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CITIC 21CN
中信 21世紀
CITIC 21CN COMPANY LIMITED
中信21世紀有限公司*
(Incorporated in Bermuda with limited liability)
(Stock code: 241)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2013**

The board of directors (the “Directors”) of CITIC 21CN Company Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30th September 2013 and the unaudited condensed consolidated statement of financial position of the Group as at 30th September 2013.

* For identification purposes only

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) | (Unaudited and restated) |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| Turnover | 3 | 14,892 | 7,552 |
| Cost of sales and services | | <u>(12,823)</u> | <u>(9,233)</u> |
| 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 | <u>530</u> | <u>434</u> |
| Loss before taxation | | (17,202) | (14,303) |
| Taxation | 7 | <u>(100)</u> | <u>(358)</u> |
| Loss and total comprehensive expense for the period | 8 | <u>(17,302)</u> | <u>(14,661)</u> |
| Loss for the period attributable to: | | | |
| Owners of the Company | | (14,619) | (14,661) |
| Non-controlling interests | | <u>(2,683)</u> | <u>–</u> |
| | | <u>(17,302)</u> | <u>(14,661)</u> |
| Total comprehensive expense attributable to: | | | |
| Owners of the Company | | (14,619) | (14,661) |
| Non-controlling interests | | <u>(2,683)</u> | <u>–</u> |
| | | <u>(17,302)</u> | <u>(14,661)</u> |
| | | HK cents | HK cents |
| Loss per share | | | |
| Basic and diluted | 9 | <u>(0.39)</u> | <u>(0.39)</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th September 2013

| | <i>Notes</i> | 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 |
| Capital and reserves | | 275,756 | 287,391 |
| Share capital | 14 | 37,179 | 37,179 |
| Reserves | | 312,853 | 324,638 |
| Non-controlling interests | | 350,032 | 361,817 |
| | | (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 | <u>37,179</u> | <u>769,675</u> | <u>22,049</u> | <u>78,108</u> | <u>74,860</u> | <u>20,831</u> | <u>13,433</u> | <u>(666,103)</u> | <u>350,032</u> | <u>(74,276)</u> | <u>275,756</u> |
| 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 | <u>37,179</u> | <u>769,675</u> | <u>19,215</u> | <u>78,108</u> | <u>73,229</u> | <u>20,831</u> | <u>12,931</u> | <u>(626,869)</u> | <u>384,299</u> | <u>9</u> | <u>384,308</u> |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30th September 2013

| | Six months ended 30th September 2013 | 2012 |
|---|---|---|
| | (Unaudited) HK\$'000 | (Unaudited and restated) HK\$'000 |
| Net cash (used in) from operating activities | (56,098) | 2,879 |
| Net cash 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 |

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.

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) <i>HK\$'000</i> | JCEs <i>HK\$'000</i> | The Group <i>HK\$'000</i> (Restated) |
|--|--|--------------------------------|---|
| Turnover | 245,657 | (238,105) | 7,552 |
| Cost of sales and services | <u>(215,807)</u> | <u>206,574</u> | <u>(9,233)</u> |
| 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 | <u>(430)</u> | <u>430</u> | <u>–</u> |
| Loss before taxation | (14,182) | (121) | (14,303) |
| Taxation | <u>(479)</u> | <u>121</u> | <u>(358)</u> |
| Loss for the period | <u>(14,661)</u> | <u>–</u> | <u>(14,661)</u> |

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) <i>HK\$'000</i> | JCE <i>HK\$'000</i> | The Group <i>HK\$'000</i> (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 |
| | <u>197,578</u> | <u>47,656</u> | <u>245,234</u> |
| 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 |
| | <u>259,885</u> | <u>(105,391)</u> | <u>154,494</u> |
| Current liabilities | | | |
| Creditors and accruals | 159,261 | (51,291) | 107,970 |
| Taxation payable | 338 | (319) | 19 |
| Short-term loans | 6,125 | (6,125) | – |
| | <u>165,724</u> | <u>(57,735)</u> | <u>107,989</u> |
| Net current assets | <u>94,161</u> | <u>(47,656)</u> | <u>46,505</u> |
| Total assets less current liabilities | 291,739 | – | 291,739 |
| Non-current liability | | | |
| Deferred taxation | 4,348 | – | 4,348 |
| | <u>287,391</u> | <u>–</u> | <u>287,391</u> |

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

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 gain | (124) | 99 |
| | <u>885</u> | <u>(113)</u> |

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) |
| | <u>21,399</u> | <u>13,270</u> |

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.

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 |
| <i>Less: Allowance for doubtful debts</i> | <u>(26,071)</u> | <u>(26,071)</u> |
| | 8,919 | 38 |
| Deposits and prepayments | <u>9,039</u> | <u>9,286</u> |
| | <u>17,958</u> | <u>9,324</u> |

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 | <u>31</u> | <u>8</u> |
| | <u>8,919</u> | <u>38</u> |

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 |
| | <u>71,041</u> | <u>107,970</u> |

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 |
| | <u>3,969</u> | <u>13,646</u> |

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.

14. SHARE CAPITAL

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

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 its 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.

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 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> (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 | – |

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.

– *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.

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.

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 Renmimbi 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 Renmimbi. 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.

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.

- **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.

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.

PUBLICATION OF INTERIM RESULT ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND IRASIA.COM

An interim result containing all the information required by Appendix 16 of the Listing Rules will be published in due course on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and on the website of irasia.com Limited (www.irasia.com/listco/hk/citic21cn/).

By Order of the Board
CITIC 21CN COMPANY LIMITED
CHEN XIAO YING
Vice Executive Chairman

28th November 2013

As at the date of this announcement, the Board comprises Mr. Wang Jun, Ms. Chen Xiao Ying, Mr. Luo Ning, Mr. Sun Yalei, Mr. Zhang Lianyang, Ms. Xia Guilan, Dr. Hui Ho Ming, Herbert, JP (Independent Non-executive Director), Mr. Zhang Jianming (Independent Non-executive Director) and Dr. Long Junsheng (Independent Non-executive Director).