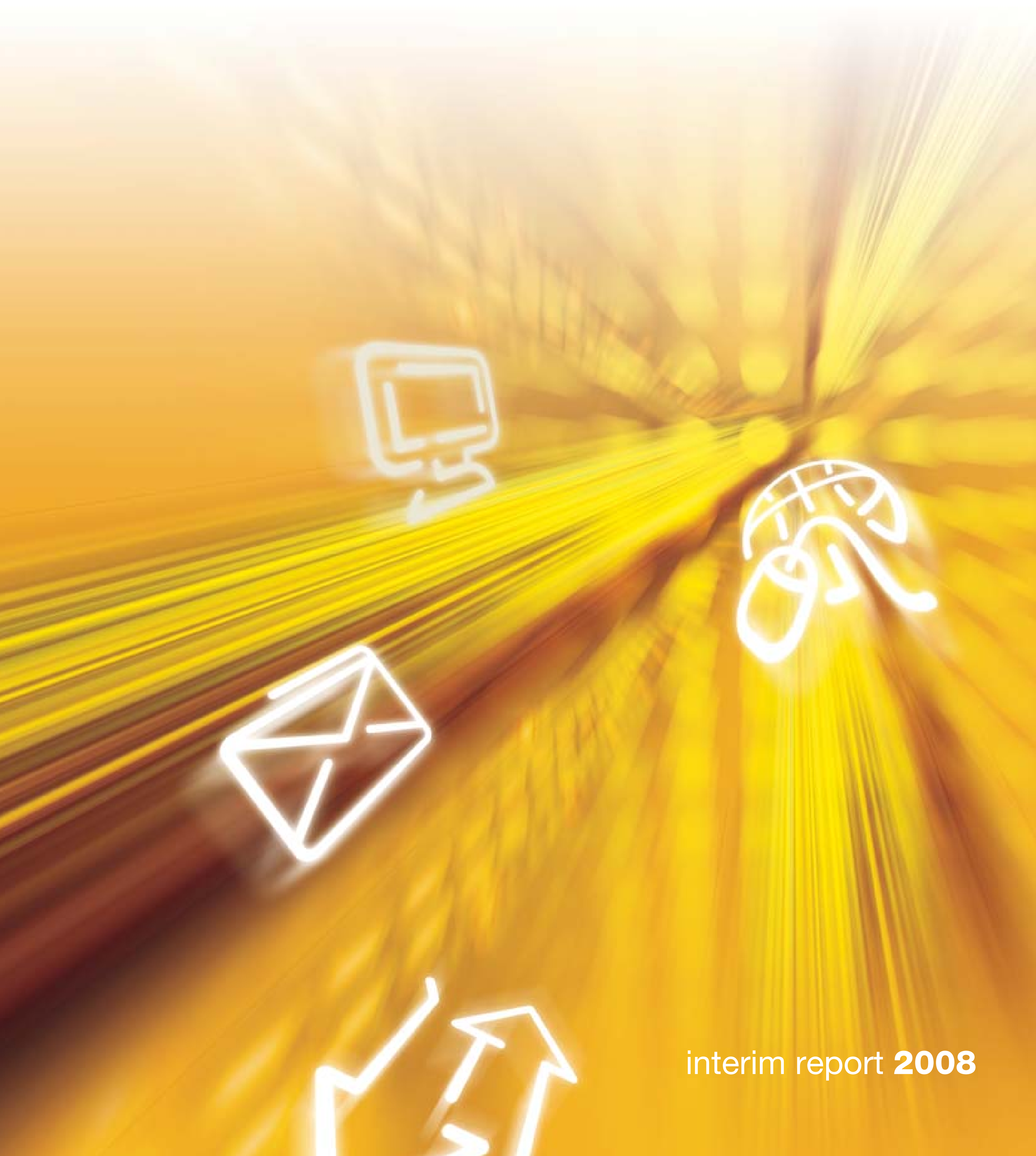
CITIC 21CN
中信 21世紀

CITIC 21CN COMPANY LIMITED
(Incorporated in Bermuda with limited liability) Stock Code: 241



interim report **2008**

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

COMPANY SECRETARY

Mr. YEE Foo Hei, ACS, ACIS, FCCA

QUALIFIED ACCOUNTANT

Mr. YUEN Wai Ho, FCCA, FCPA

AUTHORISED REPRESENTATIVES

Ms. CHEN Xiao Ying
Mr. YEE Foo Hei, ACS, ACIS, FCCA

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL PLACE OF BUSINESS

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

STOCK CODE

241

LEGAL ADVISORS

Hong Kong

Yung, Yu, Yuen & Co.

Bermuda

Appleby Spurling Hunter

AUDITORS

Deloitte Touche Tohmatsu
Certifited Public Accountants
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Management (Bermuda) Ltd.
Argyle House, 41A Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH REGISTERAR AND TRANSFER OFFICE

Tricor Secretaries Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKER

CITIC Ka Wah Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

Management Discussion and Analysis

Financial Review

The key financial figures of the Group for the six months ended 30th September 2008 and the comparative figures for the six months ended 30th September 2007 were summarised as follows:

	2008	2007	Change
	HK$'000	HK$'000	%
Turnover	**128,325**	114,373	12.2
Gross (loss) profit	**(6,816)**	26,970	N/A
Gross (loss) profit percentage	**(5.3%)**	23.6%	N/A
Other income	**3,634**	12,882	(71.8)
Administrative expenses (excluding staff costs)	**43,956**	26,644	65.0
Staff costs (excluding share option expense)	**36,211**	32,359	11.9
Share option expense	**816**	2,162	(62.3)
Loss on change in fair value of convertible bonds	**4,007**	8,294	(51.7)
Share of profit of an associate	**4,213**	243	1,633.7
Net loss attributable to shareholders	**85,266**	29,668	187.4
Loss per share			
Basic	**2.30 cents**	0.85 cents	170.6

Financial Review (continued)

Results

– *Turnover*

Turnover of the Group for the six months ended 30th September 2008 was HK$128,325,000, an increase of 12.2% as compared with the turnover of HK$114,373,000 for the six months ended 30th September 2007. The increase 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 2008 increased by 11.6% to HK$124,379,000 from HK$111,464,000 for the six months ended 30th September 2007. The Group's share of the turnover of HL95 comprised HK$50,909,000 (2007: HK$33,566,000) from short messaging services ("SMS"), HK$14,844,000 (2007: HK$27,504,000) from fixed-line interactive voice response system ("IVRS"), HK$11,614,000 (2007: HK$19,899,000) from mobile IVRS, HK$11,906,000 (2007: HK$15,731,000) from Internet-protocol ("IP") phone, HK$34,553,000 (2007: HK$8,022,000) from call centres, and HK$553,000 (2007: HK$6,742,000) from other value-added services. The increase in turnover was mainly due to the increase in SMS revenue and call centre revenue. The introduction of several new and innovative services, including the promotion for the consumers' enquiry on the product information through PIATS, had stimulated the SMS revenue to rise by 51.7% to HK$50,909,000 during the period. Increase in call centre revenue by 330.7% to HK$34,553,000 was due to the continuous growth of the call centre business, which HL95's call centre capacity had been expanding since the mid of 2007. HL95 has successfully reinforced the long-term relationship with certain major call centre accounts, including China Mobile Guangdong and CITIC Bank. Fixed-line IVRS revenue decreased by 46.0% to HK$14,844,000 was due to the aggressive marketing tactics and keen competition from HL95's main fixed-line IVRS competitors, China Netcom and China Telecom. Decrease in mobile IVRS revenue by 41.6% to HK$11,614,000 was due to the continuous market regulatory and price control measures imposed by mobile 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, is engaged in the Product Identification, Authentication and Tracking System ("PIATS"). The Group's share of the revenue of CCIT for the six months ended 30th September 2008 increased by 34.6% to HK$3,591,000 from HK$2,667,000 for the six months ended 30th September 2007. The increase in revenue was due to the increase in number of manufacturers joining and making use of the information services of PIATS during the current 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 2008 increased by 46.7% to HK$355,000 from HK$242,000 for the six months ended 30th September 2007. The operations of Grand Cycle have been scaling down and the turnover for the current period represented those revenue generated from the outstanding system integration service contracts to the telecom industry.

Financial Review (continued)

Results (continued)

– *Gross (loss) profit percentage*

The Group reported a gross loss percentage of 5.3% during the six months ended 30th September 2008 as compared with the gross profit percentage of 23.6% during the six months ended 30th September 2007, because of decrease in gross profit margin for HL95 and increase in direct operating costs, depreciation charge and supporting fee for the PIATS platform.

HL95's gross profit percentage declined because of higher share of IVRS/SMS revenue obtained by telecom operators, therefore service providers like HL95 took a smaller share of the revenue, and the aggressive marketing tactics employed by the telecom companies. Service providers like HL95 must work with telecom operators in providing IVRS/SMS content services to customers of fixed-line and mobile telecom operators, and these consumers pay a fee for accessing such content. HL95's gross profit margin was also affected by the broadband network expense and the increased depreciation charge mainly due to the expansion of HL95's call centre capacity in Beijing, Shenzhen and Foshan.

In the current period CCIT continued to build the infrastructure for PIATS, resulting in increase in direct operating costs, depreciation charge and supporting fee for the PIATS platform.

– *Other income*

Other income decreased by 71.8% to HK$3,634,000 for the six months ended 30th September 2008. Such decrease was mainly attributable to the decrease in interest income to HK$3,255,000 when compared with HK$9,684,000 for the six months ended 30th September 2007, as a result of reduction in bank deposit amount and bank interest rate during the period. For the current period, the Group also recorded a loss in fair value of held for trading investments, whereas a gain in fair value of held for trading investments of HK$2,627,000 was reported for the six months ended 30th September 2007.

– *Administrative expenses (excluding staff costs)*

Administrative expenses excluding staff costs for the six months ended 30th September 2008 was HK$43,956,000, representing an increase of 65.0% over HK$26,644,000 for the six months ended 30th September 2007. The increase was due to the increase in allowance for impairment of bad and doubtful debts of approximately HK$9,600,000; loss in fair value of held for trading investment of approximately HK$3,100,000 and the provision of project development costs of approximately HK$3,300,000 in the face that the overall economy and the investment environment were overshadowed by uncertainties.

– *Staff costs (excluding share option expense)*

Staff costs excluding share option expense for the six months ended 30th September 2008 was HK$36,211,000, representing an increase of 11.9% over HK$32,359,000 for the six months ended 30th September 2007. The increase was mainly due to the increase in labour costs in China and headcount to cope with the development of the PIATS platform and the rollout of PIATS, and the expansion of HL95's call centre capacity in Beijing, Shenzhen and Foshan.

Financial Review (continued)

Results (continued)

– *Share option expense*

Share option expense of HK$816,000 (2007: HK$2,162,000) represents a non-cash expense recorded by the Group in accordance with the requirements of Hong Kong Financial Reporting Standards ("HKFRS") 2 Share-based Payment. Under HKFRS 2 the fair value of share options granted to directors and employees of the Group are determined at the date of grant of the share options. Such fair value is expensed over the period from the date of grant of the share options to the date when the share options become exercisable. During the six months ended 30th September 2008, no share options were granted to employees of the Group.

– *Change in fair value of convertible bonds*

The Group recorded a loss on change in fair value of convertible bonds of HK$4,007,000 for the six months ended 30th September 2008 (2007: HK$8,294,000). The Company issued US$55 million and US$15 million, zero coupon convertible bonds at a par value of US$1,000 each on 21st December 2005 and 11th January 2006 respectively with a maturity date on 21st December 2010 (collectively referred to as the "Bonds"). The Group has adopted Hong Kong Accounting Standards ("HKAS") 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement, for the Bonds. The Bonds are carried at fair value at the balance sheet date and the change in fair value of the Bonds between 31st March 2008 and 30th September 2008 is recognised in the income statement during the six months ended 30th September 2008. The loss on change in fair value mainly represented an imputed interest on the Bonds.

– *Share of profit of an associate*

The share of profit of an associate represents the share of results of a 30%-owned associate, 東方口岸科技有限公司 (Dongfang Customs Technology Company Limited). Such increase in share of profit was mainly attributable to the increase in number of users for the new and enhanced features offered by the network platform.

– *Net loss attributable to shareholders*

Net loss attributable to shareholders for the six months ended 30th September 2008 was HK$85,266,000, representing an increase of 187.4% over HK$29,668,000 for the previous period, mainly because of loss in gross margin; decrease in other income; and the increase in the administrative expenses as explained above.

– *Loss per share*

Basic loss per share was HK2.30 cents for the six months ended 30th September 2008 as compared with a basic loss per share of HK0.85 cents for the six months ended 30th September 2007.

Financial Resources, Liquidity and Foreign Exchange Exposures

The financial positions of the Group as at 30th September 2008 and the corresponding comparative figures as at 31st March 2008 are summarised as follows:

	30th September 2008 HK$'000	31st March 2008 HK$'000
Current assets	**421,100**	464,545
Including		
– bank balances and cash (mainly denominated in Hong Kong dollar, United States dollar and Renminbi)	**285,503**	288,322
– debtors	**74,560**	76,724
Current liabilities	**148,947**	108,203
– including short-term bank loans	**25,137**	26,950
Current ratio (current asset/current liabilities)	**2.83**	4.29
Quick ratio (bank balances and cash and debtors/current liabilities)	**2.42**	3.37
Shareholders' equity	**534,467**	607,506
Convertible bonds	**88,660**	84,653
Gearing ratio (bank loans and convertible bonds/shareholders' equity)	**21.29%**	18.37%

Bank balances and cash maintained at a relatively constant level of HK$285,503,000 when compared with HK$288,322,000 as at 31st March 2008.

As at 30th September 2008, trade debtors aged over 12 months were HK$13,241,000 (31st March 2008: HK$16,391,000), most of which were related to system integration and software development business.

Bank loans on the consolidated balance sheets as at 30th September 2008 and 31st March 2008 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 2008, the current ratio was 2.83 (31st March 2008: 4.29), and the quick ratio was 2.42 (31st March 2008: 3.37). The Group considers that the existing current and quick ratios in healthy level.

Shareholders' equity decreased from HK$607,506,000 as at 31st March 2008 to HK$534,467,000 as at 30th September 2008, mainly because of the net loss of the Group incurred during the six months ended 30th September 2008.

Financial Resources, Liquidity and Foreign Exchange Exposures (continued)

The Group's gearing ratio increased from 18.37% as at 31st March 2008 to 21.29% as at 30th September 2008, because of the reduction in shareholders' equity resulting from the net loss of the Group incurred during the six months ended 30th September 2008.

The Group's operations and transactions are principally located in the PRC. Other than the convertible bonds which are denominated in US dollars and 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 minor change in the exchange rate of Renminbi against Hong Kong dollars would not result in a substantial exchange gain or loss for the Group as the net assets of the Group's operating subsidiaries and jointly controlled entities in PRC are denominated in Renminbi. Therefore, the operations of the Group are not subject to significant exchange rate risk.

Business Review

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

- **CCIT**

  CCIT, a 50%-owned jointly controlled entity of the Group, is principally engaged in the provision of product quality supervision and enforcement information for the relevant PRC authorities through the operation of PIATS; the provision of product information to the manufacturers from the manufacturing to the distribution and sale of the product; the provision of a simple, convenient and efficient way for the consumers to enquire product information, and check whether the products are counterfeit products or products with poor quality or safety; and the provision of an interactive channel for the consumers to report counterfeit products or products with poor quality or safety. CCIT has established a leading position in the PRC information service sector by providing manufacturers and consumers with these information value-added services. In May 2008, PIATS helped to facilitate and to speed up the countrywide re-distribution of anaesthetics to the disaster area during Sichuan Earthquake. Currently, certain well-known drug, seedling and fertilizer manufacturers in agricultural industry have shown to be successfully in using PIATS to protect their brand names, to reduce the counterfeit battling costs, to increase the customer confidence in using their products; and hence their market competitiveness and sales volume are enhanced.

  With the success in building up PIATS to become one of the largest platforms in the PRC information service sector, the management is exploring the use of PIATS in other different areas, fields or industries to develop other business models generating additional revenue and contribution to CCIT. Recently, the scope of PIATS business has already extended to drugs. Two kinds of government controlled drugs, anaesthetics and type I mental disorder drugs, have been using PIATS for tracking, which are now capable for swift product recall when necessary. Since the initial roll-out of PIATS to the date of the announcement for the interim results for the six month ended 30th September 2008, over 79,000 manufacturers and distributors across China have joined PIATS, representing an increase of more than 23.4% since 31st March 2008.

Business Review (continued)

- **CCIT (continued)**

  Future prospect

  Since the launch of PIATS, CCIT has experienced positive response from both manufacturers and consumers. The management is now actively promoting PIATS to other industries and fields to enlarge its customer bases and, at the same time, the management is developing new business models for PIATS to diversify and to enlarge its business scope. The management has confidence that PIATS can reduce counterfeit products, improve product safety and foods and drug safety, and protect consumers, manufacturers and intellectual property rights. In the coming months, the Group will continue to sign up manufacturers, distributors and retailers to join PIATS to enhance the supervision and monitoring of product quality and food safety for products manufactured in the PRC. Given that there are no other companies that can provide a similar service as PIATS, the directors believe that there 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

  Looking forward, the forthcoming arrival of 3G and "mobile internet" age will create immense business opportunities for HL95. HL95 will continue to introduce more new and innovative products to cope with the market needs. The rapid growth of call centre revenue is expected to continue with the co-operation with various financial institutions and large corporations. To cope with the growth, HL95 continues to expand its call centre capacities in Beijing, Shenzhen and Foshan. HL95 is an important platform for the Group since it enables the Group to promote the information services of PIATS. For example, 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. 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. In the past, Dongfang Customs' users principally included only manufacturers and import/export corporations for customs declaration and clearance services. However, more banks have now joined as users to the network platform which allows foreign exchange monitoring and online payments to be processed electronically in the same network platform. Users are principally charged a time-based telecommunication fee for accessing the network platform.

Business Review (continued)

- **Dongfang Customs (continued)**

  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 minimising the handling costs involved in the declaration. Given that there is getting more and more enhanced features for the network platform of Dongfang Customs and China is the manufacturing base for the world, the directors believe that there is great potential for Dongfang Customs to increase its time-based service revenue from the new and enhanced features and growing user base.

- **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 Group as at 30th September 2008 are detailed as follows:

Location	Telecom-munications/ information value-added services	PIATS business	System integration and software development	Corporate	Associate
– Hong Kong	–	–	–	13	–
– The PRC	1,938	117	6	–	270
Total	1,938	117	6	13	270

Total staff costs of the Group for the six months ended 30th September 2008 were HK$37,027,000. All the staff employed in Hong Kong participated in the Mandatory Provident Fund Scheme.

The Group's policy is to maintain a competitive pay structure and employees are rewarded on a performance related basis.

The Group has also set up share option schemes pursuant to which employees of the Group may be granted options to subscribe for the Company's shares at their 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 2008, no share options were granted to employees of the Group.

Additional Information

Share option schemes

At the Annual General Meeting of the Company held on 30th August 2002, the shareholders of the Company approved the adoption of share option scheme (the "New Scheme") under which the directors of the Company may, at their discretion, invite executive directors and key employees of the Company or its subsidiaries and other eligible persons as defined in the New Scheme to subscribe for shares in the Company subject to terms and conditions stipulated therein. On the same date, the share option scheme approved by the shareholders on 28th May 1998 (the "Old Scheme") was terminated such that no further options shall be offered but the options granted shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects its provisions shall remain in full force and effect.

Details of the movement of the share options granted under the Old Scheme and New Scheme during the period are set out below:

				Number of options					
	Date of grant	Exercise price HK$	Exercise period	At 1st April 2008	Granted during the period	Lapsed during the period	Cancelled during the period	Exercised during the period	At 30th September 2008
Directors									
Mr. Wang Jun	23.3.2005	3.175	23.3.2006 to 23.3.2015	10,000,000	–	–	–	–	10,000,000 ∂
	23.3.2005	3.175	23.3.2007 to 23.3.2015	10,000,000	–	–	–	–	10,000,000 ∂
	23.3.2005	3.175	23.3.2008 to 23.3.2015	10,000,000	–	–	–	–	10,000,000 ∂
Ms. Chen Xiao Ying	13.7.2000	0.990	13.1.2001 to 27.5.2008	21,000,000	–	(21,000,000)	–	–	– Δ
	13.7.2000	0.990	13.7.2001 to 27.5.2008	21,000,000	–	(21,000,000)	–	–	– Δ
	13.7.2000	0.990	13.7.2002 to 27.5.2008	28,000,000	–	(28,000,000)	–	–	– Δ
	24.6.2003	0.322	10.9.2004 to 23.6.2013	30,000,000	–	–	–	–	30,000,000 ∂
	24.6.2003	0.322	10.3.2005 to 23.6.2013	30,000,000	–	–	–	–	30,000,000 ∂
	24.6.2003	0.322	10.9.2005 to 23.6.2013	30,000,000	–	–	–	–	30,000,000 ∂
Mr. Luo Ning	24.6.2003	0.322	24.6.2004 to 23.6.2013	3,333,333	–	–	–	–	3,333,333 ∂
	24.6.2003	0.322	24.12.2004 to 23.6.2013	3,333,333	–	–	–	–	3,333,333 ∂
	24.6.2003	0.322	24.6.2005 to 23.6.2013	3,333,334	–	–	–	–	3,333,334 ∂
Mr. Sun Yalei	24.6.2003	0.322	24.6.2004 to 23.6.2013	3,333,333	–	–	–	–	3,333,333 ∂
	24.6.2003	0.322	24.12.2004 to 23.6.2013	3,333,333	–	–	–	–	3,333,333 ∂
	24.6.2003	0.322	24.6.2005 to 23.6.2013	3,333,334	–	–	–	–	3,333,334 ∂
Mr. Zhang Lian Yang	24.6.2003	0.322	24.6.2004 to 23.6.2013	5,000,000	–	–	–	–	5,000,000 ∂
	24.6.2003	0.322	24.12.2004 to 23.6.2013	5,000,000	–	–	–	–	5,000,000 ∂
	24.6.2003	0.322	24.6.2005 to 23.6.2013	5,000,000	–	–	–	–	5,000,000 ∂
				225,000,000	–	(70,000,000)	–	–	155,000,000

Share option schemes (continued)

	Date of grant	Exercise price HK$	Exercise period	At 1st April 2008	Granted during the period	Lapsed during the period	Cancelled during the period	Exercised during the period	At 30th September 2008	
				Number of options						
Employees	13.7.2000	0.990	13.7.2002 to 27.5.2008	200,000	–	(200,000)	–	–	–	∆
	2.3.2005	2.525	2.9.2005 to 1.3.2015	366,666	–	–	–	–	366,666	∂
	2.3.2005	2.525	2.9.2006 to 1.3.2015	366,667	–	–	–	–	366,667	∂
	2.3.2005	2.525	2.3.2008 to 1.3.2015	366,667	–	–	–	–	366,667	∂
	23.3.2005	3.175	23.3.2006 to 22.3.2015	200,000	–	–	–	–	200,000	∂
	23.3.2005	3.175	23.3.2007 to 22.3.2015	200,000	–	–	–	–	200,000	∂
	23.3.2005	3.175	23.3.2008 to 22.3.2015	200,000	–	–	–	–	200,000	∂
	23.3.2005	3.175	23.3.2009 to 22.3.2015	200,000	–	–	–	–	200,000	∂
	23.3.2005	3.175	23.3.2010 to 22.3.2015	200,000	–	–	–	–	200,000	∂
	1.6.2005	2.175	1.6.2008 to 30.6.2008	2,533,334	–	(2,533,334)	–	–	–	∂
	1.6.2005	2.175	1.6.2009 to 30.6.2009	200,000	–	–	–	–	200,000	∂
	1.6.2005	2.175	1.6.2010 to 30.6.2010	200,000	–	–	–	–	200,000	∂
	4.6.2007	2.500	4.6.2008 to 3.6.2017	12,300,000	–	–	–	–	12,300,000	∂
	4.6.2007	2.500	4.6.2009 to 3.6.2017	8,200,000	–	–	–	–	8,200,000	∂
	4.6.2007	2.500	Note (a)	10,250,000	–	–	–	–	10,250,000	∂
	4.6.2007	2.500	Note (b)	10,250,000	–	–	–	–	10,250,000	∂
				46,233,334	–	(2,733,334)	–	–	43,500,000	
				271,233,334	–	(72,733,334)	–	–	198,500,000	

Note:

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

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

∆ Options under Old scheme

∂ Options under New scheme

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

Directors' Interests in Contracts

No contracts of significance in relation to the Company's business to which the Company, any of its subsidiaries or its holding companies were a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period under review or at any time during the six months ended 30th September 2008.

Directors' Interest or Short Position in Equity Securities

As at 30th September 2008, the directors and their associates have the following interests or short positions in shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Securities and Futures Ordinance (the "SFO")) which had to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO or which were recorded in the register of the Company required to be kept under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

	Number of shares/underlying shares held			
	Share (Corporate interests)	**Share options (Personal interest)** (note 2)	**Equity Derivative**	**Aggregate interest**
Mr. Wang Jun	–	30,000,000	–	30,000,000
Ms. Chen Xiao Ying (note 1)	784,937,030	90,000,000	–	874,937,030
Mr. Luo Ning	–	10,000,000	–	10,000,000
Mr. Sun Yalei	–	10,000,000	–	10,000,000
Mr. Zhang Lian Yang	–	15,000,000	–	15,000,000
	784,937,030	155,000,000	–	939,937,030

Notes:

1. The interest in these shares and underlying shares of the Company were held by Uni-Tech International Group Limited, a wholly owned subsidiary of 21CN Corporation, 21CN Corporation is owned as to 99.5% by Pollon Internet Corporation, a company wholly owned by Ms. Chen Xiao Ying.

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

Directors' Interest or Short Position in Equity Securities (continued)

Save as disclosed above, none of the directors nor any chief executive of the Company has any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO or were recorded in the register maintained under section 352 of the SFO or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange as at 30th September 2008.

Substantial Shareholders' Interest or Short Positions in Equity Securities

As at 30th September 2008, the following parties (other than a director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO:

Name	Nature of Interest	Number of Shares held	Equity Derivative	Total Interest	Approximate percentage of the issued share capital
Uni-Tech International Group Limited (note (a))	Beneficial owner	784,937,030	–	784,937,030	21.1125%
21CN Corporation (note (a))	Interest of controlled corporation	784,937,030	–	784,937,030	21.1125%
Pollon Internet Corporation (note (a))	Interest of controlled corporation	784,937,030	–	784,937,030	21.1125%
CITIC Group ("CITIC") (note (b))	Interest of controlled corporation	807,998,000	–	807,998,000	21.7328%

Notes:

(a) Uni-Tech International Group Limited is wholly-owned by 21CN Corporation. 21CN Corporation is owned as to 99.5% by Pollon Internet Corporation, which is wholly-owned by Ms. Chen Xiao Ying, Executive Vice Chairman of the Company.

(b) Road Shine Developments Limited, Goldreward.com Ltd. and Perfect Deed Co. Ltd. holds 600,000,000 shares, 163,818,000 shares and 44,180,000 shares, respectively, all of which are controlled by CITIC Group.

Saved as disclosed above, there are no other interests or short positions in the Shares or underlying Shares of the Company as recorded in the register maintained under section 336 of SFO as at 30th September 2008.

Connected Transactions

During the period under review, the Group entered into certain connected transactions, as defined in Chapter 14A of the Listing Rules which are also related party transactions, references to which are set out in note 16 of the condensed consolidated financial statements.

Regarding all the connected transactions mentioned, the Independent Non-Executive Directors have reviewed and confirmed that all such transactions have been entered into:

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

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

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

Management Contracts

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

Interim Dividends

The Board of Directors resolved that no interim dividend be declared for the six months period ended 30th September 2008.

Purchase, Sale or Redemption of the Company's Listed Securities

The Company has not redeemed any 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.

Compositions of the Board of Directors and Audit Committee

Under the Listing Rules 3.10 and 3.21, the Board of Directors and Audit Committee required 3 independent non-executive directors. After the retirement of Mr. Liu Hongru (the former independent non-executive director and audit committee member of the Company) at the Annual General Meeting held on 28th August 2008, the Board is still in the process to procure a fit and competent person as soon as possible to fill up the vacancy left by Mr. Liu and to serve the Board and the Company.

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 A.4.1, 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.

Additional Information (continued)

Compliance with the Code on Corporate Governance Practices (continued)

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 28th August 2008 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 2008 to 28th August 2008, the Audit Committee comprises three independent non-executive directors, namely Dr. Hui Ho Ming, Herbert J.P., Mr. Zhang Jian Ming and Mr. Liu Hongru and Dr. Hui was the Chairman of the Audit Committee. After the retirement of Mr. Liu Hongru during the Annual General Meeting held on 28th August 2008, the Audit Committee comprises of only two independent non-executive directors namely Dr. Hui Ho Ming, Herbert J.P. and Mr. Zhang Jian Ming. The Board is in the process to procure a fit and competent person to fill up the vacancy of the independent non-executive director and Audit Committee member as soon as possible. The Audit Committee with the necessary quorum has reviewed the unaudited condensed consolidated interim financial statements for the six months ended 30th September 2008.

Hong Kong
19th December 2008

Condensed Consolidated Income Statement

For the six months ended 30th September 2008

	Note	2008 (Unaudited) HK$'000	2007 (Unaudited) HK$'000
Turnover	3	**128,325**	114,373
Cost of sales and services		**(135,141)**	(87,403)
Gross (loss) profit		**(6,816)**	26,970
Other income	4	**3,634**	12,882
Loss on change in fair value of convertible bonds	13	**(4,007)**	(8,294)
Distribution costs		**(4)**	(1)
Administrative expenses		**(80,983)**	(61,165)
Share of profit of an associate	5	**4,213**	243
Finance costs		**(695)**	(509)
Loss before taxation	6	**(84,658)**	(29,874)
Taxation	7	**(608)**	(450)
Loss for the period		**(85,266)**	(30,324)
Attributable to:			
Equity holders of the Company		**(85,266)**	(29,668)
Minority interests		**–**	(656)
		(85,266)	(30,324)
		HK cents	HK cents
Loss per share			
Basic	8	**(2.30)**	(0.85)

Condensed Consolidated Balance Sheet

	Note	30th September 2008 (Unaudited) HK$'000	31st March 2008 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**132,679**	122,735
Intangible assets	9	**75,109**	74,459
Interest in an associate		**109,595**	105,345
Loan receivable	10	**25,352**	25,039
Available-for-sale investments		**8,250**	8,250
		350,985	335,828
Current assets			
Inventories		**1,322**	1,437
Amounts due from customers for contract work		**14,397**	18,662
Debtors and prepayments	11	**105,057**	138,201
Investments held for trading		**14,821**	17,923
Bank balances and cash		**285,503**	288,322
		421,100	464,545
Current liabilities			
Creditors and accruals	12	**123,810**	81,112
Taxation payable		**–**	141
Short-term bank loans		**25,137**	26,950
		148,947	108,203
Net current assets		**272,153**	356,342
Total assets less current liabilities		**623,138**	692,170
Non-current liability			
Convertible bonds	13	**88,660**	84,653
Net assets		**534,478**	607,517
Capital and reserves			
Share capital	14	**37,179**	37,179
Reserves		**497,288**	570,327
Equity attributable to equity holders of the Company		**534,467**	607,506
Minority interests		**11**	11
Total equity		**534,478**	607,517

Condensed Consolidated Statememt of Changes in Equity

For the six months ended 30th September 2008

	Share capital	Share premium	Capital reserve	Contributed surplus	Translation reserve	Share options reserve	General reserve	Accumulated losses	Attributable to equity holders of the Company	Minority interests	Total
	(Unaudited) HK$'000	(Unaudited) HK$'000	(Unaudited) HK$'000	(Unaudited) HK$'000	(Unaudited) HK$'000	(Unaudited) HK$'000	(Unaudited) HK$'000	(Unaudited) HK$'000	(Unaudited) HK$'000	(Unaudited) HK$'000	(Unaudited) HK$'000
At 1st April 2008	**37,179**	**769,675**	**19,215**	**78,108**	**48,984**	**24,965**	**11,851**	**(382,471)**	**607,506**	**11**	**607,517**
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	–	11,411	–	–	–	11,411	–	11,411
Loss for the period	–	–	–	–	–	–	–	(85,266)	(85,266)	–	(85,266)
Total recognised income and expenses for the period	–	–	–	–	11,411	–	–	(85,266)	(73,855)	–	(73,855)
Recognition of equity-settled share based payments	–	–	–	–	–	816	–	–	816	–	816
Lapse of share options	–	–	–	–	–	(745)	–	745	–	–	–
	–	–	–	–	–	71	–	745	816	–	816
At 30th September 2008	**37,179**	**769,675**	**19,215**	**78,108**	**60,395**	**25,036**	**11,851**	**(466,992)**	**534,467**	**11**	**534,478**
At 1st April 2007	33,370	440,733	19,215	78,108	20,360	23,245	11,851	(308,642)	318,240	667	318,907
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	–	–	6,508	–	–	–	6,508	–	6,508
Loss for the period	–	–	–	–	–	–	–	(29,668)	(29,668)	(656)	(30,324)
Total recognised income and expenses for the period	–	–	–	–	6,508	–	–	(29,668)	(23,160)	(656)	(23,816)
Recognition of equity-settled share based payments	–	–	–	–	–	2,162	–	–	2,162	–	2,162
Lapse of share options	–	–	–	–	–	(1,932)	–	1,932	–	–	–
Issue of shares on conversion of convertible bonds	3,809	328,942	–	–	–	–	–	–	332,751	–	332,751
	3,809	328,942	–	–	–	230	–	1,932	334,913	–	334,913
At 30th September 2007	37,179	769,675	19,215	78,108	26,868	23,475	11,851	(336,378)	629,993	11	630,004

Condensed Consolidated Cash Flow Statement

For the six months ended 30th September 2008

	2008 **(Unaudited)** **HK$'000**	2007 (Unaudited) HK$'000
Net cash from/(used in) operating activities	**12,140**	(2,382)
Net cash used in investing activities	**(15,092)**	(20,330)
Net cash (used in)/from financing activities	**(3,464)**	12,109
Decrease in cash and cash equivalents	**(6,416)**	(10,603)
Cash and cash equivalent at beginning of the period	**288,322**	453,984
Effect of foreign exchange rate changes	**3,597**	888
Cash and cash equivalent at end of the period, representing bank balances and cash	**285,503**	444,269

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 HM 12, Bermuda.

The condensed consolidated interim financial statements are presented in Hong Kong dollars while the functional currency 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, where most of its investors are located in Hong Kong.

The Company is an investment holding company. The Group is an integrated information and content service provider. The segment 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 accounting policies

These condensed consolidated interim financial statements for the six months ended 30th September 2008 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" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

These condensed consolidated interim financial statements for the six months ended 30th September 2008 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.

These condensed consolidated financial statements should be read in conjunction with the Group's annual financial statements for the year ended 31st March 2008. 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 2008.

During the six months ended 30th September 2008, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations ("INTs") (hereinafter collectively referred to as "new HKFRSs") issued by HKICPA that are effective for accounting periods beginning on 1st April 2008. The application of the new HKFRSs has had no material effect on the financial statements of the Group.

2. Basis of preparation and accounting policies (continued)

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of financial statements[2]
HKAS 23 (Revised)	Borrowing costs[2]
HKAS 27 (Revised)	Consolidated and separate financial statements[3]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate[2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[2]
HKFRS 3 (Revised)	Business combinations[3]
HKFRS 8	Operating segments[2]
HK(IFRIC)* – INT 13	Customer loyalty programmes[4]
HK(IFRIC)* – INT 15	Agreements for the construction of real estate[2]
HK(IFRIC)* – INT 16	Hedges of a net investment in a foreign operation[5]
HK(IFRIC)* – INT 17	Distributions of non-cash assets to owners[3]

1 Effective for annual periods beginning on or after 1st January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July 2009

2 Effective for annual periods beginning on or after 1st January 2009

3 Effective for annual periods beginning on or after 1st July 2009

4 Effective for annual periods beginning on or after 1st July 2008

5 Effective for annual periods beginning on or after 1st October 2008

* IFRIC represents the International Financial Reporting Interpretations Committee.

The directors of the Company anticipate that the adoption of these standards and interpretations in future period will have no material impact on the financial position and result of the Group.

3. Segmental information

Business segments

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 PIATS, and system integration and software development. These divisions are the basis on which the Group reports its primary segment information.

Segment 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

3. Segmental information (continued)

Business segments (continued)

Unallocated results represent corporate income and expenses. A summary of the business segments is set out as follows:

Six months ended 30th September 2008	Telecom-munications/ information value-added services (Unaudited) HK$'000	PIATS business (Unaudited) HK$'000	System integration and software development (Unaudited) HK$'000	Total (Unaudited) HK$'000
Turnover	**124,379**	**3,591**	**355**	**128,325**
Segment results	**(17,293)**	**(36,808)**	**(8,604)**	**(62,705)**
Other income				**3,634**
Loss on change in fair value of convertible bonds				**(4,007)**
Share option expense				**(816)**
Share of profit of an associate				**4,213**
Finance costs				**(695)**
Unallocated corporate expenses				**(24,282)**
Loss before taxation				**(84,658)**
Taxation				**(608)**
Loss for the period				**(85,266)**

3. Segmental information (continued)

Business segments (continued)

Six months ended 30th September 2007	Telecom-munications/ information value-added services (Unaudited) HK$'000	PIATS business (Unaudited) HK$'000	System integration and software development (Unaudited) HK$'000	Total (Unaudited) HK$'000
Turnover	111,464	2,667	242	114,373
Segment results	(8,267)	(8,533)	41	(16,759)
Other income				12,882
Loss on change in fair value of convertible bonds				(8,294)
Share option expense				(2,162)
Share of profit of an associate				243
Finance costs				(509)
Unallocated corporate expenses				(15,275)
Loss before taxation				(29,874)
Taxation				(450)
Loss for the period				(30,324)

Geographical segments

All business segments are carried out in the PRC. Accordingly, a separate summary of geographical segment is therefore not presented.

4. Other income

	Six months ended 30th September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest income from bank deposits	**2,942**	9,355
Imputed interest income on loan receivable (Note 10)	**313**	329
Gain on change in fair value of held for trading investments	**–**	2,627
Others	**379**	571
	3,634	12,882

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. Loss before taxation

	Six months ended 30th September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss before taxation has been arrived at after charging:		
Staff costs	**37,027**	34,521
– including share option expense of HK$816,000 (2007: HK$2,162,000) (Note)		
Depreciation	**9,094**	7,193
Operating lease rentals in respect of buildings	**5,401**	6,226
Impairment losses on trade receivables	**9,604**	6
Loss on change in fair value of held for trading investments	**3,107**	–

Note: Share option expense represented a non-cash expense recorded by the Group in accordance with the requirements of HKFRS 2 Share-based Payment. Under HKFRS 2 the fair value of share options granted to directors and employees of the Company are determined at the date of grant of the share options. Such fair value is expensed over the period from the date of grant of the share options to the date when the share options become exercisable.

The Group recognised expense of HK$816,000 for the six months ended 30th September 2008 (2007: HK$2,162,000) in relation to share options granted by the Company.

7. Taxation

	Six months ended 30th September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
The charge comprises:		
Hong Kong Profits Tax	**–**	33
PRC Enterprise Income Tax		
Jointly controlled entities	**608**	417
	608	450

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the six months ended 30th September 2008 (2007:17.5%).

The tax rate applicable for the subsidiaries and jointly controlled entities in the PRC ranges from 15% to 25% (2007: 15% to 33%).

On 16th March 2007, the PRC promulgated the Law of PRC Enterprise Income Tax (the "New Law") by Order No. 63 of the President of PRC which will change the tax rate from 15%-33% to 25% for certain subsidiaries from 1st January 2008. Other than the effect on current tax charge, the directors of the Company anticipate that the application of the New Law will have no material impact on the results and the financial position of the Group.

8. Loss per share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of HK$85,266,000 (2007: HK$29,668,000) and the weighted average number of 3,717,870,000 (2007: 3,495,966,000) ordinary shares in issue during the period.

(b) Diluted loss per share

No diluted loss per share has been disclosed as the outstanding share options and convertible bonds had an anti-dilutive effect on the basic loss per share for the six months ended 30th September 2008 and 2007.

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. Loan receivable

On 3rd March 2006, CITIC 21CN Telecom Company Limited (a wholly owned subsidiary of the Group), entered into loan agreements with China Credit Information Technology Company Limited ("CCIT") (a 50% owned jointly controlled entity of the Group) in which CITIC 21CN Telecom Company Limited granted a non-interest bearing and unsecured two-year loan of US$6,900,000 to CCIT for the development of PIATS business. The maturity date of the loan was subsequently extended to 23rd March 2011.

As at 30th September 2008, the fair value of the Group's share of the loan receivable was HK$25,352,000 (31st March 2008: HK$25,039,000), determined based on the present value of the estimated future cash flows discounted using effective interest rate of 2.5%. Interest income of HK$313,000 from the loan receivable is recognised in the income statement for the six months ended 30th September 2008 (2007: HK$329,000).

11. Debtors and prepayments

	30th September 2008 (Unaudited) HK$'000	31st March 2008 (Audited) HK$'000
Trade receivables	**51,985**	52,295
Other receivables (Note)	**22,575**	24,429
Deposits and prepayments	**30,497**	61,477
	105,057	138,201

Note: Other receivables included an interest free advance of RMB18,000,000 (equivalent to HK$20,520,000) (31st March 2008: HK$19,800,000) to Information Centre of General Administration of Quality Supervision, Inspection and Quarantine of the PRC. The amount is repayable on demand.

The Group provides an average credit period of 90 days to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date:

	30th September 2008 (Unaudited) HK$000	31st March 2008 (Audited) HK$'000
0–90 days	**33,806**	29,642
91–180 days	**3,588**	3,421
181–360 days	**1,350**	2,841
Over 360 days	**13,241**	16,391
	51,985	52,295

12. Creditors and accruals

	30th September 2008 (Unaudited) HK$000	31st March 2008 (Audited) HK$'000
Trade payables	**41,910**	39,154
Other payables and accruals	**81,900**	41,958
	123,810	81,112

The following is an aged analysis of trade payables at the balance sheet date:

	30th September 2008 (Unaudited) HK$000	31st March 2008 (Audited) HK$'000
0–90 days	**3,040**	5,624
91–180 days	**24,317**	18,194
181–360 days	**1,937**	1,270
Over 360 days	**12,616**	14,066
	41,910	39,154

13. Convertible bonds

The Company issued US$55 million and US$15 million zero coupon convertible bonds at a par value of US$1,000 each on 21st December 2005 and 11th January 2006 respectively with a maturity date on 21st December 2010 (collectively referred to as the "Bonds"). The Group has adopted HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement, for the Bonds. The Bonds are carried at fair value at the balance sheet date and the changes in fair value of the Bonds are recognised in the income statement.

During the six months ended 30th September 2008, a loss on change in fair value of the Bonds of HK$4,007,000 (2007: HK$8,294,000) is recognised in the income statement.

14. Share capital

	Number of ordinary shares	HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 31st March 2008 and 30th September 2008	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 31st March 2008 and 30th September 2008	3,717,870,000	37,179

15. Commitments

(a) Capital commitment

	30th September 2008 (Unaudited) HK$'000	31st March 2008 (Audited) HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**537**	3,003

(b) Operating lease commitments

At the balance sheet 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 2008 (Unaudited) HK$'000	31st March 2008 (Audited) HK$'000
Within one year	**8,440**	7,994
In the second to fifth year inclusive	**6,390**	7,982
	14,830	15,976

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

16. 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	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Telecommunications/information value-added services agency fee (Note)	**1,113**	2,342

Note: 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.

17. Litigation

The Company received a claim from a former employee in the Hong Kong Labour Tribunal which in turn transferred to the Hong Kong High Court for damages arising from the Company's non-recognition of titles to 8,000,000 share options to subscribe for shares in the share capital of the Company in accordance with the alleged share option granted to the former employee under the share option scheme adopted by the Company dated 28th May 1998. The Company has consulted its lawyer and the lawyer has opined that the amount that can be claimed by the former employee would not exceed HK$3,133,000 and that the Company has a reasonable prospect of a successful defense. Accordingly, no provision in connection with the legal claim has been made in the condensed consolidated financial statements. Such litigation is still in progress up to the date of this report.

18. Subsequent event

On 21st November 2008, certain bondholders exercised the put option to redeem US$10,000,000 of the issued Bonds. The redemption will occur on 21st December 2008 at redemption price of 115.969% in accordance with the Trust Deed dated 21st December 2005 for a total consideration of US$11,596,900.