CITIC 21CN

中信 21世紀

CITIC 21CN COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 241

Interim Report 2012

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

COMPANY SECRETARY

Mr. AU Kin Fai, HKICPA

QUALIFIED ACCOUNTANT

Mr. YUEN Wai Ho, FCCA, FCPA

AUTHORISED REPRESENTATIVES

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

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL PLACE OF BUSINESS

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

STOCK CODE

241

LEGAL ADVISOR

Chu & Lau Solicitors & Notaries

Bermuda

Appleby

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Management (Bermuda) Ltd.
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKER

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

Management Discussion and Analysis

FINANCIAL REVIEW

The key financial figures of the Group for the six months ended 30th September 2012 and the comparative figures for the six months ended 30th September 2011 were summarised as follows:

	2012 HK$'000	2011 HK$'000	Change %
Turnover	**245,657**	211,483	16.2
Gross profit	**29,850**	42,246	(29.3)
Gross profit percentage	**12.2%**	20.0%	(39.0)
Other income, gains and losses	**(5)**	(15,976)	(100.0)
Administrative expenses	**(47,182)**	(59,040)	(20.1)
Share of profit of an associate	**3,585**	2,840	26.2
Loss attributable to owners	**14,661**	30,900	(52.6)
Loss per share			
Basic	**0.39 cents**	0.83 cents	(53.0)

Management Discussion and Analysis (continued)

FINANCIAL REVIEW (continued)

Results

– *Turnover*

Turnover of the Group for the six months ended 30th September 2012 was HK$245,657,000, an increase of 16.2% as compared with the turnover of HK$211,483,000 for the six months ended 30th September 2011. 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 2012 increased by 14.9% to HK$237,884,000 from HK$207,064,000 for the six months ended 30th September 2011. The Group's share of the turnover of HL95 comprised HK$139,091,000 (2011: HK$106,015,000) from call centres, HK$83,492,000 (2011: HK$83,936,000) from short messaging services ("SMS"), HK$5,808,000 (2011: HK$3,556,000) from mobile interactive voice response system ("IVRS"), HK$4,317,000 (2011: HK$5,796,000) from fixed-line IVRS, HK$4,560,000 (2011: HK$5,140,000) from Internet-protocol ("IP") phone and HK$616,000 (2011: HK$2,621,000) from other value-added services. The increase in turnover was basically attributable to the increase in call centre revenue, while SMS, IVRS and IP phone revenues maintained at similar levels. Call centre revenue grew at a healthy trend of 31.1%, which was mainly due to the continuous expansion of call centre capacity and the procurement of various new outsourcing contracts across China. HL95's call centre customer base has been extended to various industries of bank, telecom, insurance and utility. Call centre industry is still fast growing in China and HL95 has successfully become one of the largest reputable operators in the industry. There were no substantial fluctuations in the normal markets for SMS, IVRS and IP Phone businesses even though the competition remained keen. SMS revenue during the period maintained at the same level when compared with that of last corresponding period. The decrease in fixed-line IVRS revenue during the period was compensated by the increase in mobile IVRS revenue. IP phone revenue decreased by HK$580,000 under the tight competition from other IP phone providers. Decrease in other value-added service revenue was mainly due to the decrease in revenue generated from technical support services to customers.

(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 2012 increased by 47.5% to HK$6,520,000 from HK$4,419,000 for the six months ended 30th September 2011. The growth in revenue during the period was due to an increased service fee income following the intensive promotion of PIATS in drug industry.

(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 2012 was HK$1,253,000 as compared with the turnover of nil for the six months ended 30th September 2011. The operations of Grand Cycle had already been scaled down and the turnover for the period represented those revenue generated from the outstanding system integration service contracts to the telecom industry.

Management Discussion and Analysis (continued)

FINANCIAL REVIEW (continued)

Results (continued)

– ***Gross profit percentage***

The Group reported a gross profit percentage of 12.2% during the six months ended 30th September 2012 as compared with the gross profit percentage of 20.0% during the six months ended 30th September 2011. The decline was mainly caused by the decrease in gross profit margin of HL95 business even though the gross loss of PIATS business was narrowed.

The decrease in HL95's gross profit percentage was principally due to the substantial growth in call centre revenue which were of lower average margin when compared with the traditional telecommunication service provider ("SP") businesses. The completion of new call centre facilities also demanded high labour costs included.

With the increase in service fee income, the gross loss of PIATS business was narrowed when compared with that of last corresponding period as most of its direct operating costs such as depreciation were fixed in nature.

– ***Other income, gains and losses***

During the six months ended 30th September 2012, other income, gains and losses recorded a loss of HK$5,000 as compared with the loss of HK$15,976,000 for the six months ended 30th September 2011. Such obvious decrease was due to the reduction in the loss on change in fair value of held for trading investments of HK$2,410,000 for the current period as contrasted with the same item loss of HK$17,928,000 for the last corresponding period. The investment market was rather quiet but less volatile during the current period.

– ***Administrative expenses***

Administrative expenses for the six months ended 30th September 2012 was HK$47,182,000, representing a decrease of 20.1% over HK$59,040,000 for the six months ended 30th September 2011. Such decrease was principally due to the stricter administrative cost control measures implemented by the management.

– ***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$3,585,000 for the six months ended 30th September 2012, representing an increase of 26.2% when compared with HK$2,840,000 for the six months ended 30th September 2011. Dongfang Customs has been upgrading its existing system by introducing more new and enhanced features to attract users using their services.

– ***Loss attributable to owners***

Loss attributable to owners for the six months ended 30th September 2012 was HK$14,661,000, representing a decrease of 52.6% over HK$30,900,000 for the same period last year, mainly because of the obvious decrease in the loss of other income, gains and losses as explained above.

– ***Loss per share***

Basic loss per share was HK0.39 cents for the six months ended 30th September 2012, representing a decrease of 53.0% over HK0.83 cents for the six months ended 30th September 2011.

Management Discussion and Analysis (continued)

FINANCIAL RESOURCES, LIQUIDITY AND FOREIGN EXCHANGE EXPOSURES

The financial positions of the Group as at 30th September 2012 and the corresponding comparative figures as at 31st March 2012 are summarised as follows:

	30th September 2012 HK$'000	31st March 2012 HK$'000
Current assets	**284,783**	275,082
Including		
– bank balances and cash (mainly denominated in Hong Kong dollar, United States dollar and Renminbi)	**124,035**	133,813
– debtors	**103,180**	65,840
Current liabilities	**157,010**	134,399
– including short-term bank loans	**11,956**	11,956
Current ratio (current asset/current liabilities)	**1.81**	2.05
Quick ratio (bank balances and cash and debtors/current liabilities)	**1.45**	1.49
Shareholders' equity	**384,299**	398,960
Gearing ratio (bank loans/shareholders' equity)	**3.11%**	3.00%

Bank balances and cash decreased by 7.3% from HK$133,813,000 as at 31st March 2012 to HK$124,035,000 as at 30th September 2012. The decrease in bank balances and cash was the result of the net cash used in operating activities arising from the net loss of the Group incurred during the six months ended 30th September 2012.

As at 30th September 2012, trade debtors aged over 12 months were HK$7,016,000 (31st March 2012: HK$8,247,000), most of which were related to system integration and software development business.

Bank loans on the consolidated statement of financial positions as at 30th September 2012 and 31st March 2012 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 2012, the Group reported relatively steady current and quick ratios. The current ratio was 1.81 (31st March 2012: 2.05), and the quick ratio was 1.45 (31st March 2012: 1.49).

Shareholders' equity decreased from HK$398,960,000 as at 31st March 2012 to HK$384,299,000 as at 30th September 2012, mainly because of the net loss of the Group incurred during the six months ended 30th September 2012.

Management Discussion and Analysis (continued)

FINANCIAL RESOURCES, LIQUIDITY AND FOREIGN EXCHANGE EXPOSURES (continued)

The Group's gearing ratio decreased from 3.00% as at 31st March 2012 to 3.11% as at 30th September 2012, mainly because of the reduction in the shareholders' equity resulting from the net loss of the Group incurred during the six months ended 30th September 2012.

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 innovative concepts since its launch, the application of PIATS has been broadly extended countrywide to various products such as drugs, food and beverage, agricultural resources and household appliances, through which staging achievement has been reached, enterprise product brand name and orderly market has been effectively maintained, and helping the market set up a product credit system that has been recognized by consumers, government and enterprises.

  As to the area of electronic monitoring of drugs, the coverage scope has been further enlarging. During the period, those national-declared basic drugs of all types, as manufactured by all production enterprises, have basically been finished with the bar code use work. It signified that those national-declared basic drugs of all types have been put into practice for the full inclusion under electronic monitoring. The Group has also further reinforced on the infrastructure facilities of the PIATS system, so as to ensure the practicability, user-friendliness and manageability of the system. During the period, the company has continued to undertake the relevant technical support services, enterprises' corporate training and corporate implementation guidance work 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.

Management Discussion and Analysis (continued)

BUSINESS REVIEW (continued)

- **PIATS Business (continued)**

Future prospect

The gradual advancement of electronic monitoring has already evidenced that the government will make electronic monitoring an important tool for increasing management. Recently, the relevant authorities in the PRC has commenced planning, under the existing implemented electronic monitoring basis of anaesthetics drugs, mental disorder drugs, blood products, Chinese medicine injections, vaccines, national-declared basic drugs of all types etc., to continue to further apply the electronic monitoring to other areas of drugs through stages. On the other hands, the relevant authorities in the PRC has commenced preparing to promote gradually the working trainings to those institutions other than drug production and distribution enterprises. Pinpointing the various issues of dairy products under food category, the relevant authorities in the PRC is attempting to establish an information tracking system through the application of similar informationalized measures. The company will leverage on the successful and accumulated experience on PIATS and promote to further its cooperation with the relevant authorities in the PRC, so as to strive for the expansion of the scope and coverage of the application of PIATS. The management has confidence that PIATS can combat counterfeit and poor-quality commodities, improve commodity safety, and protect the interests of consumers and enterprises. Given that there are no other companies that can provide service similar to PIATS at the moment, the directors believe that is great potential for PIATS.

- **HL95**

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

Future prospect

The rapid development of 3G, the development of 4G and mobile internet will continuously create 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 mobile IVRS and fixed line IVRS services will continue to be under challenge, with regulatory measures from time to time imposed by the telecom operators or the relevant authorities, and with fierce competition arisen from inherent competitive advantages possessed by telecom operators. In the coming year, HL95 will continue to 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. Since late 2009, HL95 has received several industry awards for its good achievement in call centre management and outsourcing contract. During the last year, HL95 completed the construction of a major 780 seats call centre in Beijing. Presently, the management is working on gaining new call centre business opportunities countrywide. The management considers that the call centre revenue will continue to grow healthily. 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. In the same time, HL95 is also intended to achieve to combine the PIATS business for transformation of services and expansion of new business. The Directors believe that HL95 has good potential in the call centre industry and at the same time can provide valuable support to PIATS.

Management Discussion and Analysis (continued)

BUSINESS REVIEW (continued)

- **Dongfang Customs**

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

  Future prospect

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

Management Discussion and Analysis (continued)

EMPLOYEES AND REMUNERATION POLICIES

The numbers of full-time employees of the Group as at 30th September 2012 are detailed as follows:

Location	Telecommuni-cations/ Information value-added services	PIATS business	System integration and software development	Corporate	Associate
– Hong Kong	–	–	–	6	–
– The PRC	5,966	89	3	–	270
Total	5,966	89	3	6	270

Total staff costs of the Group included in the administrative expenses for the six months ended 30th September 2012 were HK$23,694,000. 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 2012, no share options were granted to employees of the Group.

Additional Information

SHARE OPTION

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 "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 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 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 Scheme during the period are set out below:

				Number of options		
	Date of grant	Exercise price HK$	Exercise period	At 1st April 2012	Forfeited during the period	At 30th September 2012
Directors						
Mr. Wang Jun	23.3.2005	3.175	23.3.2006 to 23.3.2015	10,000,000	–	10,000,000
	23.3.2005	3.175	23.3.2007 to 23.3.2015	10,000,000	–	10,000,000
	23.3.2005	3.175	23.3.2008 to 23.3.2015	10,000,000	–	10,000,000
Ms. Chen Xiao Ying	24.6.2003	0.322	10.9.2004 to 23.6.2013	30,000,000	–	30,000,000
	24.6.2003	0.322	10.3.2005 to 23.6.2013	30,000,000	–	30,000,000
	24.6.2003	0.322	10.9.2005 to 23.6.2013	30,000,000	–	30,000,000
Mr. Luo Ning	24.6.2003	0.322	24.6.2004 to 23.6.2013	3,333,333	–	3,333,333
	24.6.2003	0.322	24.12.2004 to 23.6.2013	3,333,333	–	3,333,333
	24.6.2003	0.322	24.6.2005 to 23.6.2013	3,333,334	–	3,333,334
Mr. Sun Yalei	24.6.2003	0.322	24.6.2004 to 23.6.2013	3,333,333	–	3,333,333
	24.6.2003	0.322	24.12.2004 to 23.6.2013	3,333,333	–	3,333,333
	24.6.2003	0.322	24.6.2005 to 23.6.2013	3,333,334	–	3,333,334
Mr. Zhang Lianyang	24.6.2003	0.322	24.6.2004 to 23.6.2013	5,000,000	–	5,000,000
	24.6.2003	0.322	24.12.2004 to 23.6.2013	5,000,000	–	5,000,000
	24.6.2003	0.322	24.6.2005 to 23.6.2013	5,000,000	–	5,000,000
				155,000,000	–	155,000,000

Additional Information (continued)

SHARE OPTION (continued)

				Number of options		
	Date of grant	Exercise price HK$	Exercise period	At 1st April 2012	Forfeited during the period	At 30th September 2012
Employees	2.3.2005	2.525	2.9.2005 to 1.3.2015	200,000	–	200,000
	2.3.2005	2.525	2.9.2006 to 1.3.2015	200,000	–	200,000
	2.3.2005	2.525	2.3.2008 to 1.3.2015	200,000	–	200,000
	23.3.2005	3.175	23.3.2006 to 22.3.2015	200,000	–	200,000
	23.3.2005	3.175	23.3.2007 to 22.3.2015	200,000	–	200,000
	23.3.2005	3.175	23.3.2008 to 22.3.2015	200,000	–	200,000
	23.3.2005	3.175	23.3.2009 to 22.3.2015	200,000	–	200,000
	23.3.2005	3.175	23.3.2010 to 22.3.2015	200,000	–	200,000
				1,600,000	–	1,600,000
				156,600,000	–	156,600,000

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

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company, any of its subsidiaries or its holding companies were a party and in which a Director of the Company had a material interest, whether directly or indirectly, existed at the end of the period under review or at any time during the six months ended 30th September 2012.

Additional Information (continued)

DIRECTORS' INTERESTS OR SHORT POSITIONS IN EQUITY SECURITIES

As at 30th September 2012, the Directors and their associates have the following interests or short positions in shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Securities and Futures Ordinance (the "SFO")) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were recorded in the register of the Company required to be kept under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") in the Listing Rules:

	Number of shares/underlying shares held		
	Shares (Corporate interest)	Share options (Personal interest)[2]	Aggregate interests
Mr. Wang Jun	–	30,000,000	30,000,000
Ms. Chen Xiao Ying	784,937,030[1]	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 Lianyang	–	15,000,000	15,000,000
	784,937,030	155,000,000	939,937,030

Notes:

1. Pollon Internet Corporation, a company wholly-owned by Ms. Chen Xiao Ying, owns 99.5% interest in 21CN Corporation. Uni-Tech International Group Limited, a wholly owned subsidiary of 21CN Corporation, holds 784,937,030 shares in the Company. Accordingly, Ms. Chen Xiao Ying is interested in the shares held by Uni-Tech International Group Limited.

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

Save as disclosed above, none of the directors nor any chief executive of the Company has any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register maintained under section 352 of the SFO.

Additional Information (continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS IN EQUITY SECURITIES

As at 30th September 2012, the following parties (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO:

Name	Nature of Interest	Number of Shares held	Total Interests	Approximate percentage of the issued share capital
Uni-Tech International Group Limited (note (a))	Beneficial owner	784,937,030	784,937,030	21.11%
21CN Corporation (note (a))	Interest of controlled corporation	784,937,030	784,937,030	21.11%
Pollon Internet Corporation (note (a))	Interest of controlled corporation	784,937,030	784,937,030	21.11%
CITIC Group Corporation (note (b))	Interest of controlled corporation	807,998,000	807,998,000	21.73%

Notes:

(a) Uni-Tech International Group Limited is wholly-owned by 21CN Corporation. 21CN Corporation is owned as to 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 Corporation (previously known as "CITIC Group").

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

Additional Information (continued)

CONNECTED TRANSACTIONS

中信21世紀(中國)科技有限公司 (CITIC 21CN (China) Technology Co. Ltd*) ("CITIC 21CN Technology") as the lender and 中信國檢信息技術有限公司 (China Credit Information Technology Co. Ltd*) ("CCIT") as the borrower entered into a loan agreement (the "Loan Agreement") on 21st July 2009 in relation to a non-interest bearing and unsecured loan of RMB20,000,000 (the "Loan") with particulars as follows:

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

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

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

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

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

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

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

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

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

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

As at 30th September 2012, CCIT has drawn RMB20,000,000 and RMB17,000,000 from the Loan and Second Loan respectively.

Additional Information (continued)

CONNECTED TRANSACTIONS (continued)

As at 30th September 2012, CCIT is owned as to 50%, 30% and 20% by the Company, CITIC Group Corporation and 中國華信郵電經濟開發中心 (China Huaxin Telecom Economic Development Centre*) respectively, and CITIC Group Corporation is a substantial shareholder of the Company, holding 21.73% of the shareholdings of the Company. CCIT is a non wholly-owned subsidiary and a connected person of the Company under the Listing Rules. The Company obtained the approval of the independent shareholders in respect of the grant of the Loan, the Loan Agreement, the CITIC 21CN Technology Renewal Loan, the CITIC 21CN Technology Renewal Loan Agreement, the Second Loan, the Second Loan Agreement and all the transactions contemplated thereunder in accordance with the Bye-Laws and the Listing Rules during special general meetings of the Company held on 31st August 2009 and 29th December 2010 respectively ("SGM").

CITIC 21CN Telecom Company Limited ("CITIC 21CN Telecom"), which is a wholly owned subsidiary of the Company provided a loan in the sum of US$6,900,000 ("CITIC 21CN Telecom Loan") to CCIT under the loan agreement and supplemental agreement dated 3rd March 2006. CITIC 21CN Telecom Loan was renewed for a term of 3 years under the renewal loan agreement (the "Renewal Loan Agreement") between CITIC 21CN Telecom and CCIT dated 22th May 2008 (the "Renewal Loan"). CITIC 21CN Telecom Loan was further renewed for a term of approximately 3.1 years to 15th April 2014 under the second renewal loan agreement (the "Second Renewal Loan Agreement") between CITIC 21CN Telecom and CCIT dated 23rd November 2010 (the "Second Renewal Loan").

As at 30th September 2012, the aggregate loan amount, including the CITIC 21CN Technology Renewal Loan, Second Loan and the Second Renewal Loan, is approximately RMB94,000,000.

In addition to the above, during the period under review, the Group entered into certain connected transactions, as defined in Chapter 14A of the Listing Rules of the Stock Exchange, which are also related party transactions, references to which are set out in note 15 to the condensed consolidated financial statements.

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

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

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

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

MANAGEMENT CONTRACTS

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

INTERIM DIVIDEND

The Board of Directors resolved that no interim dividend be declared for the six months period ended 30th September 2012 (2011: Nil).

* for identification purpose only

Additional Information (continued)

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

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

For the period ended 30th September 2012, the Company has complied with the code provisions ("Code Provisions") set out in the Code on Corporate Governance Practices (the "CG Code") under Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") except for the following deviations:

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

2. The Chairman of the Board of Company did not attend the annual general meeting of the Company held on 30th August 2012. However, Ms. Chen Xiao (Executive Vice Chairman), Mr. Zhang Lianyang (Executive Director) and Dr. Hui Ho Ming, Herbert, JP (Independent Non-Executive Director) attended the meeting. The meeting was conducted in a good and proper manner.

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

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 2012 to 30th September 2012, 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 2012.

Hong Kong
22nd November 2012

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th September 2012

	Notes	Six months ended 30th September 2012 (Unaudited) HK$'000	2011 (Unaudited) HK$'000
Turnover	3	**245,657**	211,483
Cost of sales and services		**(215,807)**	(169,237)
Gross profit		**29,850**	42,246
Other income, gains and losses	4	**(5)**	(15,976)
Administrative expenses		**(47,182)**	(59,040)
Share of profit of an associate	5	**3,585**	2,840
Interest expenses		**(430)**	(499)
Loss before taxation		**(14,182)**	(30,429)
Taxation	6	**(479)**	(471)
Loss for the period	7	**(14,661)**	(30,900)
Other comprehensive income:			
Exchange differences arising on translation		**–**	2,671
Total comprehensive expense for the period		**(14,661)**	(28,229)
Loss for the period attributable to:			
Owners of the Company		**(14,661)**	(30,900)
Non-controlling interests		**–**	–
		(14,661)	(30,900)
Total comprehensive expense attributable to:			
Owners of the Company		**(14,661)**	(28,229)
Non-controlling interests		**–**	–
		(14,661)	(28,229)
		HK cents	HK cents
Loss per share			
Basic	8	**(0.39)**	(0.83)

Condensed Consolidated Statement of Financial Position

As at 30th September 2012

	Notes	30th September 2012 (Unaudited) HK$'000	31st March 2012 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		67,858	72,031
Intangible assets	9	40,420	42,622
Interest in an associate		96,755	93,170
Loans receivable	10	46,863	45,465
Available-for-sale investments		9,150	9,150
		261,046	262,438
Current assets			
Amounts due from customers for contract work		1,790	2,940
Debtors and prepayments	11	119,803	96,764
Investments held for trading		39,155	41,565
Bank balances and cash		124,035	133,813
		284,783	275,082
Current liabilities			
Creditors and accruals	12	144,706	120,265
Taxation payable		348	2,178
Short-term bank loans		11,956	11,956
		157,010	134,399
Net current assets		127,773	140,683
Total assets less current liabilities		388,819	403,121
Non-current liability			
Deferred taxation		4,511	4,152
		384,308	398,969
Capital and reserves			
Share capital	13	37,179	37,179
Reserves		347,120	361,781
		384,299	398,960
Non-controlling interests		9	9
Total equity		384,308	398,969

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September 2012

	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	Attributable to Owners of the Company (Unaudited) HK$'000	Non-controlling interests (Unaudited) HK$'000	Total (Unaudited) HK$'000
At 1st April 2012	**37,179**	**769,675**	**19,215**	**78,108**	**73,229**	**20,831**	**12,931**	**(612,208)**	**398,960**	**9**	**398,969**
Loss for the period and total comprehensive income (expense) for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(14,661)**	**(14,661)**	**–**	**(14,661)**
At 30th September 2012	**37,179**	**769,675**	**19,215**	**78,108**	**73,229**	**20,831**	**12,931**	**(626,869)**	**384,299**	**9**	**384,308**
At 1st April 2011	37,179	769,675	19,215	78,108	68,940	21,181	11,851	(603,743)	402,406	10	402,416
Exchange differences arising on translation	–	–	–	–	2,671	–	–	–	2,671	–	2,671
Loss for the period	–	–	–	–	–	–	–	(30,900)	(30,900)	–	(30,900)
Total comprehensive income (expense) for the period	–	–	–	–	2,671	–	–	(30,900)	(28,229)	–	(28,229)
Lapse of share options	–	–	–	–	–	(350)	–	350	–	–	–
At 30th September 2011	37,179	769,675	19,215	78,108	71,611	20,831	11,851	(634,293)	374,177	10	374,187

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th September 2012

	Six months ended 30th September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash (used in) from operating activities	**(647)**	1,479
Net cash used in investing activities	**(8,700)**	(12,428)
Net cash used in financing activities	**(431)**	(12,357)
Decrease in cash and cash equivalents	**(9,778)**	(23,306)
Cash and cash equivalent at beginning of the period	**133,813**	160,335
Effect of foreign exchange rate changes	**–**	1,413
Cash and cash equivalent at end of the period, representing bank balances and cash	**124,035**	138,442

Notes to the Condensed Consolidated Financial Statements

1 GENERAL INFORMATION

CITIC 21CN Company Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The condensed consolidated financial statements are presented in Hong Kong dollars while the functional currency of the Company is Renminbi. The reason for selecting Hong Kong dollars as presentation currency is because the Company is a public company in Hong Kong with the shares listed on the Stock Exchange.

The Company is an investment holding company. The Group is an integrated information and content service provider. The principal activities of the Group comprise 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 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 ("HKAS 34") "Interim Financial Reporting".

The condensed consolidated financial statements for the six months ended 30th September 2012 are unaudited and have been reviewed by the audit committee of the Company.

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain interest free loans receivable which is adjusted to its fair value on initial recognition and certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in condensed consolidated financial statements for the six months ended 30th September 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st March 2012, except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Accounting Standards ("HKAS"s), HKFRS, amendments and interpretations ("INT"s) (hereinafter collectively referred to as "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets

The adoption of these new and revised HKFRSs has no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated condensed financial statements.

Notes to the Condensed Consolidated Financial Statements (continued)

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

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

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[3]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle[2]
HKFRS 1 (Amendments)	Government Loans[2]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance[2]
HKFRS 13	Fair Value Measurement[2]
HK(IFRIC) – INT 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1st July 2012
2 Effective for annual periods beginning on or after 1st January 2013
3 Effective for annual periods beginning on or after 1st January 2014
4 Effective for annual periods beginning on or after 1st January 2015

New and revised HKFRSs which may have potential impact on the Group's financial performance and financial position are described the Group's annual financial statements for the year ended 31st March 2012. The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the results and financial position of the Group.

Notes to the Condensed Consolidated Financial Statements (continued)

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. For the telecommunications/information value-added services and PIATS business divisions, information reported to the Board of Directors of the Company includes the financial information of its joint ventures prepared on a proportionate consolidation basis.

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 and reporting segments:

	Segment revenue		Segment profit/(loss)	
	Six months ended 30th September			
	2012 (unaudited) HK$'000	2011 (unaudited) HK$'000	**2012 (unaudited) HK$'000**	2011 (unaudited) HK$'000
Telecommunication/information value-added services	**237,884**	207,064	**4,516**	(350)
PIATS business	**6,520**	4,419	**(15,057)**	(9,484)
System integration and software development	**1,253**	–	**(151)**	(198)
Total	**245,657**	211,483	**(10,692)**	(10,032)
Other income, gains and losses			**(5)**	(15,976)
Share of profit of an associate			**3,585**	2,840
Interest expenses			**(430)**	(499)
Unallocated expenses			**(6,640)**	(6,762)
Loss before taxation			**(14,182)**	(30,429)

Notes to the Condensed Consolidated Financial Statements (continued)

4 OTHER INCOME, GAINS AND LOSSES

	Six months ended 30th September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest income from bank deposits	**675**	300
Imputed interest income on loans receivable	**823**	733
Dividends from listed equity securities	**772**	690
Change in fair value of investments held for trading	**(2,410)**	(17,928)
Change in value of loans receivable resulting from extension of maturity and upon initial recognition (Note 10)	**(35)**	(290)
Net exchange gain (loss)	**99**	(401)
Others	**71**	920
	(5)	(15,976)

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").

Notes to the Condensed Consolidated Financial Statements (continued)

6 TAXATION

	Six months ended 30th September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
The charge comprises:		
PRC Enterprise Income Tax – Jointly controlled entities	**120**	471
Withholding tax on dividends	**359**	–
	479	471

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%.

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 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 was awarded the Advanced-technology Enterprise Certificate and is eligible for the concession rate of 15% for three years commenced from 14th December 2009.

7 LOSS FOR THE PERIOD

	Six months ended 30th September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss for the period has been arrived at after charging (crediting):		
Staff costs	**23,694**	38,710
Depreciation	**12,211**	11,717
Operating lease rentals in respect of buildings	**7,393**	6,870
Reversal of impairment losses on trade receivables	**(167)**	(5)

Notes to the Condensed Consolidated Financial Statements (continued)

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$14,661,000 (2011: HK$30,900,000) and the weighted average number of ordinary shares for the purposes of basic and diluted loss per share of 3,717,870,000 (2011: 3,717,870,000).

The diluted loss per share for the six months period ended 30th September 2012 and 2011 are not presented as the exercise of the outstanding share options 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 2012 (Unaudited) HK$'000	31st March 2012 (Audited) HK$'000
Loans receivable comprises:		
Non-current assets:		
Loan to CCIT on 23rd November 2010 (note a)	**9,889**	9,170
Loan to CCIT on 21st July 2009 (note b)	**11,533**	11,321
Loan to CCIT on 3rd March 2006 (note c)	**25,441**	24,974
	46,863	45,465

Notes to the Condensed Consolidated Financial Statements (continued)

10 LOANS RECEIVABLE (continued)

(a) On 23rd November 2010, CITIC 21CN (China) Technology Company Limited ("CITIC 21CN Technology") (a wholly owned subsidiary of the Group), entered into a second loan agreement with China Credit Information Technology Company Limited ("CCIT") (a 50% owned jointly controlled entity of the Group) in which CITIC 21CN Technology granted a loan facility of RMB30,000,000 (equivalent to HK$36,600,000) to CCIT for the development of the PIATS business. The loan is non-interest bearing and unsecured, with a term up to 15th April 2014.

As at 30th September 2012, CCIT has drawn up to RMB17,000,000 (equivalent to HK$20,740,000) (31st March 2012: RMB16,000,000 equivalent to HK$19,520,000) from the loan facility, and the carrying amount of the loan receivable from CCIT not eliminated on proportionate consolidation was HK$9,889,000 (31st March 2012: HK$9,170,000) with effective interest rate of 3.73% per annum.

(b) On 21st July 2009, CITIC 21CN Technology entered into a loan agreement with CCIT in which CITIC 21CN Technology granted a non-interest bearing and unsecured three-year loan of RMB20,000,000 (equivalent to HK$24,400,000) (31st March 2012: equivalent to HK$24,400,000) to CCIT for the development of the PIATS business. During the year ended 31st March 2011, the maturity date of the loan was extended to 15th April 2014 with terms and conditions remain unchanged.

As at 30th September 2012, the carrying amount of the loan receivable from CCIT not eliminated on proportionate consolidation was HK$11,533,000 (31st March 2012: HK$11,321,000) with effective interest rate of 3.73% per annum.

(c) On 3rd March 2006, CITIC 21CN Telecom Company Limited ("Telecom") (a wholly owned subsidiary of the Group), entered into a loan agreement with CCIT in which Telecom granted a non-interest bearing and unsecured two-year loan of US$6,900,000 (equivalent to HK$53,820,000) (31st March 2012: equivalent to HK$53,820,000) to CCIT for the development of the PIATS business. During the year ended 31st March 2008 and 31st March 2011, the maturity dates of the loan were extended to 23rd March 2011 and 15th April 2014 respectively with terms and conditions remain unchanged.

As at 30th September 2012, the carrying amount of the loan receivable from CCIT not eliminated on proportionate consolidation was HK$25,441,000 (2011: HK$24,974,000) with effective interest rate of 3.73% per annum.

In the opinion of the directors, the above loans are not expected to repay within twelve months after the reporting period. Accordingly, it is classified as non-current.

Notes to the Condensed Consolidated Financial Statements (continued)

11 DEBTORS AND PREPAYMENTS

	30th September 2012 (Unaudited) HK$'000	31st March 2012 (Audited) HK$'000
Trade receivables	**127,284**	90,110
Less: Allowance for doubtful debts	**(26,303)**	(26,470)
	100,981	63,640
Other receivables	**2,199**	2,200
Deposits and prepayments	**16,623**	12,624
Dividend receivable from an associate	**–**	18,300
	119,803	96,764

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 2012 (Unaudited) HK$'000	31st March 2012 (Audited) HK$'000
0-90 days	**90,564**	44,975
91-180 days	**1,425**	8,689
181-360 days	**1,976**	1,729
Over 360 days	**7,016**	8,247
	100,981	63,640

Notes to the Condensed Consolidated Financial Statements (continued)

12 CREDITORS AND ACCRUALS

	30th September 2012 (Unaudited) HK$'000	31st March 2012 (Audited) HK$'000
Trade payables	**38,403**	32,446
Receipt in advance from customers	**8,909**	12,014
Other payables and accruals	**97,394**	75,805
	144,706	120,265

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

	30th September 2012 (Unaudited) HK$'000	31st March 2012 (Audited) HK$'000
0-90 days	**16,368**	12,548
91-180 days	**1,976**	1,792
181-360 days	**2,429**	720
Over 360 days	**17,630**	17,386
	38,403	32,446

13 SHARE CAPITAL

	Number of ordinary shares	HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 1st April, 2011, 31st March 2012 and 30th September 2012	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1st April 2011, 31st March 2012 and 30th September 2012	3,717,869,631	37,179

Notes to the Condensed Consolidated Financial Statements (continued)

14 COMMITMENTS

(a) Capital commitment

	30th September 2012 (Unaudited) HK$'000	31st March 2012 (Audited) HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**786**	1,048

(b) Operating leases

At the end of reporting period, the Group had commitments for future minimum lease payments in respect of buildings under non-cancellable operating leases which fall due as follows:

	30th September 2012 (Unaudited) HK$'000	31st March 2012 (Audited) HK$'000
Within one year	**9,006**	10,758
In the second to fifth year inclusive	**12,626**	16,715
	21,632	27,473

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	
	2012 (Unaudited) HK$'000	2011 (Unaudited) HK$'000
Telecommunications/information value-added services agency fee (note a)	**1,230**	1,583

(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.

Notes to the Condensed Consolidated Financial Statements (continued)

16 ARBITRATION AND LITIGATION

On 29th October 2009, the Company received the Arbitration Notice issued by China International Economic and Trade Arbitration Commission ("CIETAC"). According to the Arbitration Notice, Oracle (China) Software Systems Co., Ltd. (formerly known as Beijing Oracle Software Systems Co., Ltd.) ("Oracle Beijing"), an independent third party, submitted an application in relation to an arbitration (the "Arbitration") on the dispute arising from a payment agreement signed by Oracle Beijing, CITIC 21CN Technology, the Company and Oracle Systems Hong Kong Limited, an independent third party, on 30th May 2006 (the "Payment Agreement"). The Payment Agreement provided, among others, the settlement arrangement of licence fee and service fee in relation to the Oracle Licence and Services Agreement in an aggregate amount of approximately RMB116 million 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 handed down by CIETAC. Details of the Arbitral Award were set out in the Company's announcement dated 24th June 2010. On 27th October 2010, pursuant to the provision of Article 95 of the Basic Law on the arrangement concerning mutual enforcement of Arbitral Award between the PRC and the Hong Kong Special Administration Region ("HKSAR"), the Company received a court order (the "Order") from the High Court of the HKSAR that leave be granted to Beijing Oracle to enforce the Arbitral Award, subject to the right of application by the Company and CITIC 21CN Technology to set aside the Order within 14 days after service of the Order. By a judgement made by Beijing First Intermediate People's Court dated 25th October 2011, the Arbitral Award was set aside. As a result, the Company received another court order dated 7th December 2011 from the High Court of the HKSAR that the legal action of the Order was discontinued. Accordingly, the interest expenses with other legal and related costs of RMB21,534,000 (equivalent to HK$26,271,000) arising from the Arbitral Award previously recognised were reversed at the end of last financial year.

On 24th January 2011, CITIC 21CN Technology, being the plaintiff, made an appeal to the Beijing First Intermediate People's Court against Oracle Beijing, being the defendant, for termination of Oracle Licence and Services Agreement and Payment Agreement and compensation from Oracle Beijing. The legal proceedings of the claim were still in progress at the end of the reporting period.

On 18th January 2012, Oracle Beijing, being the plaintiff, commenced a new legal action in the High Court of the HKSAR against the Company, CITIC 21CN Technology and Oracle Systems Hong Kong Limited, an independent third party, for an alleged breach of the Oracle Licence and Services Agreement and Payment Agreement and claimed for payment in relation to the agreements of approximately RMB88 million together with it costs. On 5th April 2012, the Company and CITIC 21CN Technology took out a Summons to apply for the legal action to be stayed and the hearing for the application be fixed for 31st January 2013 in Hong Kong. The aforesaid amounts of licence fee and other related costs, net of deposits paid, has been properly accounted for in the condensed consolidated financial statements as at 30th September 2012.

As the above application and litigation are still at the further fact finding stage, the result and timing cannot be reasonably estimated at this stage. In the opinion of the directors of the Company, adequate provision has been made in the condensed consolidated financial statements.