



Alibaba Health Information Technology Limited
阿里健康信息技术有限公司

(Incorporated in Bermuda with limited liability)

Stock code: 00241

INTERIM REPORT
2014

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. WANG Jian (Chairman and Chief Executive Officer)

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. YAN Xuan

Mr. LUO Tong

Mr. WONG King On, Samuel

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. LUO Tong

Mr. WONG King On, Samuel

AUTHORISED REPRESENTATIVES

Dr. WANG Jian

Mr. AU Kin Fai, HKICPA

COMPANY SECRETARY

Mr. AU Kin Fai, HKICPA

LEGAL ADVISORS

Michael Tam & Co in association with

Berwin Leighton Paisner (HK) LLP

Chu & Lau Solicitors & Notaries

AUDITORS

Deloitte Touche Tohmatsu

Certified Public Accountants (retired on August 15, 2014)

Ernst & Young

Certified Public Accountants (appointed on August 15, 2014)

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

Management Discussion and Analysis

FINANCIAL REVIEW

The key financial figures of the Group for the six months ended September 30, 2014 and the comparative figures for the six months ended September 30, 2013 are summarized as follows:

	Six months ended September 30,	
	2014 Unaudited HK\$'000	2013 Restated HK\$'000
Revenue	18,647	6,289
Gross profit/(loss)	1,182	(6,534)
Gross profit/(loss) percentage	6.3%	(103.9%)
Other income and gains	8,664	1,213
Administrative expenses	50,832	21,691
Other expenses	5,820	328
Share of profit of an associate	8,245	1,005
Share of profit of a joint venture	4,710	530
Net loss attributable to owners	33,755	23,222
Loss per share		
Basic and diluted	0.45 cents	0.62 cents

Management Discussion and Analysis (continued)

FINANCIAL REVIEW (continued)

Results

Revenue

The Group's revenue for the six months ended September 30, 2014 was HK\$18,647,000, representing an increase of HK\$12,358,000 or 196.5% from HK\$6,289,000 (restated) of the corresponding period of the preceding year 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 中國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 product identification, authentication and tracking system ("PIATS") business. The Group's revenue from PIATS business, generated substantially from the drug industry, was HK\$18,647,000, representing an increase of HK\$13,964,000 or 298.2% from HK\$4,683,000 (restated) of the corresponding period of the preceding year. The growth in revenue during the current period was due to the increase in service fee income received from medical and health institutions following the intensive promotion of PIATS in the drug industry and the increased adoption of PIATS by drug manufacturers, drug distributors and pharmacies 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 system integration services and software development. Grand Cycle did not generate any revenue for the six months ended September 30, 2014, while it recorded a revenue of HK\$1,606,000 in the corresponding period of the preceding year. The operations of Grand Cycle had already been scaled down and the revenue for the corresponding period of the preceding year represented revenue generated from outstanding contracts in respect of system integration services provided to the telecom industry.

Gross profit/(loss) percentage

During the current period, the Group recorded gross profit percentage of 6.3% as compared with the gross loss percentage of 103.9% for the corresponding period of the preceding year. The improvement in profitability was mainly attributable to the increase in revenue from PIATS business while most of the cost of services of PIATS was fixed in nature. PIATS business remains an innovative and developing business, hence management expects that the Group's gross profit/(loss) percentage will continue to fluctuate in the future.

Other income and gains

During the current period, the Group recorded other income and gains of HK\$8,664,000, representing an increase of HK\$7,451,000 compared with the other income and gains of HK\$1,213,000 for the corresponding period of the preceding year. Such increase was mainly due to the interest income, which increased from HK\$213,000 for the six months period ended September 30, 2013 to HK\$7,338,000 for the six months period ended September 30, 2014 attributable to the receipt of net proceeds of HK\$1,326,285,000 from the issuance of shares.

Management Discussion and Analysis (continued)

FINANCIAL REVIEW (continued)

Results (continued)

Administrative expenses

Administrative expenses for the six months ended September 30, 2014 was HK\$50,832,000, representing an increase of HK\$29,141,000 or 134.4% as compared with HK\$21,691,000 for the corresponding period of the preceding year. Such increase was principally due to the net impact of HK\$13,467,000 bad debt provision was recognized, and continuous development of the PIATS business and exploration of new business which led to higher payroll and office expenses to cope with the growth in business.

Other expenses

During the current period, the Group recorded other expenses of HK\$5,820,000, representing an increase of HK\$5,492,000 compared with the other expenses of HK\$328,000 for the corresponding period of the preceding year. Such increase was mainly due to the HK\$5,538,000 loss on disposal of items of property, plant and equipment in current period.

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\$8,245,000 for the six months ended September 30, 2014, representing an increase of HK\$7,240,000 or 720.4% as compared with HK\$1,005,000 for the corresponding period of the preceding year. The increase was mainly due to increased sales of high margin products, receipt of more subsidy income and decreased administrative expenses.

Share of profit of a joint venture

Share of profit of a joint venture represented the share of profit of 北京鴻聯九五信息產業有限公司 (Beijing Honglian 95 Information Industries Company Limited (“HL95”)), which provides telecommunications/information value-added services. The share of profit of HL95 was HK\$4,710,000 representing an increase of HK\$4,180,000 or 788.7% as compared with HK\$530,000 for the corresponding period of the preceding year. The increase was mainly due to several large call centers which were set up in prior periods starting to generate profit and HL95’s new labor outsourcing business being profitable.

Net loss attributable to owners

Net loss attributable to owners for the six months ended September 30, 2014 was HK\$33,755,000, representing an increase of HK\$10,533,000 or 45.4% as compared with HK\$23,222,000 (restated) for the corresponding period of the preceding year.

Loss per share

Basic and diluted loss per share was HK\$0.45 cents for the six months ended September 30, 2014, improved from HK\$0.62 cents (restated) for the corresponding period of the preceding year.



Management Discussion and Analysis (continued)

FINANCIAL RESOURCES, LIQUIDITY AND FOREIGN EXCHANGE EXPOSURES

The financial positions of the Group as at September 30, 2014 and the corresponding comparative figures as at March 31, 2014 are summarized as follows:

	September 30, 2014 HK\$'000 Unaudited	March 31, 2014 HK\$'000 Restated
Current assets	1,560,392	253,211
Including		
– bank balances and cash (mainly denominated in Hong Kong dollar, Renminbi and United States dollar)	1,534,997	221,339
– debtors	17,517	24,150
Current liabilities	133,311	117,227
Current ratio (current assets/current liabilities)	11.70	2.16
Quick ratio (bank balances and cash and debtors/current liabilities)	11.65	2.09
Shareholders' equity	1,717,111	421,843
Gearing ratio (bank loans/shareholders' equity)	N/A	N/A

Bank balances and cash including fixed deposits held at a bank with maturity over three months increased by HK\$1,313,658,000 or 593.5% from HK\$221,339,000 as at March 31, 2014 to HK\$1,534,997,000 as at September 30, 2014. The increase in bank balances and cash was mainly due to the receipt of net proceeds of HK\$1,326,285,000 from the issuance of shares.

Trade debtors decreased by HK\$6,633,000 or 27.5% from HK\$24,150,000 (restated) as at March 31, 2014 to HK\$17,517,000 as at September 30, 2014, as a result of the increase in sales from the PIATS business and bad debt loss provided.

As at September 30, 2014, current and quick ratios substantially increased, mainly attributable to the increase in bank balances and cash as mentioned above. The current ratio was 11.70 (March 31, 2014: 2.16) and the quick ratio was 11.65 (March 31, 2014: 2.09).

Shareholders' equity increased by HK\$1,295,268,000 or 307.0% from HK\$421,843,000 (restated) as at March 31, 2014 to HK\$1,717,111,000 as at September 30, 2014, mainly due to the issuance of new shares in April 2014 with net proceeds which amounted to HK\$1,326,285,000.

The Group did not have any bank loans and hence no gearing ratio was shown as at September 30, 2014 or March 31, 2014.

Management Discussion and Analysis (continued)

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 United States dollar, Hong Kong dollar or Renminbi, other assets and liabilities are mainly denominated in either Hong Kong dollar or Renminbi. The Directors believe that there will not be material fluctuation in the exchange rate of US dollar against Hong Kong dollar, the reporting currency, in the foreseeable future, and the gradual and slight increase in the exchange rate of Renminbi against Hong Kong dollar would result in an 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. Nevertheless, the Group is exposed to significant exchange rate risk as more than one-third of its bank balances and cash are dominated in Renminbi.

BUSINESS REVIEW

The Group is an integrated information and content service provider, emphasizing on innovation as well as seeking ways to apply the latest data technology to provide unique information services to PRC governmental departments, manufacturers, the pharmaceutical industry and consumers.

- **PIATS Business**

The Company's subsidiaries, CITIC 21CN Technology and CCIT, are principally engaged in the provision of product tracking, recalling and enforcing information services to relevant PRC authorities through the operation of PIATS; the provision of product tracking and logistics information services to manufacturers; and the provision of product information and authentication services to consumers. Since its launch, the innovative concept of PIATS has achieved widespread adoption across the drug industry in the PRC, and has also been applied to certain food and beverage, cosmetics and agricultural resources products. This application of PIATS has achieved remarkable results, in effectively protecting enterprise and product brands and maintaining an orderly market, and in establishing an integrity system for the market that is recognized by consumers, the government and enterprises.

During the current period, the Group continued to promote the adoption of PIATS by more medical and healthcare institutions, pharmaceutical stores and other drug retailers in the PRC. In connection with such promotion, the Group also continued to provide related technical support services, corporate training and implementation guidance.

Future prospects

The continued advancement of electronic monitoring system is a testament to the PRC government's view of its use as an important means of strengthening drug administration. The PRC relevant authorities are continuing to promote the application of electronic monitoring system by stages beyond basic drugs to other drug preparations, and to expand its use in the industry.

The Group will continue to work closely with the PRC relevant authorities and further expand the breadth and depth of PIATS application.

At the same time, the Group plans to expand the adoption of PIATS to provide integrated product tracking and data processing and management solutions, including pioneering cloud-based information management and sharing platform for healthcare enterprises, for an expanded customer base in the entire healthcare sector, including hospitals, community health centers and pharmacies (the "PIATS Value-Added Services").

In doing so, the Group is planning to enhance the PIATS infrastructure, develop a data standard for pharmaceutical and healthcare industry and provide value-added services to integrate data processing and management systems of customers to the enhanced PIATS infrastructure. The Company has also been exploring ways to create more value for its customers by utilizing the PIATS Value-Added Services. The Company believes that the provision of the PIATS Value-Added Services will generate significant increase in traffic and data size of the PIATS in the near future.

Management Discussion and Analysis (continued)

BUSINESS REVIEW (continued)

- **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 Technology to provide SMS, IVRS, call center outsourcing services and other telecom services in the PRC. HL95 mainly provides call center outsourcing services for telecom operators, financial institutions and e-commerce companies throughout the country. HL95 currently has more than 6,000 call center seats. HL95 offers governmental, commercial and entertainment information through its SMS and IVRS services. HL95 also provides other telecommunication/information VAS such as IP phone services and business SMS services.

Future prospects

HL95 will continue its transformation from a value-added telecom service provider for individual consumers to a value-added telecom service provider that mainly focuses on call center outsourcing services for large and medium-sized enterprises. HL95 has accumulated a wealth of experience and established a good reputation in the call center industry in the PRC. Going forward, HL95 will continue to maintain and develop its relationships with cooperation partners, and expand its call center outsourcing business. HL95’s management will continue to seek other SMS business opportunities with corporate customers.

- **Dongfang Customs**

Dongfang Customs, which is a joint venture with the PRC Customs Department and China Telecom, is mainly engaged in the development of, provision of technical support for, operation and maintenance of, and provision of customer services for, China’s e-port logistics business projects. It provides logistics e-commerce services and solutions (products) for government administrative departments, the logistics industry, banks, insurance companies, the information security industry and over 800,000 import/export entities. Its products or services include certificate 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 prospects

The PRC government has been encouraging customs and enterprises in different regions to work together to establish e-port logistics business operation systems because informatization construction in the field of import/export logistics business not only expedites the customs declaration process but also helps to minimize the handling costs involved. Given that China is a major global manufacturing base and Dongfang Customs is continuing to look for new business opportunities in addition to its existing technical support, database management and hardware trading activities, the Group considers that the business of Dongfang Customs will continue to provide it with reasonable returns.

- **Grand Cycle**

Grand Cycle is engaged in system integration and software development.

Future prospects

Grand Cycle will continue to provide various system integration and software development services.

Management Discussion and Analysis (continued)

EMPLOYEES AND REMUNERATION POLICIES

The numbers of full-time employees of the Group as at September 30, 2014 are detailed as follows:

Location	PIATS business	System integration and software development	Corporate	Joint venture	Associate
– Hong Kong	–	–	4	–	–
– The PRC	179	3	–	10,963	224
Total	179	3	4	10,963	224

Total staff costs of the Group included in the administrative expenses for the six months ended September 30, 2014 were HK\$22,491,000. 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 based on performance.

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 September 30, 2014, no share options were granted to employees of the Group.

Additional Information

DIRECTORS

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

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

Mr. Yan Xuan	(appointed on May 9, 2014)
Mr. Luo Tong	(appointed on May 9, 2014)
Mr. Wong King On, Samuel	(appointed on May 9, 2014)
Dr. Hui Ho Ming, Herbert, JP	(resigned on May 9, 2014)
Mr. Zhang Jian Ming	(resigned on May 9, 2014)
Dr. Long Junsheng	(resigned on May 9, 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 April 30, 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 was 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 was appointed as a non-executive director of the Company.

Additional Information (continued)

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS (continued)

With effect from May 9, 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 was appointed as the Chairman of the Board, the Chairman of the Nomination Committee and the Chief Executive Officer of the Company;
- Mr. Yan Xuan was appointed as an independent non-executive director, the Chairman of the Remuneration Committee and a member of the Audit Committee;
- Mr. Luo Tong was 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 was 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 was appointed as a member of the Audit Committee and a member of the Remuneration Committee.



Additional Information (continued)

SHARE OPTIONS

At the annual general meeting of the Company held on August 29, 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 August 30, 2002 expired on August 29, 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. No share options were granted under the Scheme during the six months ended September 30, 2014.

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

	Date of grant	Exercise price HK\$	Exercise period	Number of options at April 1, 2014	Exercised during the period	Number of options at September 30, 2014	Weighted average closing price of shares immediately before the date(s) on which options were exercised HK\$
Employees	23.3.2005	3.175	23.3.2006 to 23.3.2015	100,000	(100,000)	-	5.27
	23.3.2005	3.175	23.3.2007 to 23.3.2015	100,000	(100,000)	-	5.27
	23.3.2005	3.175	23.3.2008 to 23.3.2015	100,000	(100,000)	-	5.27
	23.3.2005	3.175	23.3.2009 to 23.3.2015	100,000	(100,000)	-	5.27
	23.3.2005	3.175	23.3.2010 to 23.3.2015	100,000	(100,000)	-	5.27
				500,000	(500,000)	-	

Additional Information (continued)

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

On September 30, 2014, 中信21世紀(中國)科技有限公司 (CITIC 21CN (China) Technology Company Limited*) ("CITIC 21CN Technology") entered into the Cloud Computing Services Agreement with 阿里雲計算有限公司 (Alibaba Cloud Computing Ltd.*) ("Alibaba Cloud"), pursuant to which Alibaba Cloud will provide certain cloud computing services to the Group, for a term of six months commencing from October 1, 2014 and that the expected total fees payables for the year ending March 31, 2015 will not exceed HK\$7,000,000. Alibaba Cloud is a member of the Alibaba Group. Each of Dr. Wang Jian, Mr. Zhang Yong, Mr. Chen Jun and Mr. Chia Pun Kok, who are employees of Alibaba Group Holding Limited ("Alibaba Holding") or its subsidiaries, and Mr. Yu Feng, who owns 60% of Yunfeng Investment GP II, Ltd., which indirectly controls Innovare Tech Limited, which in turn holds the remaining shares of Perfect Advance not held by Alibaba Holding. Each of these directors was deemed or may be perceived to have a material interest in the transaction. Accordingly, they abstained from voting on the resolutions passed by the Board to approve the Cloud Computing Services Agreement.

Save for disclosed in the above, no contract 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 or at any time during the period.

* *for identification purpose only*



Additional Information (continued)

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at September 30, 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 (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:

Long Positions in Shares and Underlying Shares of the Company

	Number of ordinary shares and underlying shares held		
	Shares (Corporate interest)	interest in shares/ underlying shares	% of the issued share of the Company
Ms. Chen Xiao Ying	777,937,030 ⁽¹⁾		9.52%
Mr. Yu Feng		5,201,112,038 ⁽²⁾	63.64%

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 777,937,030 shares in the Company. Accordingly, Ms. Chen Xiao Ying is interested in the shares held by Uni-Tech International Group Limited.
2. Perfect Advance Holding Limited ("Perfect Advance") holds 4,423,175,008 shares (representing 54.12% of the issued share capital of the Company). In addition, as a security for her obligations under the Subscription agreement, Ms. Chen Xiao Ying provided to Perfect Advance a share charge over 777,937,030 shares (representing 9.52% of the issued share capital of the Company) indirectly held by her for a period of 18 months from April 30, 2014. Perfect Advance is therefore deemed to have an interest in an aggregate of 5,201,112,038 shares (representing 63.64% of the issued share capital of the Company).

Perfect Advance is owned by Alibaba Investment Limited ("AIL") as to 70.21% and Innovare Tech Limited ("Innovare") as to 29.79%. Perfect Advance is a party to the shareholders agreement dated April 30, 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 March 21, 2014 for the details of the said shareholders agreement.) Innovare is therefore deemed to have an interest in an aggregate of 5,201,112,038 shares (representing 63.64% of the issued share capital of the Company).

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. Yu Feng as to 60%. Accordingly, Mr. Yu Feng is deemed to have an interest in an aggregate of 5,201,112,038 shares (representing 63.64% of the issued share capital of the Company) via Perfect Advance within the meaning of Part XV of the SFO.

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 SHARES AND UNDERLYING SHARES

As at September 30, 2014, 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:

Long Positions in Shares and Underlying Shares of the Company

Name	Nature of interest	Number of Shares held	Total interest in Shares/ underlying Shares	Approximate percentage of the issued share capital
Perfect Advance Holding Limited (Note (a))	Beneficial owner	4,423,175,008	5,201,112,038	63.64%
Alibaba Group Holding Limited (Note (a))	Interest of controlled corporation	4,423,175,008	5,201,112,038	63.64%
Alibaba Investment Limited (Note (a))	Interest of controlled corporation	4,423,175,008	5,201,112,038	63.64%
Innovare Tech Limited (Note (a))	Persons acting in concert	4,423,175,008	5,201,112,038	63.64%
Yunfeng Fund II, L.P. (Note (a))	Persons acting in concert	4,423,175,008	5,201,112,038	63.64%
Yunfeng Investment GP II, Ltd. (Note (a))	Interest of controlled corporation	4,423,175,008	5,201,112,038	63.64%
Yunfeng Investment II, L.P. (Note (a))	Interest of controlled corporation	4,423,175,008	5,201,112,038	63.64%
Uni-Tech International Group Limited (Note (b))	Beneficial owner	777,937,030	777,937,030	9.52%
21CN Corporation (Note (b))	Interest of controlled corporation	777,937,030	777,937,030	9.52%
Pollon Internet Corporation (Note (b))	Interest of controlled corporation	777,937,030	777,937,030	9.52%
Road Shine Developments Limited (Note (c))	Interest of controlled corporation	600,000,000	600,000,000	7.34%

Additional Information (continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Long Positions in Shares and Underlying Shares of the Company (continued)

Notes:

- (a) Perfect Advance Holding Limited ("Perfect Advance") holds 4,423,175,008 shares (representing 54.12% of the issued share capital of the Company). In addition, as a security for her obligations under the Subscription agreement, Ms. Chen Xiao Ying provided to Perfect Advance a share charge over 777,937,030 shares (representing 9.52% of the issued share capital of the Company) indirectly held by her for a period of 18 months from April 30, 2014. Perfect Advance is therefore deemed to have an interest in an aggregate of 5,201,112,038 shares (representing 63.64% of the issued share capital of the Company), and each of Perfect Advance and Innovare is also deemed to have an interest in an aggregate of 5,201,112,038 shares (representing 63.64% of the issued share capital of the Company).

Perfect Advance is owned by Alibaba Investment Limited ("AIL") as to 70.21% and Innovare Tech Limited ("Innovare") as to 29.79%. Perfect Advance is a party to the shareholders agreement dated April 30, 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 March 21, 2014 for the details of the said shareholders agreement.)

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%. Accordingly, each of Yunfeng Fund II, L.P., Yunfeng Investment II, L.P., Yunfeng Investment GP II, Ltd., Mr. Ma Yun and Mr. Yu Feng is also deemed to have an interest in an aggregate of 5,201,112,038 shares (representing 63.64% of the issued share capital of the Company) via Perfect Advance within the meaning of Part XV of the SFO.

- (b) 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, the executive Vice Chairman of the Company.
- (c) Road Shine Developments Limited is wholly-owned by Guoan Elstrong Limited which is an indirect wholly-owned subsidiary of CITIC Guoan Group. The disclosure is based on the disclosure of interests forms filed by Road Shine Developments Limited and CITIC Guoan Group with The Stock Exchange of Hong Kong Limited on August 5, 2014.

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.

CONNECTED TRANSACTIONS

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

On December 20, 2013, 中信21世紀(中國)科技有限公司 (CITIC 21CN (China) Technology Company Limited*) ("CITIC 21CN Technology") and CITIC 21CN Telecom Company Limited ("CITIC 21CN Telecom"), both are indirectly wholly-owned subsidiaries of the Company, as the lenders 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 and the CITIC 21CN Telecom Loan Renewal Agreement (both were defined in the Company's circular dated January 13, 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, the grant of the New CITIC 21CN Technology Loan in the sum of RMB35,000,000 and the extension of the maturity date of the CITIC 21CN Telecom Loan in the sum of US\$6,900,000 to CCIT. All these loans (as defined in the Circular) were non-interest bearing and unsecured, and they were newly granted or further extended to November 30, 2016.

* for identification purpose only

Additional Information (continued)

CONNECTED TRANSACTIONS (continued)

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

CCIT is held as to 50% by the Company, 30% by CITIC Group Corporation and 20% by 中國華信郵電經濟開發中心 (China Huaxin Telecom Economic Development Centre*). Before April 30, 2014, CITIC Group Corporation was a substantial shareholder and a connected person of the Company. CCIT was thus 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 during special general meeting of the Company held on January 29, 2014.

As from April 30, 2014, upon the completion of the Subscription by Perfect Advance, CITIC Group Corporation was no longer a substantial shareholder of the Company. Accordingly, CCIT was no longer a connected person of the Company as defined in the Listing Rules as from April 30, 2014.

Up to April 30, 2014, the aggregate loan amount, including the Existing CITIC 21CN Technology Loans, the New CITIC 21CN Technology Loan and the CITIC 21CN Telecom Loan, was approximately RMB115,056,000.

(b) Loan from a director to CCIT

On August 20, 2013, CCIT 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 last financial year ended March 31, 2014, the loan had been fully repaid and the obligations of all the parties to such loan agreement had been discharged.

(c) Continuing Connected Transaction – Cloud Computing Services Agreement

On September 30, 2014, CITIC 21CN Technology entered into the Cloud Computing Services Agreement with Alibaba Cloud, pursuant to which Alibaba Cloud will provide certain cloud computing services to the Group, for a term of six months commencing from October 1, 2014 and that the expected total fees payable for the year ending March 31, 2015 will not exceed HK\$7,000,000. Perfect Advance is a substantial shareholder and a connected person of the Company. Alibaba Holding is the ultimate majority shareholder of Perfect Advance and Alibaba Cloud is a member of the Alibaba Group. Accordingly, Alibaba Cloud is also a connected person of the Company and the transactions contemplated under the Cloud Computing Services Agreement constitutes continuing connected transactions for the Company in accordance with the Listing Rules. There was no fee payable for the six months ended September 30, 2014.

INTERIM DIVIDEND

The Board resolved that no interim dividend be declared for the six months ended September 30, 2014 (September 30, 2013: 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 listed securities of the Company during the period under review.

* for identification purpose only



Additional Information (continued)

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company strives to attain and maintain high standards of corporate governance as it believes that effective corporate governance practices are fundamental to safeguarding the interests of its shareholders and other stakeholders and enhancing shareholder value.

Throughout the six months ended September 30, 2014, the Company has complied with the code provisions (“Code Provisions”) set out in the Code on Corporate Governance Practices under Appendix 14 to the Listing Rules, except in respect of the following matters:

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 the ex-Chairman was responsible for formulation and implementation of the Company’s strategies, which was essential to the stability of the Company’s business. With effect from May 9, 2014, the new Chairman of the Board, Dr. Wang Jian, is subject to retirement by rotation and re-election in compliance with the Code Provisions.
2. Before May 9, 2014, the Company had not established a nomination committee or adopted any formal board diversity policy. 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 the nomination of new directors, the Board considered each nominee’s qualifications, abilities and potential contribution to the Group. As such, the Board considered that such arrangement provided the Group with sufficient flexibility to identify individuals suitably qualified to become board members for the Group’s innovative and developing business and that these deviations from the Code Provisions were therefore acceptable.

Nonetheless, on May 9, 2014 and June 19, 2014, a nomination committee was formed and a board diversity policy was adopted, respectively, in compliance with the Code Provisions.

3. Before June 18, 2014, the Company did not arrange insurance cover in respect of legal action against its Directors, as disclosed in the Company’s annual report dated June 19, 2014. However, the Board has arranged insurance cover in respect of legal action against the Directors, with effect from June 18, 2014.
4. Code Provision A.2.1 states that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Dr. Wang Jian has served as the Chairman of the Board and the CEO of the Company since May 9, 2014. 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 his importance in the strategic development of the Company. The dual role arrangement helps provide strong and consistent leadership and is critical for efficient business planning and decision making of the Company. As all major decisions of the Company will be made in consultation with members of the Board and the relevant Board committees, and there are three INEDs on the Board offering independent perspectives, the Board is of the view that there are adequate safeguards in place to ensure sufficient balance of powers with the Board and this deviation from the Code Provisions is therefore acceptable.

Additional Information (continued)

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the model code as set out in Appendix 10 to the Listing Rules (the “Model Code”) to regulate the Directors’ dealings in the Group’s securities. In response to specific enquiries by the Company, all Directors have confirmed that they have complied with the Model Code in their securities transactions throughout the six months ended September 30, 2014.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises four directors (three INEDs and one non-executive director) of the Company.

These unaudited condensed consolidated interim financial statements for the six months ended September 30, 2014 of the Group have been reviewed by the audit committee.

Hong Kong

November 24, 2014



Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended September 30, 2014

	Notes	Six months ended September 30,	
		2014 Unaudited HK\$'000	2013 Restated (note 2) HK\$'000
REVENUE	3	18,647	6,289
Cost of sales		(17,465)	(12,823)
Gross profit/(loss)		1,182	(6,534)
Other income and gains	4	8,664	1,213
Administrative expenses		(50,832)	(21,691)
Other expenses		(5,820)	(328)
Share of profit of an associate	5	8,245	1,005
Share of profit of a joint venture	6	4,710	530
LOSS BEFORE TAX	7	(33,851)	(25,805)
Income tax	8	(825)	(100)
LOSS FOR THE PERIOD		(34,676)	(25,905)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations		2,012	–
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		2,012	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		2,012	–
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	7	(32,664)	(25,905)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

For the six months ended September 30, 2014

	Notes	Six months ended September 30,	
		2014 Unaudited HK\$'000	2013 Restated (note 2) HK\$'000
Loss for the period attributable to:			
Owners of the Company		(33,755)	(23,222)
Non-controlling interests		(921)	(2,683)
		(34,676)	(25,905)
Total comprehensive loss for the period attributable to:			
Owners of the Company		(31,017)	(23,222)
Non-controlling interests		(1,647)	(2,683)
		(32,664)	(25,905)
LOSS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		HK cents	HK cents
Basic and diluted	9	(0.45)	(0.62)

Condensed Consolidated Statement of Financial Position

As at September 30, 2014

	Notes	September 30, 2014 Unaudited HK\$'000	March 31, 2014 Restated (note 2) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		3,116	10,094
Intangible assets	10	35,036	36,033
Interest in an associate		117,579	107,947
Interest in a joint venture		92,709	86,855
Total non-current assets		248,440	240,929
CURRENT ASSETS			
Debtors and prepayments	11	25,395	31,872
Fixed deposits held at a bank with maturity over three months		55,251	4,962
Cash and cash equivalents		1,479,746	216,377
Total current assets		1,560,392	253,211
CURRENT LIABILITIES			
Creditors and accruals	12	133,292	117,208
Tax payable		19	19
Total current liabilities		133,311	117,227
NET CURRENT ASSETS		1,427,081	135,984
TOTAL ASSETS LESS CURRENT LIABILITIES		1,675,521	376,913
NON-CURRENT LIABILITY			
Deferred tax liabilities		6,133	5,308
Deferred revenue		23,733	19,571
Total non-current liabilities		29,866	24,879
Net assets		1,645,655	352,034
EQUITY			
Equity attributable to owners of the Company			
Issued capital	13	81,727	37,490
Reserves		1,635,384	384,353
		1,717,111	421,843
Non-controlling interests		(71,456)	(69,809)
Total equity		1,645,655	352,034

Condensed Consolidated Statement of Changes in Equity

For the six months ended September 30, 2014

	Attributable to owners of the Company										
	Share Capital	Share premium*	Capital reserve*	Contributed surplus*	Translation reserve*	Share options reserve*	General reserve*	Accumulated losses*	Total	Non-controlling interests	Total
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Restated	Restated	Unaudited	Restated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At April 1, 2014 (note 2)	37,490	880,278	20,089	78,108	74,860	232	13,433	(682,647)	421,843	(69,809)	352,034
Loss for the period	-	-	-	-	-	-	-	(33,755)	(33,755)	(921)	(34,676)
Other comprehensive income for the period:											
Exchange difference on translation of foreign operations	-	-	-	-	2,738	-	-	-	2,738	(726)	2,012
Total comprehensive loss for the period	-	-	-	-	2,738	-	-	(33,755)	(31,017)	(1,647)	(32,664)
Issue of shares	44,232	1,282,721	-	-	-	-	-	-	1,326,953	-	1,326,953
Share issue expenses	-	(2,256)	-	-	-	-	-	-	(2,256)	-	(2,256)
Equity settled share options arrangement	5	1,815	-	-	-	(232)	-	-	1,588	-	1,588
At September 30, 2014	81,727	2,162,558	20,089	78,108	77,598	-	13,433	(716,402)	1,717,111	(71,456)	1,645,655
At April 1, 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 loss for the period	-	-	-	-	-	-	-	(23,222)	(23,222)	(2,683)	(25,905)
Deemed contribution from the shareholder	-	-	2,834	-	-	-	-	-	2,834	2,833	5,667
At September 30, 2013	37,179	769,675	22,049	78,108	74,860	20,831	13,433	(674,706)	341,429	(74,276)	267,153

* These reserve accounts compose the consolidated reserves of HK\$1,635,384,000 (September 30, 2013: HK\$304,250,000 (restated)) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

For the six months ended September 30, 2014

	Notes	Six months ended September 30,	
		2014 Unaudited HK\$'000	2013 Restated HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(33,851)	(25,805)
Adjustments for:			
Interest income	4	(7,338)	(213)
Imputed interest on loans payables		–	204
Dividends from listed equity securities		–	(929)
Share of profit of an associate		(8,245)	(1,005)
Share of profit of a joint venture		(4,710)	(530)
Depreciation		3,599	3,174
Amortization of intangible assets		1,430	2,255
Provision for bad debt		13,467	–
Loss on disposal of items of property, plant and equipment	4	5,538	–
		(30,110)	(22,849)
Decrease in amounts due from customers for contract work		–	1,082
Increase in debtors and prepayments		(6,990)	(8,634)
Decrease in investments held for trading		–	1,487
Increase/(decrease) in creditors, accruals and deferred revenue		20,246	(28,326)
Cash used in operations		(16,854)	(57,240)
Interest received	4	7,338	213
Dividends received from listed equity securities		–	929
Net cash flows used in operating activities		(9,516)	(56,098)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		132	–
Purchase of property, plant and equipment		(2,226)	(466)
Placement of fixed deposit held at a bank with maturity over three months		(50,289)	7,180
Net cash flows from/(used in) investing activities		(52,383)	6,714

Condensed Consolidated Statement of Cash Flows (continued)

For the six months ended September 30, 2014

	Six months ended September 30,	
	2014 Unaudited HK\$'000	2013 Restated HK\$'000
CASH FLOWS FROM FINANCING ACTIVITY		
Proceeds from issue of shares	1,328,541	–
Share issue expenses	(2,256)	–
New short-term bank loans raised	–	34,421
Net cash flows from financing activities	1,326,285	34,421
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,264,386	(14,963)
Cash and cash equivalents at beginning of period	216,377	105,667
Effect of foreign exchange rate changes	(1,017)	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,479,746	90,704
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,479,746	90,704
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS	1,479,746	90,704

Notes to the Condensed Consolidated Financial Statements

1. GENERAL INFORMATION

Alibaba Health Information Technology Limited (the “Company”), previously known as CITIC 21CN Company Limited, 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 interim condensed consolidated financial statements are presented in thousands of Hong Kong dollars (“HK\$”) unless otherwise stated. The functional currency of the Company is Hong Kong dollars. The reason for selecting Hong Kong dollars as presentation currency is because the Company is a public company in Hong Kong with its 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 are 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. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the six months ended September 30, 2014 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 of Hong Kong Limited (the “Listing Rules”) and Hong Kong Accounting Standard (“HKAS”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial statements have been reviewed by the audit committee of the Company but have not been audited.

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended March 31, 2014.

Notes to the Condensed Consolidated Financial Statements (continued)

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

The accounting policies adopted in, and basis of, preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements of the Group for the year ended March 31, 2014, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s condensed consolidated financial statements:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments</i> : <i>Presentation – Offsetting Financial Assets and Financial Liabilities</i>
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of assets</i> : <i>Recoverable Amount Disclosures for Non-Financial Assets</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments</i> : <i>Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>

The adoption of the above HKFRSs has had no significant impact on the Group’s interim condensed consolidated financial statements.

The Group has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective.

Correction of Prior Period Error

Background

Following the completion of the subscription of 4,423,175,008 shares of HK\$0.01 each in the Company on April 30, 2014 by Perfect Advance Holding Limited (the “Subscription”), there was a change in management of the Company, including the appointment of new directors on May 9, 2014 and the appointment of a new chief financial officer in June 2014. The Company also appointed Ernst & Young as its new auditors at its annual general meeting held on August 15, 2014.

As part of Ernst & Young’s audit planning work, the management of the Company discussed its business and accounts with Ernst & Young and further evaluated the Group’s basis of recognition of certain revenue recorded in the year ended March 31, 2014 in respect of granting medical and healthcare institutions an access right to the PIATS platform upon the delivery of the security key.

After this further evaluation, the Board (including the audit committee of the Company) and the management determined that the main purpose of the delivery of the security key and the grant of the access right to the PIATS platform is to allow the relevant medical and healthcare institutions access to the underlying services provided by the Company’s PIATS platform to process their data. Drug manufacturers, wholesalers, retailers, and medical and healthcare institutions are all granted access to the Group’s PIATS platform through use of individualized security keys. Such users are then able to process data on the PIATS platform, including for collection by the Group to provide product tracking, recall and enforcement information services to the relevant PRC authorities. The Group therefore needs to operate and maintain the PIATS platform to allow users to use this service over a period of time.

Notes to the Condensed Consolidated Financial Statements (continued)

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

Correction of Prior Period Error (continued)

Background (continued)

Therefore, the Board concluded that the correct treatment is to recognize the revenue received as the underlying services are provided to the medical and healthcare institutions over time, which is consistent with the treatment of revenue received from other similar users of the PIATS platform, including drug manufacturers, wholesalers and retailers, and the Board decided to proceed with the restatements.

The Company intends to consistently adopt this same accounting treatment to recognize revenue received in respect of the use of its PIATS platform by medical and healthcare institutions for the year ending March 31, 2015. Ernst & Young is expected to concur with the Company's management on the use of such accounting treatment in respect of the Company's financial statements for the year ending March 31, 2015.

Impact of the restatements

The impact of the restatements on the condensed consolidated statement of profit or loss for the year ended March 31, 2014 was to decrease revenue by HK\$32,728,000 and to increase loss by the same amount, while the impact of the restatements on the condensed consolidated statement of financial position as at March 31, 2014 was to decrease net assets and equity by the same amount. The same amount will be correspondingly recognized as revenue over future periods.

The Company commenced the provision of PIATS services to medical and healthcare institutions in the year ended March 31, 2013, but the Company was then correct in recognizing revenue in respect of such customers for the year ended March 31, 2013, as the underlying services were provided over time. Accordingly, the financial statements for the periods prior to the year ended March 31, 2014 are not required to be restated as the error only occurred in respect of financial statements for the year ended March 31, 2014.

Improvement initiatives

The Board has reviewed and discussed the relevant facts in detail with the Company's management and finance teams. It considered that there was an insufficient communication between the old and new management teams during the transition. Since the new management and the Board joined the Company, they have gained a much deeper understanding of the continuously evolving business of the Company, including the PIATS business. As a result, the Board has taken further measures, including requiring more regular meetings between the Company's management, its business and finance teams, its Audit Committee and its auditors to discuss and review any changes in the Company's business or any extension to new types of customers from time to time, so as to ensure more timely assessment and evaluation of the Company's accounting policies, judgments and estimates.

Notes to the Condensed Consolidated Financial Statements (continued)

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

Condensed consolidated statement of profit or loss for the six months ended September 30, 2013

	As previously reported	As restated	Increase/ (decrease)
	HK\$'000	HK\$'000	HK\$'000
Revenue	14,892	6,289	(8,603)
Loss before tax	17,202	25,805	8,603
Loss for the period	17,302	25,905	8,603
Total comprehensive loss for the period	17,302	25,905	8,603
Loss for the period attributable to owners of the Company	14,619	23,222	8,603
	HK cents	HK cents	HK cents
Basic and diluted earnings per share	(0.39)	(0.62)	(0.23)

Condensed consolidated statement of financial position as at March 31, 2014

	As previously reported	As restated	Increase/ (decrease)
	HK\$'000	HK\$'000	HK\$'000
Debtors and prepayments	26,728	31,872	5,144
Total current assets	248,067	253,211	5,144
Creditors and accruals	98,907	117,208	18,301
Total current liabilities	98,926	117,227	18,301
Net current assets	149,141	135,984	(13,157)
Total assets less current liabilities	390,070	376,913	(13,157)
Deferred revenue	–	19,571	19,571
Total non-current liabilities	5,308	24,879	19,571
Net assets and equity	384,762	352,034	(32,728)

Notes to the Condensed Consolidated Financial Statements (continued)

3. REVENUE AND SEGMENT INFORMATION

Information reported to 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 six months ended September 30, 2014, the Group was organised into two operating divisions namely PIATS business which mainly provides services to the drug industry in PRC and system integration and software development. These divisions are the basis on which the Group reports its segment information to the Group's chief operating decision maker.

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

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 September 30,			
	2014 Unaudited HK\$'000	2013 Restated HK\$'000	2014 Unaudited HK\$'000	2013 Restated HK\$'000
PIATS business	18,647	4,683	(40,071)	(21,112)
System integration and software development	–	1,606	–	382
Total	18,647	6,289	(40,071)	(20,730)
Other income and gains			8,664	1,213
Other expenses			(5,820)	(328)
Share of profit of an associate			8,245	1,005
Share of profit of a joint venture			4,710	530
Unallocated expenses			(9,309)	(7,495)
Loss before tax			(33,851)	(25,805)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the six months period ended September 30, 2014 and 2013 ("both periods").

Notes to the Condensed Consolidated Financial Statements (continued)

4. OTHER INCOME AND GAINS

	Six months ended September 30,	
	2014 Unaudited HK\$'000	2013 Unaudited HK\$'000
Bank interest income	7,338	213
Dividends from listed equity securities	–	929
Change in fair value of investments held for trading	–	71
Other gains	1,326	–
	8,664	1,213

5. SHARE OF PROFIT OF AN ASSOCIATE

The Group recorded a share of profit from a 30%-owned associate, Dongfang Customs Technology Company Limited (東方口岸科技有限公司) (“Dongfang Customs”) for both periods.

6. SHARE OF PROFIT OF A JOINT VENTURE

The Group recorded a share of profit from a 49%-owned joint venture, Beijing Honglian 95 Information Industries Company Limited (北京鴻聯九五信息產業有限公司) (“HL95”) for both periods.

7. LOSS BEFORE TAX

	Six months ended September 30,	
	2014 Unaudited HK\$'000	2013 Restated HK\$'000
Loss for the period has been arrived at after charging/(crediting):		
Staff costs	22,491	16,913
Depreciation	3,599	3,174
Amortization	1,430	2,255
Operating lease rentals in respect of buildings	5,717	3,788
Provision/(Reversal) of impairment losses on debtors	13,467	(352)
Imputed interest expense on long-term loan	–	204
Loss on disposal of items of property, plant and equipment	5,538	–
Foreign exchange differences, net	282	124

Notes to the Condensed Consolidated Financial Statements (continued)

8. INCOME TAX

The charge represents withholding tax on the distributable profits of the Group's associate.

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 applicable to the Company's PRC subsidiaries is 25%.

One of the PRC subsidiaries of the Company, China Credit Information Technology Company Limited (中國國檢信息技術有限公司) ("CCIT") was awarded the Advanced-technology Enterprise Certificate and was eligible for a concessionary tax rate of 15% for three years commencing from January 1, 2011. As at the end of the reporting period, CCIT had not yet applied to renew the Advanced-technology Enterprise Certificate.

Another PRC subsidiary of the Company, CITIC 21CN (China) Technology Company Limited (中信21世紀(中國)科技有限公司) ("CITIC 21CN Technology") was also awarded the Advanced-technology Enterprise Certificate and is eligible for tax concession rate of 15% for three years commencing from January 1, 2012.

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

(a) Basic loss per ordinary share

The calculation of the basic loss per share attributable to the owners of the Company for the period is based on the loss for the purposes of basic loss per share of HK\$33,755,000 (September 30, 2013: HK\$23,222,000 (restated)) and the weighted average number of ordinary shares for the purposes of basic loss per share of 7,451,448,000 (September 30, 2013: 3,717,870,000).

(b) Diluted loss per ordinary share

No adjustment has been made to the loss per share amount presented for the six months ended September 30, 2014 and 2013, as the Company had no potentially dilutive shares in issue and therefore no diluting events existed throughout the period.

10. INTANGIBLE ASSETS

Intangible assets represented the Group's license rights acquired from third parties. Such licenses are amortized 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.

Notes to the Condensed Consolidated Financial Statements (continued)

11. DEBTORS AND PREPAYMENTS

	September 30, 2014 Unaudited HK\$'000	March 31, 2014 Restated HK\$'000
Trade receivables	28,810	26,546
Less: Allowance for doubtful debts	(13,467)	(2,821)
	15,343	23,725
Other receivables	2,174	425
Deposits and prepayments	7,878	7,722
	25,395	31,872

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:

	September 30, 2014 Unaudited HK\$'000	March 31, 2014 Restated HK\$'000
0-90 days	15,301	23,024
91-180 days	11	670
Over 180 days	31	31
	15,343	23,725

Notes to the Condensed Consolidated Financial Statements (continued)

12. CREDITORS AND ACCRUALS

	September 30, 2014 Unaudited HK\$'000	March 31, 2014 Restated HK\$'000
Trade payables	2,908	2,742
Advances from customers and deferred revenue	65,998	57,169
Other payables and accruals	64,386	57,297
	133,292	117,208

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

	September 30, 2014 Unaudited HK\$'000	March 31, 2014 Restated HK\$'000
0-90 days	163	115
91-180 days	-	177
181-360 days	275	10
Over 360 days	2,470	2,440
	2,908	2,742

Notes to the Condensed Consolidated Financial Statements (continued)

13. SHARE CAPITAL

	Number of ordinary shares	HK\$'000
Authorized:		
Ordinary shares of HK\$0.01 each		
– At April 1, 2013, September 30, 2013, March 31, 2014 and September 30, 2014	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
– At April 1, 2013 and September 30, 2013	3,717,869,631	37,179
– Exercise of share options (note 1)	31,100,000	311
– At March 31, 2014	3,748,969,631	37,490
– Exercise of share options (note 2)	500,000	5
– Issue of shares (note 3)	4,423,175,008	44,232
– At September 30, 2014	8,172,644,639	81,727

Note 1: During the year ended March 31, 2014, 31,100,000 shares of HK\$0.01 each were issued at prices ranging from HK\$2.525 to HK\$3.175 per share upon exercise of the share options by option holders.

Note 2: On April 10, 2014, 500,000 shares of HK\$0.01 each were issued at the price of HK\$3.175 per share upon exercise of share options by an option holder.

Note 3: On April 30, 2014, 4,423,175,008 shares of HK\$0.01 each were duly allotted and issued to Perfect Advance Holding Limited for cash payment at the subscription price of HK\$0.30 per subscription share.

14. 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:

	September 30, 2014 Unaudited HK\$'000	March 31, 2014 Audited HK\$'000
Within one year	13,076	7,871
In the second to fifth year inclusive	18,870	16,616
	31,946	24,487

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

Notes to the Condensed Consolidated Financial Statements (continued)

15. ARBITRATION AND LITIGATION

On October 29, 2009, the Company received an arbitration notice (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 a 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 May 30, 2006 (the "Payment Agreement"). The Payment Agreement provided, among other things, the settlement arrangement of license and service fees in relation to an Oracle license and services agreement (the "Oracle License and Services Agreement") in an aggregate amount of approximately RMB116 million, in respect of which approximately US\$11 million (approximately RMB88 million) deposit had 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 March 31, 2011, the Company received an arbitral award issued 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 June 24, 2010. By a judgment made by the Beijing First Intermediate People's Court dated October 25, 2011, the Arbitral Award was set aside. As a result, the Company received another court order dated December 7, 2011 from the High Court of the HKSAR stating that the legal action of the Order was discontinued. Accordingly, the Arbitral Award ceased to have legal effect.

On January 24, 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 License and Services Agreement and the Payment Agreement and for compensation from Oracle Beijing. On February 24, 2014, the Beijing First Intermediate People's Court issued a judgment ordering the dissolution of the Oracle License and Services Agreement and the Payment Agreement with effect from the judgment date (the "PRC Judgment"). On March 31, 2014, Oracle Beijing appealed to the Beijing High People's Court. The legal proceedings of the claim were still ongoing as at September 30, 2014 and as the date that these consolidated financial statements were authorized for issue.

On January 18, 2012, Oracle Beijing, being the plaintiff, commenced new legal proceedings in the High Court of the HKSAR against the Company, CITIC 21CN Technology and Oracle Systems Hong Kong Limited, an independent third party, alleging breach of the Oracle License and Services Agreement and Payment Agreement and claiming payment in relation to these agreements for the sum of approximately RMB88 million together with interest and with costs. On April 5, 2012, the Company and CITIC 21CN Technology took out a Summons to apply for the legal proceedings to be stayed but this was refused by a judgment dated September 18, 2013. The defence of the Company and CITIC 21CN Technology was filed and served on November 6, 2013. The Company and CITIC 21CN Technology have also applied for a stay of the legal proceedings in view of the PRC Judgment, which application has been adjourned for argument. The above-mentioned amounts of license and service fees and other related costs, net of deposits paid, have been properly accounted for in the interim condensed consolidated financial statements as at September 30, 2014.

As these legal proceedings remain pending decision by the relevant courts, their outcomes cannot be ascertained at this stage. In the opinion of the directors of the Company (the "Directors"), adequate provision has been made in the interim condensed consolidated financial statements in respect of such litigation.

16. EVENTS AFTER THE REPORTING PERIOD

No significant events after the reporting period are noted.