's respective net assets and items of profit or loss into a single line item which were presented in the consolidated statement of financial position and in the consolidated statement of comprehensive income as "interest in a joint venture" and "share of profit of a joint venture", respectively. The profit after tax of the Group was the same under equity method and under proportionate consolidation method. The comparative amount has been restated with HL95 being equity accounted for since the date of acquisition. The comparative amount for the six months ended 30th September 2012 has also been restated with China Credit information Technology Company Limited 中信國檢信息技術有限公司 ("CCIT") which was still a JCE of the Group during that period.

Notes to the Condensed Consolidated Financial Statements (continued)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures (continued)

Impact of the application of HKFRS 12 (continued)

The operating results previously reported by the Group for the six months ended 30th September 2012 have been restated to equity accounted for the Group's JCEs as set out below:

	The Group (as previously reported) HK$'000	JCEs HK$'000	The Group HK$'000 (Restated)
Turnover	245,657	(238,105)	7,552
Cost of sales and services	(215,807)	206,574	(9,233)
Gross profit/(loss)	29,850	(31,531)	(1,681)
Other income, gains and losses	(5)	(108)	(113)
Administrative expenses	(47,182)	30,654	(16,528)
Share of profit of an associate	3,585	–	3,585
Share of net results of joint ventures	–	434	434
Interest expenses	(430)	430	–
Loss before taxation	(14,182)	(121)	(14,303)
Taxation	(479)	121	(358)
Loss for the period	(14,661)	–	(14,661)

Notes to the Condensed Consolidated Financial Statements (continued)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures (continued)

Impact of the application of HKFRS 12 (continued)

The financial position previously reported by the Group as at 31st March 2013 have been restated to equity accounted for the Group's JCE as set out below:

	The Group (as previously reported) HK$'000	JCE HK$'000	The Group HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	51,575	(43,208)	8,367
Intangible assets	39,157	–	39,157
Interest in an associate	97,471	–	97,471
Interest in a joint venture	–	90,864	90,864
Available-for-sale investments	9,375	–	9,375
	197,578	47,656	245,234
Current assets			
Amounts due from customers for contract work	949	–	949
Debtors and prepayments	96,497	(87,173)	9,324
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
	259,885	(105,391)	154,494
Current liabilities			
Creditors and accruals	159,261	(51,291)	107,970
Taxation payable	338	(319)	19
Short-term loans	6,125	(6,125)	–
	165,724	(57,735)	107,989
Net current assets	94,161	(47,656)	46,505
Total assets less current liabilities	291,739	–	291,739
Non-current liability			
Deferred taxation	4,348	–	4,348
	287,391	–	287,391

Notes to the Condensed Consolidated Financial Statements (continued)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 "Presentation of items of other comprehensive income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "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. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The title of condensed consolidated statement of comprehensive income has been changed to condensed consolidated statement of profit and loss and other comprehensive income.

Other than the above, the directors of the Company anticipate that the application of other new and revised HKFRSs has had no material impact on these condensed consolidated financial statements.

3. SEGMENT INFORMATION

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

Principal activities are as follows:

PIATS business	–	operation of an exclusive platform for PIATS
System integration and software development	–	provision of system integration and software development

Notes to the Condensed Consolidated Financial Statements (continued)

3. SEGMENT INFORMATION (continued)

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

	Segment revenue		Segment profit/(loss)	
	Six months ended 30th September			
	2013	2012	**2013**	2012
	(unaudited)	(unaudited and restated)	**(unaudited)**	(unaudited and restated)
	HK$'000	HK$'000	**HK$'000**	HK$'000
PIATS business	**13,286**	6,299	**(12,509)**	(11,418)
System integration and software development	**1,606**	1,253	**382**	(151)
Total	**14,892**	7,552	**(12,127)**	(11,569)
Other income, gains and losses			**885**	(113)
Share of profit of an associate			**1,005**	3,585
Share of net results of joint ventures			**530**	434
Unallocated expenses			**(7,495)**	(6,640)
Loss before taxation			**(17,202)**	(14,303)

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30th September	
	2013	2012
	(Unaudited)	(Unaudited and restated)
	HK$'000	HK$'000
Interest income from bank deposits	**213**	640
Imputed interest income on loans receivable	**–**	823
Imputed interest expense on long-term loan	**(204)**	–
Dividends from listed equity securities	**929**	772
Change in fair value of investments held for trading	**71**	(2,412)
Change in value of loans receivable upon initial recognition	**–**	(35)
Net exchange (loss) gain	**(124)**	99
	885	(113)

Notes to the Condensed Consolidated Financial Statements (continued)

5. SHARE OF PROFIT OF AN ASSOCIATE

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

6. SHARE OF NET RESULTS OF JOINT VENTURES

The Group recorded a share of profit from a 49%-owned joint venture, HL 95 for both periods, and for the six months ended 30th September 2012, a share of loss from a 50%-owned joint venture, CCIT.

7. TAXATION

The charge represents withholding tax on dividends.

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

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

8. LOSS FOR THE PERIOD

	Six months ended 30th September	
	2013	2012
	(Unaudited)	(Unaudited and restated)
	HK$'000	HK$'000
Loss for the period has been arrived at after charging (crediting):		
Staff costs	**16,913**	10,048
Depreciation	**1,051**	1,293
Operating lease rentals in respect of buildings	**3,788**	2,096
Reversal of impairment losses on trade receivables	**(352)**	(167)

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company for the period is based on the loss for the purposes of basic and diluted loss per share of HK$14,619,000 (2012: HK$14,661,000) and the weighted average number of ordinary shares for the purposes of basic and diluted loss per share of 3,717,870,000 (2012: 3,717,870,000).

The diluted loss per share for the six months period ended 30th September 2013 and 2012 are not presented as the exercise of the outstanding share options would result in a decrease in loss per share for both periods.

Notes to the Condensed Consolidated Financial Statements (continued)

10. INTANGIBLE ASSETS

Intangible assets represented the Group's license rights acquired from third parties. Such licenses are amortised over an estimated useful life of 20 years on a straight-line basis.

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

11. DEBTORS AND PREPAYMENTS

	30th September 2013 (Unaudited) HK$'000	31st March 2013 (Restated) HK$'000
Trade receivables	**34,990**	26,109
Less: Allowance for doubtful debts	**(26,071)**	(26,071)
	8,919	38
Deposits and prepayments	**9,039**	9,286
	17,958	9,324

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:

	30th September 2013 (Unaudited) HK$'000	31st March 2013 (Restated) HK$'000
0-90 days	**8,502**	30
91-180 days	**386**	–
181-360 days	**–**	–
Over 360 days	**31**	8
	8,919	38

Notes to the Condensed Consolidated Financial Statements (continued)

12. CREDITORS AND ACCRUALS

	30th September 2013 (Unaudited) HK$'000	31st March 2013 (Restated) HK$'000
Trade payables	3,969	13,646
Receipt in advance from customers	12,169	13,703
Other payables and accruals	54,903	80,621
	71,041	107,970

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

	30th September 2013 (Unaudited) HK$'000	31st March 2013 (Restated) HK$'000
0-90 days	41	112
91-180 days	–	50
181-360 days	83	264
Over 360 days	3,845	13,220
	3,969	13,646

13. LONG-TERM LOAN

On 20th August 2013, CCIT, a 50%-owned subsidiary of the Group, entered into a loan agreement with a director of the Group in which the director granted a non-interest bearing and unsecured three-year loan of RMB27,537,000 (equivalent to HK$34,421,000) to CCIT for the continuous development of the PIATS business.

Notes to the Condensed Consolidated Financial Statements (continued)

14. SHARE CAPITAL

	Number of ordinary shares	HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 1st April 2012, 31st March 2013 and 30th September 2013	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1st April 2012, 31st March 2013 and 30th September 2013	3,717,869,631	37,179

15. COMMITMENTS

(a) Capital commitment

	30th September 2013 (Unaudited) HK$'000	31st March 2013 (Restated) HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	–	314

(b) Operating leases

At the end of 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:

	30th September 2013 (Unaudited) HK$'000	31st March 2013 (Restated) HK$'000
Within one year	**6,465**	7,489
In the second to fifth year inclusive	**19,005**	21,462
	25,470	28,951

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

16. 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 Services Agreement in an aggregate amount of approximately RMB116 million (the "Oracle Licence and Services 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 Beijing Oracle to enforce the Arbitral Award. Details of the Arbitral Award were set out in the Company's announcement dated 24th June 2010. By a judgment made by Beijing First Intermediate People's Court dated 25th October 2011, the Arbitral Award was set aside. As a result, the Company received another court order dated 7th December 2011 from the High Court of the HKSAR that the legal action of the Order was discontinued. Accordingly, the 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. The legal proceedings of the claim were still in progress at the end of the reporting period.

On 18th January 2012, Oracle Beijing, being the plaintiff, commenced a new legal action in the High Court of the HKSAR against the Company, CITIC 21CN Technology and Oracle Systems Hong Kong Limited, an independent third party, for an alleged breach of the Oracle Licence and Services Agreement and Payment Agreement and claimed for payment in relation to the agreements of approximately RMB88 million together with it costs. On 5th April 2012, the Company and CITIC 21CN Technology took out a Summons to apply for the legal action to be stayed but was refused by a Judgment dated 18th September 2013. The Defence of the Company and CITIC 21 CN 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 condensed consolidated financial statements as at 30th September 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 condensed consolidated financial statements.