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 2010

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 2010 and the unaudited condensed consolidated statement of financial position of the Group as at 30th September 2010.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30th September 2010

		Six months ended 30th September	
		2010	2009
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*3*	**115,786**	134,420
Cost of sales and services		**(88,894)**	(97,479)
Gross profit		**26,892**	36,941
Other gains and losses	*4*	**761**	17,608
Administrative expenses		**(46,646)**	(64,566)
Share of profit of an associate	*5*	**4,035**	7,664
Interest expenses		**(325)**	(595)
Loss before taxation		**(15,283)**	(2,948)
Taxation	*6*	**(227)**	(446)
Loss for the period	*7*	**(15,510)**	(3,394)

* *For identification purposes only*

	Notes	Six months ended 30th September **2010** **(Unaudited)** ***HK$'000***	2009 (Unaudited) *HK$'000*
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**3,017**	–
Total comprehensive expense for the period		**(12,493)**	(3,394)
Loss for the period attributable to:			
Owners of the Company		**(15,510)**	(3,393)
Minority interests		**–**	(1)
		(15,510)	(3,394)
Total comprehensive expense attributable to:			
Owners of the Company		**(12,493)**	(3,393)
Minority interests		**–**	(1)
		(12,493)	(3,394)
		HK cents	*HK cents*
Loss per share			
Basic and diluted	*8*	**(0.42)**	(0.09)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th September 2010

	Notes	30th September 2010 (Unaudited) HK$'000	31st March 2010 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**85,837**	93,193
Intangible assets	*9*	**56,425**	57,484
Interest in an associate		**79,406**	75,336
Loans receivable	*10*	**37,521**	36,893
Available-for-sale investments		**8,625**	8,475
		267,814	271,381
Current assets			
Amounts due from customers for contract work		**4,048**	3,978
Debtors and prepayments	*11*	**77,283**	66,554
Investments held for trading		**36,880**	37,533
Bank balances and cash		**173,501**	188,834
		291,712	296,899
Current liabilities			
Creditors and accruals	*12*	**138,735**	135,100
Taxation payable		**342**	434
Short-term bank loans		**11,270**	11,074
		150,347	146,608
Net current assets		**141,365**	150,291
Total assets less current liabilities		**409,179**	421,672
Non-current liability			
Deferred taxation		**1,220**	1,220
		407,959	420,452
Capital and reserves			
Share capital	*13*	**37,179**	37,179
Reserves		**370,770**	383,263
		407,949	420,442
Minority interests		**10**	10
Total equity		**407,959**	420,452

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2010

	Attributable to owners of the Company										
	Share Capital (Unaudited) *HK$'000*	Share premium (Unaudited) *HK$'000*	Capital reserve (Unaudited) *HK$'000*	Contributed surplus (Unaudited) *HK$'000*	Translation reserve (Unaudited) *HK$'000*	Share options reserve (Unaudited) *HK$'000*	General reserve (Unaudited) *HK$'000*	Accumulated losses (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*	Minority interests (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
At 1st April 2010	**37,179**	**769,675**	**19,215**	**78,108**	**60,626**	**23,278**	**11,851**	**(579,490)**	**420,442**	**10**	**420,452**
Exchange differences arising on translation	**–**	**–**	**–**	**–**	**3,017**	**–**	**–**	**–**	**3,017**	**–**	**3,017**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(15,510)**	**(15,510)**	**–**	**(15,510)**
Total comprehensive income (expenses) for the period	**–**	**–**	**–**	**–**	**3,017**	**–**	**–**	**(15,510)**	**(12,493)**	**–**	**(12,493)**
Lapse of share options	**–**	**–**	**–**	**–**	**–**	**(2,097)**	**–**	**2,097**	**–**	**–**	**–**
At 30th September 2010	**37,179**	**769,675**	**19,215**	**78,108**	**63,643**	**21,181**	**11,851**	**(592,903)**	**407,949**	**10**	**407,959**
At 1st April 2009	37,179	769,675	19,215	78,108	60,807	23,412	11,851	(528,199)	472,048	11	472,059
Loss for the period	–	–	–	–	–	–	–	(3,393)	(3,393)	(1)	(3,394)
Total comprehensive income (expenses) for the period	–	–	–	–	–	–	–	(3,393)	(3,393)	(1)	(3,394)
Recognition of equity-settled share based payments	–	–	–	–	–	87	–	–	87	–	87
Lapse of share options	–	–	–	–	–	(225)	–	225	–	–	–
	–	–	–	–	–	(138)	–	225	87	–	87
At 30th September 2009	37,179	769,675	19,215	78,108	60,807	23,274	11,851	(531,367)	468,742	10	468,752

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
For the six months ended 30th September 2010

	Six months ended 30th September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash used in operating activities	**(13,012)**	(28,724)
Net cash used in investing activities	**(1,690)**	(12,925)
Net cash used in financing activities	**(325)**	(6,131)
Decrease in cash and cash equivalents	**(15,027)**	(47,780)
Cash and cash equivalent at beginning of the period	**188,834**	196,421
Effect of foreign exchange rate changes	**(306)**	–
Cash and cash equivalent at end of the period, representing bank balances and cash	**173,501**	148,641

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:

1. GENERAL

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 its 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 telecommunication and information value-added services, the provision of Product Identification, Authentication and Tracking System ("PIATS"), system integration and software development.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements for the six months ended 30th September 2010 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 34 "Interim Financial Reporting".

The condensed consolidated financial statements for the six months ended 30th September 2010 are unaudited and have been reviewed by the audit committee of the Company.

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

The condensed consolidated financial statements should be read in conjunction with the Group's annual financial statements for the year ended 31st March 2010. The accounting policies used in the preparation of these condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31st March 2010, except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 39 (Amendment)	Eligible hedged items
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HK(IFRIC)-Int 17	Distributions of non-cash assets to owners

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1st January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRS (Amendments)	Improvements to HKFRS issued in 2010[1]
HKAS 24 (Revised)	Related party disclosures[4]
HKAS 32 (Amendments)	Classification of rights issues[2]
HKFRS 1 (Amendments)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[3]
HKFRS 7 (Amendment)	Disclosures – Transfers of financial assets[5]
HKFRS 9	Financial instruments[6]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1st July 2010 or 1st January 2011, as appropriate
2 Effective for annual periods beginning on or after 1st February 2010
3 Effective for annual periods beginning on or after 1st July 2010
4 Effective for annual periods beginning on or after 1st January 2011
5 Effective for annual periods beginning on or after 1st July 2011
6 Effective for annual periods beginning on or after 1st January 2013

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKAS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

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

Principal activities are as follows:

Telecommunications/information value-added services	–	provision of telecommunications/information value-added services
PIATS business	–	operation of an exclusive platform for PIATS
System integration and software development	–	provision of system integration and software development

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

	Segment revenue		Segment profit/(loss)	
	Six months ended 30th September			
	2010	2009	**2010**	2009
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Telecommunication/information value-added services	**113,145**	129,263	**805**	3,734
PIATS business	**1,501**	5,079	**(11,915)**	(15,114)
System integration and software development	**1,140**	78	**1,124**	(1,417)
Total	**115,786**	134,420	**(9,986)**	(12,797)
Other gains and losses			**761**	17,608
Share option expenses			**–**	(87)
Share of profit of an associate			**4,035**	7,664
Interest expenses			**(325)**	(595)
Unallocated expenses			**(9,768)**	(14,741)
Loss before taxation			**(15,283)**	(2,948)
Taxation			**(227)**	(446)
Loss for the period			**(15,510)**	(3,394)

4. OTHER GAINS AND LOSSES

	Six months ended 30th September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Included in other gains and losses are the following items:		
Interest income from bank deposits	**494**	721
Imputed interest income on loans receivable *(Note 10)*	**437**	452
Change in fair value of investments held for trading	**(653)**	16,007
Dividends from equity securities	**438**	422
Others	**45**	6
	761	17,608

5. SHARE OF PROFIT OF AN ASSOCIATE

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

6. TAXATION

	Six months ended 30th September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
The charge comprises:		
PRC Enterprise Income Tax – Jointly controlled entities	**227**	446

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% from 1st January 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, one of the Group's jointly controlled entity and a subsidiary are entitled to exemption from PRC Enterprise Income Tax for the two years ended starting from the year ended 31st March 2006 and a 50% relief for the subsequent three years. They would continue to enjoy such tax benefits until the exemption and reduction period expire, but not beyond 2012. The jointly controlled entity and the subsidiary incurred tax loss in both periods. Another jointly controlled entity of the Group operating in the PRC is eligible for tax concession during the period.

7. LOSS FOR THE PERIOD

	Six months ended 30th September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the period has been arrived at after charging:		
Staff costs	**29,866**	36,142
Depreciation	**11,129**	11,993
Operating lease rentals in respect of buildings	**4,446**	4,527
(Reversal of) impairment losses on trade receivables	**(459)**	979

8. 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$15,510,000 (2009: HK$3,393,000) and the weighted average number of ordinary shares for the purposes of basic and diluted loss per share of 3,717,870,000 (2009: 3,717,870,000).

The calculation of diluted loss per share for the six months period ended 30th September 2010 and 30th September 2009 does not include the exercise of the share options outstanding as the exercise of the share options outstanding would result in a decrease in loss per share for both periods.

9. 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.

10. LOANS RECEIVABLE

	30th September	31st March
	2010	2010
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Loans receivable comprises:		
Non-current assets:		
Loan to CCIT on 21st July 2009 *(Note (a))*	**11,083**	10,756
Loan to CCIT on 3rd March 2006 *(Note (b))*	**26,438**	26,137
	37,521	36,893

(a) On 21st July 2009, CITIC 21CN (China) Technology Company Limited ("China Technology") (a wholly owned subsidiary of the Group), entered into a loan agreement with China Credit Information Technology Company Limited ("CCIT") (a 50% owned jointly controlled entity of the Group) in which China Technology granted a non-interest bearing and unsecured three-year loan of RMB20,000,000 (equivalent to HK$23,000,000) (31st March 2010: equivalent to HK$22,600,000) to CCIT for the development of PIATS business.

    As at 30th September 2010, the carrying amount of the loan receivable from CCIT not eliminated on proportionate consolidation was HK$11,083,000 (31st March 2010: HK$10,756,000) with effective interest rate of 2.5% (2009: 2.5%).

(b) On 3rd March 2006, CITIC 21CN Telecom Company Limited ("Telecom") (a wholly owned subsidiary of the Group), entered into loan agreements with CCIT in which Telecom granted a non-interest bearing and unsecured two-year loan of US$6,900,000 (equivalent to HK$53,475,000) (31st March 2010: equivalent to HK$53,475,000) to CCIT for the development of PIATS business. During the year ended 31st March 2008, the maturity date of the loan was extended to 23rd March 2011 with terms and conditions remain unchanged.

    As at 30th September 2010, the carrying amount of the loan receivable from CCIT not eliminated on proportionate consolidation was HK$26,438,000 (31st March 2010: HK$26,137,000) with effective interest rate of 2.5% (2009: 2.5%). In the opinion of the directors, the loan is not expected to repay within twelve months after the reporting period. Accordingly, it is classified as non-current.

The Group has assessed CCIT's credit quality and considered to be of a good credit quality in view of the good prospect of the PIATS business despite of making loss at the development stage and the balance is not past due in accordance with the extension agreement at the reporting date. As at 30th September 2010, the HK$26,438,000 (31st March 2010: HK$26,137,000) loan receivable would otherwise be past due if the loan was not renegotiated. Accordingly, no impairment loss is required to recognise in the condensed consolidated financial statements.

11. DEBTORS AND PREPAYMENTS

	30th September 2010 (Unaudited) ***HK$'000***	31st March 2010 (Audited) *HK$'000*
Trade receivables	**86,601**	76,885
Less: Allowance for doubtful debts	**(24,541)**	(25,000)
	62,060	51,885
Other receivables	**2,073**	2,036
Deposits and prepayments	**13,150**	12,633
	77,283	66,554

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 2010 (Unaudited) *HK$'000*	31st March 2010 (Audited) *HK$'000*
0-90 days	**39,834**	27,348
91-180 days	**6,663**	14,280
181-360 days	**8,847**	1,962
Over 360 days	**6,716**	8,295
	62,060	51,885

12. CREDITORS AND ACCRUALS

	30th September 2010 (Unaudited) *HK$'000*	31st March 2010 (Audited) *HK$'000*
Trade payables	**29,434**	34,751
Receipts in advance from customers	**4,343**	4,818
Other interest payable	**27,290**	26,815
Other payables and accruals	**77,668**	68,716
	138,735	135,100

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

	30th September 2010 (Unaudited) *HK$'000*	31st March 2010 (Audited) *HK$'000*
0-90 days	**12,283**	16,194
91-180 days	**209**	790
181-360 days	**764**	285
Over 360 days	**16,178**	17,482
	29,434	34,751

13. SHARE CAPITAL

	Number of ordinary shares	*HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each		
At 1st April, 2009, 31st March 2010 and 30th September 2010	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1st April 2009, 31st March 2010 and 30th September 2010	3,717,869,631	37,179

14. COMMITMENTS

(a) Capital commitment

	30th September 2010 (Unaudited) ***HK$'000***	31st March 2010 (Audited) *HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**85**	84

(b) Operating leases

At the reporting date, 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 2010 (Unaudited) ***HK$'000***	31st March 2010 (Audited) *HK$'000*
Within one year	**4,908**	6,120
In the second to fifth year inclusive	**2,119**	4,026
	7,027	10,146

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

15. RELATED PARTY TRANSACTIONS

The following is a summary of the significant related party transactions carried out in the normal course of the business activities of the Group during the period:

	Six months ended 30th September	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Telecommunications/information value-added services agency fee *(note a)*	**2,060**	4,487

(a) The Group pays agency fee to China Telecommunications Corporation ("China Telecom"), a joint venture partner of the Group, for providing telecommunications/information value-added services through the network of China Telecom and receiving service charges from customers through China Telecom. China Telecom holds 28% direct equity interest in Dongfang Customs and 20% indirect equity interest in CCIT.

16. ARBITRATION

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") submitted an application in relation to an arbitration (the "Arbitration") on the dispute arising from the Payment Agreement signed by Oracle Beijing, CITIC 21CN (China) Technology Co., Ltd., the Company and Oracle Systems Hong Kong Limited on 30th May 2006. The Payment Agreement provided, among others, the settlement arrangement of license fee and service fee in relation to the Oracle License and Services Agreement in an aggregate amount of approximately RMB116 million against which approximately US$11 million (approximately RMB88 million) deposit has been paid by the Group. The reason for the dispute over the Payment Agreement was that the parties to the agreements could not reach a consensus on the execution of the agreements.

On 23rd June 2010, the Company received the Arbitral Award ("Arbitral Award") handed down by CIETAC. The Arbitral Award resulted in the interest expenses for the period starting from the date on which the payment was due up to 1st October 2009 at 0.02% daily rate of RMB23,730,000 (equivalent to HK$27,290,000) (31st March 2010: HK$26,815,000) and legal and related costs of RMB1,300,000 (equivalent to HK$1,495,000) (31st March 2010: HK$1,480,000) to be borne by the Company. Accordingly, full provision of the aforesaid amounts has been made in the condensed consolidated financial statements for the year ended 31st March 2010.

On 19th October 2010, the Company made a written application ("Application") to set aside the Arbitral Award to the Beijing First Intermediate People's Court, which then notified to the Company by a written notice dated 21st October 2010 that it had decided to entertain the Application and the Application will be heard on 26th November 2010.

On 27th October 2010, the Company 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 and the Company and CITIC 21CN (China) Technology Co., Ltd. may within 14 days after service of the Order apply to set aside the Order and the Arbitral Award shall not be enforceable until after the expiration of such period, or if the Company and CITIC 21CN (China) Technology Co., Ltd. apply within the said period to set aside the Order, until after the application is finally disposed of. On 10th November 2010, the Company made an application to the High Court of the HKSAR by way of a Summons for the Order to be set aside and the hearing of the said Summons will be on 9th December 2010. Thus, the Arbitral Award cannot be enforced against the Company and CITIC 21CN (China) Technology Co., Ltd. at the reporting date.

FINANCIAL REVIEW

The key financial figures of the Group for the six months ended 30th September 2010 and the comparative figures for the six months ended 30th September 2009 were summarised as follows:

	2010	2009	Change
	HK$'000	*HK$'000*	*%*
Turnover	**115,786**	134,420	(13.9)
Gross profit	**26,892**	36,941	(27.2)
Gross profit percentage	**23.2%**	27.5%	(15.6)
Other gains and losses	**761**	17,608	(95.7)
Administrative expenses	**46,646**	64,566	(27.8)
Share of profit of an associate	**4,035**	7,664	(47.4)
Net loss attributable to owners	**15,510**	3,393	357.1
Loss per share			
Basic and diluted	**0.42 cents**	0.09 cents	357.1

Results

– *Turnover*

Turnover of the Group for the six months ended 30th September 2010 was HK$115,786,000, a decrease of 13.9% as compared with the turnover of HK$134,420,000 for the six months ended 30th September 2009. The decrease was mainly due to the following reasons:

(a) 北京鴻聯九五信息產業有限公司 (Beijing Honglian 95 Information Industries Company Limited ("HL95")), a 49%-owned jointly controlled entity of the Group, is engaged in telecommunications/information value-added services. The Group's share of the turnover of HL95 for the six months ended 30th September 2010 decreased by 12.5% to HK$113,145,000 from HK$129,263,000 for the six months ended 30th September 2009. The Group's share of the turnover of HL95 comprised HK$60,321,000 (2009: HK$59,640,000) from short messaging services ("SMS"), HK$32,669,000 (2009: HK$24,134,000) from call centres, HK$7,229,000 (2009: HK$15,746,000) from fixed-line interactive voice response system ("IVRS"), HK$5,115,000 (2009: HK$14,119,000) from mobile IVRS, HK$5,715,000 (2009: HK$10,163,000) from Internet-protocol ("IP") phone, and HK$2,096,000 (2009: HK$5,461,000) from other value-added services. The decrease in turnover was mainly due to the decrease in fixed-line IVRS revenue, mobile IVRS revenue and IP phone revenue, despite the increase in revenue from SMS revenue and call centre revenue. SMS revenue, which had been accounted for around half of HL95's turnover, exhibited a slight growth during the period. Increase in call centre revenue by 35.4% or HK$8,535,000 was mainly due to the continuous expansion of call centre capacity from Beijing, Shenzhen and Foshan to other parts of China. HL95's call centre customer base has been extended to various industries of bank, telecom, insurance and utility. HL95 has become one of the largest reputable operators in the call centre industry in China. Fixed-line IVRS revenue decreased by 54.1% or HK$8,517,000 due to aggressive marketing tactics and keen competition from HL95's main fixed-line IVRS competitors, China Telecom and China Unicom. The fixed-line IVRS business was also affected by the change in consumer habits to use less fixed line as main communication tool at home. Decrease in mobile IVRS revenue by 63.8% or HK$9,004,000 was due to the regulatory measures imposed by the relevant authorities to restrict on the interactive programmes on the media during the period. Due to the keen competition from other IP phone providers, IP phone revenue decreased by 43.8% or HK$4,448,000 during the period. Decrease in other value-added service revenue was mainly due to the decrease in revenue generated from the sales of calling cards for telecom operators.

(b) 中信國檢信息技術有限公司 (China Credit Information Technology Company Limited ("CCIT")) (a 50%-owned jointly controlled entity of the Group) and 中信21世紀(中國)科技有限公司 (CITIC 21CN (China) Technology Company Limited ("CITIC 21CN Technology")) (a wholly-owned subsidiary of the Group), are engaged in 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 2010 decreased by 70.4% to HK$1,501,000 from HK$5,079,000 for the six months ended 30th September 2009. The decrease in revenue during this period was due to the consolidation of PIATS existing business and the reduction of the annual service subscription fee income during the period.

(c) 廣東天圖科技有限公司 (Guangdong Grand Cycle Technology Company Limited ("Grand Cycle")), a wholly-owned subsidiary of the Group, is engaged in software development and system integration services and its turnover for the six months ended 30th September 2010 was HK$1,140,000 as compared with the turnover of HK$78,000 for the six months ended 30th September 2009. The operations of Grand Cycle have been scaling down and the turnover for the current period represents 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 23.2% during the six months ended 30th September 2010 as compared with the gross profit percentage of 27.5% during the six months ended 30th September 2009 because of the decrease in gross profit margin for both HL95 and PIATS businesses.

HL95's gross profit percentage decreased principally because both the revenue of fixed-line IVRS and mobile IVRS businesses, which were of higher average margin, were reduced during the period.

In the current period, CCIT and CITIC 21CN Technology continued to build the infrastructure for PIATS. With the reduction of the annual service subscription fee income, the gross loss of PIATS business was increased when compared with last corresponding period as most of its direct operating costs such as depreciation were fixed in nature.

– *Other gains and losses*

During the six months ended 30th September 2010, other gains and losses were HK$761,000 as compared with HK$17,608,000 for the six months ended 30th September 2009. Such obvious decrease was mainly attributable to the loss on change in fair value of held for trading investments of HK$653,000 as contrasted with the gain of HK$16,007,000 for the six months ended 30th September 2009. The investment market during the current period was relatively steady, unlike the strong rebound occurred in the last corresponding period after the financial crisis in 2008.

– *Administrative expenses*

Administrative expenses for the six months ended 30th September 2010 was HK$46,646,000, representing a decrease of 27.8% over HK$64,566,000 for the six months ended 30th September 2009. Such decrease was principally due to the decrease in staff costs included in administrative expenses after the staff re-structuring of HL95 and PIATS businesses and that of staff cost re-arranging of HL95 on its call centre business during the period. Moreover, the whole Group had implemented stringent administrative cost control measures to improve efficiency.

– *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$4,035,000 for the six months ended 30th September 2010, a decrease of 47.4% as compared with HK$7,664,000 for the six months ended 30th September 2009. Dongfang Customs has been upgrading its existing system by introducing more new and enhanced features to attract users using their services.

– *Net loss attributable to owners*

Net loss attributable to owners for the six months ended 30th September 2010 was HK$15,510,000, representing an increase of 357.1% over HK$3,393,000 for the same period last year, mainly because of the decrease in turnover and gross profit percentage, and the obvious decrease in other gains and losses despite the substantial reduction in administrative expenses as explained above.

– *Loss per share*

Basic and diluted loss per share was HK0.42 cents for the six months ended 30th September 2010, representing an increase of 357.1% over HK0.09 cents for the six months ended 30th September 2009.

FINANCIAL RESOURCES, LIQUIDITY AND FOREIGN EXCHANGE EXPOSURES

The financial positions of the Group as at 30th September 2010 and the corresponding comparative figures as at 31st March 2010 are summarised as follows:

	30th September 2010 *HK$'000*	31st March 2010 *HK$'000*
Current assets	**291,712**	296,899
Including		
– bank balances and cash (mainly denominated in Hong Kong dollar, United States dollar and Renminbi)	**173,501**	188,834
– debtors	**64,133**	53,921
Current liabilities	**150,347**	146,608
– including short-term bank loans	**11,270**	11,074
Current ratio (current asset/current liabilities)	**1.94**	2.03
Quick ratio (bank balances and cash and debtors/current liabilities)	**1.58**	1.66
Shareholders' equity	**407,949**	420,442
Gearing ratio (bank loans/shareholders' equity)	**2.76%**	2.63%

Bank balances and cash decreased by 8.1% from HK$188,834,000 as at 31st March 2010 to HK$173,501,000 as at 30th September 2010. The decrease in bank balances and cash was in line with the net cash used in operating activities resulted from the net loss of the Group incurred during the six months ended 30th September 2010.

As at 30th September 2010, trade debtors aged over 12 months were HK$6,716,000 (31st March 2010: HK$8,295,000), most of which were related to system integration and software development business.

Bank loans on the consolidated statement of financial position as at 30th September 2010 and 31st March 2010 were the Group's share of HL95's bank loans, which were short-term in nature, denominated in Renminbi and repayable within one year, and carried interest at prevailing market rates.

As at 30th September 2010, the Group reported relatively steady current and quick ratios. The current ratio was 1.94 (31st March 2010: 2.03), and the quick ratio was 1.58 (31st March 2010: 1.66).

Shareholders' equity decreased from HK$420,442,000 as at 31st March 2010 to HK$407,949,000 as at 30th September 2010, mainly because of the net loss of the Group incurred during the six months ended 30th September 2010.

The Group's gearing ratio increased from 2.63% as at 31st March 2010 to 2.76% as at 30th September 2010, mainly because of the reduction in shareholders' equity resulting from the net loss of the Group incurred during the six months ended 30th September 2010.

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**

CCIT and CITIC 21CN Technology, a jointly-controlled entity and a subsidiary of the Group respectively, are principally engaged in the provision of product tracking, recall and enforcement information services to relevant authorities in the PRC through the operation of PIATS; the provision of product tracking and logistics information services to manufacturers; and the provision of services to consumers for verifying product information and origins. With the support from the relevant authorities of the PRC since its launch, the application of PIATS has been broadly extended countrywide to various products such as food and beverage, agricultural resources, household appliances and drugs, 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 relevant authorities in the PRC have expressly stipulated the implementation scope and the work objectives of electronic monitoring of basic drugs under Basic Medicine Catalogue, and have since July 2010, organized enterprises throughout the country to undertake all necessary preparation work required for the implementation of the electronic monitoring project of drugs. The company is operating in coordination with the relevant authorities on both the state and local levels in providing training, consultation services and formulating plans for manufacturers, distributors and the relevant authorities, as well as safeguarding the smooth operation of network system of the electronic monitoring project. So as to ensure the smooth implementation of such project, the company has established a multi-channel service system that covers the whole country and consists of network system, call center and SMS etc.

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

Future prospect

The advancement of electronic monitoring in the drugs under the Basic Medicine Catalogue implies that, the government will make electronic monitoring an important tool for the management of high-risk commodities. 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 and mobile internet will continuously create immense business opportunities for HL95. With many years of good long-term relationship with telecom operators and content providers, HL95 will work closely with them so as to provide the latest 3G contents. The traditional IVRS and IP Phone services will continue to be under challenge, with regulatory measures from time to time imposed by the telecom operators or the relevant authorities, and with fierce competition arisen from inherent competitive advantages possessed by telecom operators. In the coming years, HL95 will focus its resources on the expansion of call centre business, for which HL95 has accumulated successful experience and has earned good reputation in the PRC. In late 2009, HL95 received several industry awards for its good achievement in call centre management and outsourcing contact. The management considers that the call centre revenue will continue to grow rapidly. HL95 is an important platform for the Group since it enables the Group to promote the information services of PIATS. For example, CCIT and CITIC 21CN Technology, in providing the PIATS service, uses HL95's platform to enable consumers anywhere in the PRC to enquire product information by HL95's IVRS and SMS systems and call centres. The Directors believe that HL95 has good potential in the call centre industry and at the same time can provide valuable support to PIATS.

- **Dongfang Customs**

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

Future prospect

The PRC government has been encouraging manufacturers and import/export corporations to perform the customs declaration processing electronically as it not only speeds up the customs declaration procedures but also helps minimise the handling costs involved in the declaration. Given that China is the manufacturing base for the world and the network platform of Dongfang Customs has been upgrading with more new and enhanced features to attract its established user base, such as technical support and database management services. The management considers that the business of Dongfang Customs under the Group's investment will provide us with good return.

- **Grand Cycle**

Grand Cycle is engaged in system integration and software development.

Future prospect

Grand Cycle will focus on the system integration and software development support for the rapid and continuing expansion of the businesses of HL95 and PIATS.

EMPLOYEES AND REMUNERATION POLICIES

The numbers of full-time employees of the Company and its subsidiaries, HL95, CCIT and Dongfang Customs as at 30th September 2010 are detailed as follows:

Location	Telecommuni cations/ Information value-added services	PIATS business	System integration and software development	Corporate	Associate
– Hong Kong	–	–	–	9	–
– The PRC	1,938	45	5	–	270
Total	1,938	45	5	9	270

Total staff costs of the Group included in the administrative expenses for the six months ended 30th September 2010 were HK$29,866,000. 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 2010, 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 2010 (2009: 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

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the accounting period under review, except for the deviations from code provisions A4.1, A.4.2 and E.1.2 of the Code as described below.

Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. The non-executive directors of the Company are not appointed for a specific term of office. However, the non-executive directors of the Company are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company's Bye-Laws.

Under the second part of code provision A.4.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. All directors except the Chairman of the Company are subject to retirement by rotation pursuant to the Company's Bye-Laws. According to the Company's Bye-Laws, one-third of the directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not greater than one-third) shall retire from office at each annual general meeting. The relevant provisions of the Company's Bye-Laws will be reviewed and amendment will be proposed if necessary, to ensure full compliance with code provision A.4.2 of the Code.

Under the first part of code provision E.1.2 of the Code, the chairman of the board should attend annual general meetings. The annual general meeting of the Company on 31st August 2010 had not been held in full compliance with this code provision. The meeting was however conducted in a good and proper manner.

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 2010 to 30th September 2010, 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 2010.

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

23rd November 2010

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).