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

DISCLOSEABLE AND CONNECTED TRANSACTION

LOAN TO A CONNECTED PERSON

THE LOAN

On 21 July 2009, CITIC 21CN Technology, a wholly-owned subsidiary of the Company, entered into the Loan Agreement with CCIT, a 50%-owned jointly-controlled entity of the Group, pursuant to which CITIC 21CN Technology conditionally agreed to advance the Loan to CCIT as its capital expenditures and general working capital on the terms and subject to the conditions therein contained.

As at the date of this announcement, CCIT is owned as to 50%, 30% and 20% by the Company, CITIC Group and China Huaxin Telecom respectively, and CITIC Group is a substantial shareholder of the Company. As CCIT is a non wholly-owned subsidiary and a connected person of the Company under Rule 14A.11(5) of the Listing Rules, the provision of the Loan by CITIC 21CN Technology to CCIT constitutes a connected transaction under Rule 14A.13(2)(a)(i) of the Listing Rules and is subject to the approval of the Independent Shareholders at the SGM under Chapter 14A of the Listing Rules. An independent financial adviser has been appointed to advise the independent board committee in respect of the Loan.

In 2006, CITIC 21CN Telecom provided CCIT the CITIC 21CN Telecom Loan under the CITIC 21CN Telecom Loan Agreement and the Supplemental Loan Agreement. In 2008, the CITIC 21CN Telecom Loan was renewed for a term of three years under the Renewal Loan Agreement.

Taking into account of the Renewal Loan and the Renewal Loan Agreement which was entered into within a 12-month period of the Loan Agreement, the Renewal Loan Agreement and the Loan Agreement are required to be aggregated pursuant to Rules 14.22

* For identification purposes only

and 14A.25 of the Listing Rules. The Aggregate Loan Amount, including the Loan and the Renewal Loan, will be approximately RMB75,531,200. As the Aggregate Loan Amount exceeds 5% but less than 25% of the relevant Percentage Ratios, the Loan constitutes a discloseable transaction for the Company under the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, apart from CITIC Group which is a connected person with a material interest in the transaction, no Shareholder is required to abstain from voting on the proposed resolutions approving the Loan Agreement and the transactions contemplated thereunder.

GENERAL

A circular containing, among other things, further details of the Loan Agreement, the letter from the independent financial adviser to the independent board committee and the Independent Shareholders and the recommendation from the independent board committee and a notice convening the SGM will be despatched to the Shareholders as soon as practicable.

THE LOAN AGREEMENT

Date

21 July 2009

Parties

Lender : CITIC 21CN Technology
Borrower : CCIT

Loan amount

RMB20,000,000

Loan period

Three years commencing from 1 April 2009 to 31 March 2012 and CCIT shall repay the Loan in full on the Repayment Day

Interest rate and security

Non-interest bearing and unsecured

Principal terms of the Loan

The Loan shall only be used as the capital expenditures and 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 will be financed by the Group's internal resources.

The Loan Agreement was entered into after taking into accounts of the current operation and management of CCIT and the terms of the Loan Agreement are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Condition precedent

The grant of the Loan is subject to, among others, the Company having obtained the approval of the Independent Shareholders (other than those who are required to abstain from voting under the Listing Rules, if any) in respect of the grant of the Loan by CITIC 21CN Technology under the Loan Agreement and the performance of the transactions contemplated thereunder in accordance with all applicable laws, rules and regulations.

If the condition precedent set out in the Loan Agreement is not fulfilled by the Long Stop Date, the Loan Agreement will be terminated automatically and have no further force and effect and no party shall have any liability under them save for any antecedent breach of any term thereof.

REASONS FOR AND BENEFITS OF THE LOAN AGREEMENT

CCIT will make use of the Loan for its capital expenditures and working capital. The Group is entitled to 50% of the net profit of CCIT which is a 50%-owned jointly controlled entity of the Group. The remaining 30% and 20% equity interests of CCIT are owned by CITIC Group and China Huaxin Telecom respectively.

Taking into account of the current management and operation of CCIT, the Loan amount was determined based on the expected capital expenditure and working capital requirements of CCIT.

Pursuant to the JV Agreement and as stated in the circular of the Company dated 8 February 2005, the Group is under the obligation, among other matters, to assist CCIT to raise financing. Accordingly, it is the mutual understanding among the shareholders of CCIT that the Group assumes the role as a leader and financing partner for CCIT, including but not limited to, raising or arranging loans to CCIT from independent third parties and/or the Group. Having considered other available financing alternatives available to CCIT, the Directors consider that the provision of the Loan is the most effective and efficient financing method through which CCIT, the 50%-owned jointly controlled entity of the Group, can quickly obtain the required funding to develop its PIATS business. As such, the provision of the Loan by the Group to CCIT is in accordance with the spirit of the JV Agreement though it is not explicitly stated in it.

As mentioned in the Company's circular dated 23 December 2005, the Company issued Convertible Bonds principally for the capital expenditures and working capital of the PIATS business. And the provision of the Loan is financed by the proceeds from such issue of the Convertible Bonds. Therefore, the provision of the Loan to CCIT is in line with the use of the proceeds of the Convertible Bonds as previously announced.

As CCIT has received strong support from the PRC government and the existing policies of the PRC government in relation to product information are in favour of PIATS business, the Directors believe that there is great potential for PIATS and have confidence in the development of CCIT. In addition, the Group is the single largest shareholder of CCIT and CCIT is accounted for as a jointly-controlled entity of the Group. Therefore, although the Loan has no interest and unsecured, the Directors consider that the terms of the transaction are fair and reasonable and in the interests of the Shareholders as a whole.

Despite the prospects of the PIATS business, the Company may need to make further financing to CCIT.

THE CITIC 21CN TELECOM LOAN AGREEMENT AND THE SUPPLEMENTAL LOAN AGREEMENT

The CITIC 21CN Telecom Loan Agreement

Date

3 March 2006

Parties

Lender : CITIC 21CN Telecom
Borrower : CCIT

CITIC 21CN Telecom Loan amount

US\$6,900,000 (equivalent to approximately RMB55,531,200)

CITIC 21CN Telecom Loan period

Two years commencing from the date of receipt of the CITIC 21CN Telecom Loan by CCIT

Interest rate and security

Non-interest bearing and unsecured

Agreed exchange rate between US\$ and RMB

US\$1 = RMB8.048

The Supplemental Loan Agreement

Date

3 March 2006

Parties

Lender : CITIC 21CN Telecom
Borrower : CCIT

Terms

The CITIC 21CN Telecom Loan Agreement and the Supplemental Loan Agreement have to be registered with the Beijing Office of the SAFE within 15 days of the signing of the CITIC 21CN Telecom Loan Agreement and the Supplemental Loan Agreement. The repayment of the CITIC 21CN Telecom Loan will be subject to the approval of the SAFE in accordance with SAFE's requirements.

After the signing of the CITIC 21CN Telecom Loan Agreement, in order to properly ensure that the relevant requirements of SAFE are properly followed, the Group also entered into the Supplemental Loan Agreement.

THE RENEWAL LOAN AGREEMENT

Date

22 May 2008

Parties

Lender : CITIC 21CN Telecom
Borrower : CCIT

Renewal Loan amount

US\$6,900,000 (equivalent to approximately RMB55,531,200)

Term, security and interest rate of the Renewal Loan

Based on the CITIC 21CN Loan Agreement and the Supplemental Loan Agreement, CITIC 21CN Telecom provided the CITIC 21CN Telecom Loan for a term of 2 years (with effect from 23 March 2006 to 23 March 2008), non-interest bearing and unsecured, to CCIT. The term of the CITIC 21CN Telecom Loan is extended for a period of three years ending 23 March 2011, non-interest bearing and unsecured pursuant to the Renewal Loan Agreement.

All other terms remain the same as stated in the CITIC 21CN Telecom Loan Agreement and the Supplemental Loan Agreement.

GENERAL

The Company is an investment holding company. CITIC 21CN Technology is principally engaged in telecom value added services. CITIC 21CN Telecom is principally engaged in system integration and software development. CCIT is principally engaged in the PIATS which includes authentication and tracking services for products sold in the PRC through the operation of PIATS, which in turn provides anti-forgery enhancement service, trans-shipment information service, market research, promotion service, customer care, logistic management, and other value added services.

As CCIT is a non wholly-owned subsidiary and a connected person of the Company under Rule 14A.11(5) of the Listing Rules, the provision of the Loan by CITIC 21CN Technology to CCIT constitutes a connected transaction under Rule 14A.13(2)(a)(i) of the Listing Rules and is subject to the approval of the Independent Shareholders at the SGM under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, apart from CITIC Group which is a connected person with a material interest in the transaction, no Shareholder is required to abstain from voting on the proposed resolutions approving the Loan Agreement and the transactions contemplated thereunder.

In 2006, CITIC 21CN Telecom provided CCIT the CITIC 21CN Telecom Loan under the CITIC 21CN Telecom Loan Agreement and the Supplemental Loan Agreement. In 2008, the CITIC 21CN Telecom Loan was renewed for a term of three years under the Renewal Loan Agreement.

Taking into account of the provision of the Renewal Loan by CITIC 21CN Telecom which is a wholly-owned subsidiary of the Company to CCIT under the Renewal Loan Agreement which was entered into within a 12-month period of the Loan Agreement, the transactions under the Renewal Loan Agreement and the Loan Agreement are required to be aggregated pursuant to Rules 14.22 and 14A.25 of the Listing Rules. The Aggregate Loan Amount, including the Loan and the Renewal Loan, will be approximately RMB75,531,200. As the Aggregate Loan Amount exceeds 5% but less than 25% of the relevant Percentage Ratios, the Loan constitutes a discloseable transaction for the Company under the Listing Rules.

The Directors (including the independent non-executive Directors who will further render their opinion upon the receipt of the advice of the independent financial adviser) consider that the terms of the Loan Agreement are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

A circular containing, among other things, further details of the Loan Agreement, the letter from the independent financial adviser to the independent board committee and the Independent Shareholders and the recommendation from the independent board committee and a notice convening the SGM will be despatched to the Shareholders as soon as practicable.

GF Capital (Hong Kong) Limited has been appointed as the independent financial adviser to advise the independent board committee of the Company and the Independent Shareholders on the terms of the Loan Agreement.

DEFINITIONS

“associates”	has the meaning as ascribed to it under the Listing Rules;
“Aggregate Loan Amount”	means approximately RMB75,531,200, including the Loan and the Renewal Loan;
“Board”	means the board of Directors of the Company for the time being;
“CCIT”	means 中國國檢信息技術有限公司 (China Credit Information Technology Co. Ltd* formerly identified as QSIT* or Quality Supervision Information Technology Co. Ltd*), a company incorporated in the PRC with limited liability and a 50%-owned jointly-controlled entity of the Group, the remaining 30% and 20% equity interest of CCIT are owned by CITIC Group and China Telecom respectively;
“China Huaxin Telecom”	means 中國華信郵電經濟開發中心 (China Huaxin Telecom Economic Development Centre*), a wholly-owned subsidiary of China Telecom which owns 20% of the shareholdings of CCIT;
“China Telecom”	means 中國電信集團公司 (China Telecommunications Corporation*), a company incorporated in the PRC with limited liability);
“CITIC 21CN Technology”	means 中信21世紀(中國)科技有限公司 (CITIC 21CN (China) Technology Co. Ltd*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company;
“CITIC 21CN Telecom”	means CITIC 21CN Telecom Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company;
“CITIC 21CN Telecom Loan”	means a non-interest bearing and unsecured loan of US\$6,900,000 as stated in the CITIC 21CN Telecom Loan Agreement and the Supplemental Loan Agreement;
“CITIC 21CN Telecom Loan Agreement”	means the loan agreement dated 3 March 2006 entered into between CITIC 21CN Telecom and CCIT in relation to the provision of a non-interest bearing and unsecured loan of US\$6,900,000 from CITIC 21CN Telecom to CCIT as referred to in the Company’s announcement dated 6 March 2006;

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“CITIC Group”	means 中國中信集團公司 (CITIC Group*), a substantial ultimate shareholder of the Company which owns 30% of the shareholdings of CCIT;
“Company”	means CITIC 21CN Company Limited (中信21世紀有限公司*), an exempted company incorporated in Bermuda with limited liability and whose Shares are listed and traded on the main board of the Stock Exchange;
“Connected Persons”	has the same meaning as ascribed to it under the Listing Rules;
“Convertible Bonds”	means the US\$70,000,000 zero coupon convertible bonds due 2010 issued by the Company as detailed in its circular dated 23 December 2005, which have been converted into Shares of the Company or otherwise repaid;
“Director(s)”	means the directors of the Company for the time being;
“Group”	means the Company and its subsidiaries;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Independent Shareholders”	means the Shareholders of the Company other than CITIC Group and its associates;
“JV Agreement”	means the joint venture agreement dated 20 January 2005 in relation to the formation of CCIT;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange;
“Loan”	means an unsecured and non-interest bearing loan of RMB20,000,000 to be advanced by CITIC 21CN Technology to CCIT pursuant to the terms of the Loan Agreement;
“Loan Agreement”	means the conditional loan agreement dated 21 July 2009 entered into between CITIC 21CN Technology as lender and CCIT as borrower in relation to the provision of a non-interest bearing and unsecured loan of RMB20,000,000 from CITIC 21CN Technology to CCIT;

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“Long Stop Date”	means 30 September 2009 or such other date as CITIC 21CN Technology and CCIT may agree in writing;
“Percentage Ratios”	means the ratios under Rule 14.07 of the Listing Rules;
“PIATS”	means product identification, authentication and tracking system operated by CCIT;
“PRC”	means the People’s Republic of China;
“Renewal Loan”	means a non-interest bearing and unsecured loan of US\$6,900,000 for a term of three years ending 23 March 2011 under the Renewal Loan Agreement;
“Renewal Loan Agreement”	means the renewal loan agreement dated 22 May 2008 entered into between CITIC 21CN Telecom and CCIT in relation to renewal of the CITIC 21CN Telecom Loan for a term of three years ending 23 March 2011;
“Repayment Day”	means 31 March 2012;
“RMB”	means Renminbi, the lawful currency of the PRC;
“SAFE”	means 國家外匯管理局 (State Administration of Foreign Exchange);
“SGM”	means the special general meeting of the Company to be convened and held on 31 August 2009 for the purpose of considering, and if thought fit, approving the terms of the Loan Agreement and the transactions contemplated;
“Share(s)”	means ordinary share(s) of HK\$0.01 each in the capital of the Company;
“Shareholder(s)”	means holder(s) of the Shares of the Company;
“Stock Exchange”	means the Stock Exchange of Hong Kong Limited;
“Supplemental Loan Agreement”	means the supplemental loan agreement dated 3 March 2006 entered into between CITIC 21CN Telecom and CCIT in relation to the provision of a non-interest bearing and unsecured loan of US\$6,900,000 from CITIC 21CN Telecom to CCIT as referred to in the Company’s announcement dated 6 March 2006;

“US\$” means United States dollars, the lawful currency of the United States of America;

“%” means per cent.

By order of the Board
CITIC 21CN COMPANY LIMITED
Chen Xiao Ying
Executive Vice-Chairman

Hong Kong, 21 July 2009

As at the date of this announcement, the Board comprises nine directors, of which (i) six are executive directors, namely Mr. Wang Jun, Ms. Chen Xiao Ying, Mr. Luo Ning, Mr. Sun Yalei, Mr. Zhang Lianyang and Ms. Xia Guilan; and (ii) three are independent non-executive directors, namely Dr. Hui Ho Ming, Herbert, JP, Mr. Chen Wuzhao and Mr. Zhang Jian Ming.