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CITIC 21CN's FULL YEAR TURNOVER REACHES HK\$233 MILLION

CITIC 21CN Company Limited ("CITIC 21CN" or the "Company"; stock code: 241), a major integrated information and content service provider in the People's Republic of China (the "PRC"), together with its subsidiaries (collectively the "Group") today announced the results for the year ended 31 March 2008. During the year, the Group succeeded in securing strong support from many different government departments including General Administration of Quality Supervision, Inspection and Quarantine ("AQSIQ"), State Administration of Industries and Commerce ("SAIC"), Ministry of Commerce ("MOC"), State Food and Drugs Administration ("SFDA"), Ministry of Agriculture ("MOA") and even at the State Council and the National People's Congress of the PRC, in promoting the use of its product identification, authentication, tracking system ("PIATS"). In September 2007, 28 major brands of bottled water in Beijing joining PIATS. In November 2007, PIATS has also been named as the system used to electronically monitor all food products for the 2008 Beijing Olympic Games and in December 2007, AQSIQ, SAIC and MOC jointly issued a policy, requiring 69 types of key products in nine industries to include mandatorily the PIATS barcode on the product package.

Revenue from the PIATS business for the year under review increased by over 589 per cent to HK\$6,279,000. However, due to the fall in revenue from telecommunications/information value-added services and system integration and software development, turnover of the Group for the year under review amounted to HK\$233 million (2007: approximately HK\$286 million).

As a result of the decline in turnover and gross profit percentage, which was partly offset by the decrease in loss on change in fair value of convertible bonds and increase in the share of net profit from a 30%-owned associate, the Group posted a net loss attributable to shareholders of HK\$75.9 million for the year under review (2007: HK\$61 million).

The Board of CITIC 21CN does not recommend the payment of a final dividend for the year ended 31 March 2008. (2007: nil)

During the year, China Credit Information Technology Company Limited ("CCIT"), the Group's 50 per cent-owned jointly controlled entity responsible for the operation of the PIATS business, further strengthened its position in the PRC's information service sector. In September 2007, the website of

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AQSIQ announced that a task force on product quality and food safety under the State Council will strive to monitor products and food with the use of PIATS.

In November 2007, it was announced in the Beijing Olympic Games website that all food products for the 2008 Beijing Olympic Games must be electronically monitored by PIATS. In December 2007, AQSIQ, SAIC and MOC jointly announced the requirement for 69 types of key products in nine industries to join PIATS and mandatorily include the PIATS barcode on the product package.

“The tremendous support from the various government departments for PIATS to enhance supervision and monitoring of product quality and food safety in the PRC has created a very positive impact on PIATS operations. Up till the announcement of the Group’s results for the 2008 fiscal year, over 64,000 manufacturers across China have joined PIATS, and over 2,500 million pieces of products attached with the PIATS barcodes have gone to the market. Since December 2007, the number of manufacturers and products signed up for PIATS had increased by more than 100 per cent and 300 per cent respectively,” said Ms Chen Xiao Ying, Executive Vice Chairman of CITIC 21CN.

During the year, the application of PIATS has also extended to drugs. In October 2007, SFDA made it a requirement for pharmaceutical manufacturers of anaesthetics and Type I mental disorder drugs to mandatorily use the PIATS system. In April 2008, the SFDA issued a policy to mandatorily require, by the end of October 2008, manufacturers and distributors of Type II mental disorder drugs and certain types of non-government controlled ordinary drugs such as blood products, vaccine and traditional Chinese medicines to use PIATS and from 2009, the scope of PIATS will be gradually extended to all types of non-government controlled ordinary drugs and medical equipment.

“With the use of PIATS now extended to the pharmaceutical industry and the positive response from manufacturers, consumers, AQSIQ, SFDA, and other government departments and even the National People’s Congress of the PRC, the Group will continue to sign up manufacturers, drug producers and drug distributors to join PIATS,” said Ms Chen.

Since March 2008, the Group has experienced a significant increase in income from joining fees. The Group plans to launch value-added services to member manufacturers at the end of 2008. “Together with the joining fees, the new value-added services and other products are expected to increase revenue from PIATS in the future,” added Ms Chen.

Beijing Honglian 95 Information Industries Company Limited (“HL95”), a jointly controlled entity in which CITIC 21CN has a 49 per cent equity interest, is engaged in telecommunications/information

value-added services. HL95 reported a turnover of HK\$224.82 million (2007: HK\$274.66 million), which was mainly derived from short messaging services (“SMS”), fixed-line interactive voice response system (“IVRS”), mobile IVRS, Internet-protocol (“IP”) phone and call centres. The retreat in HL95 turnover was mainly due to a decline in SMS revenue and fixed-line IVRS revenue, despite a substantial percentage increase in revenues from the call centre and mobile IVRS businesses.

The drop in SMS and fixed-line IVRS revenues were attributable to the policy changes implemented by China Mobile and China Unicom, and the aggressive marketing tactics adopted by these telecom operators. Despite the adverse market conditions in the SMS and fixed-line IVRS sectors, HL95 joined hands with radio stations to provide mobile IVRS related services across the PRC and expanded its call centre capacity, leading to satisfactory results from the business segments of mobile IVRS and call centres for the year.

“HL95 not only serves as an important platform for the Group to promote information services of PIATS, but also has great potential in the call centre industry. It has been expanding its call centre capacity in Beijing, Shenzhen and Foshan and is now working with Salesforce, the largest outsourcing call centre operator in Australia, to upgrade and expand its call centre business and explore other related business opportunities in the PRC,” said Ms Chen.

Dongfang Customs Technology Company Limited (“Dongfang Customs”), a 30 per cent-owned associate of the Group, is engaged in electronic customs processing and other electronic government services. For the year under review, the Group’s share of profit of Dongfang Customs increased by 71.5 per cent from HK\$6.72 million of the previous year to HK\$11.52 million. The increase was mainly due to increase in revenue from sales of SIM cards, readers and value-added cards as a result of an increase in the number of users, as well as electronic port maintenance service fee. Currently, Dongfang Customs has around 430,000 customers compared to around 340,000 customers in the previous year.

“There is a great potential for Dongfang Customs to increase its users base. Having a unique advantage of an electronic customs processing platform and growing users base, Dongfang Customs is now extending to other areas for future business development and is in the process of developing a nationwide electronic logistics platform,” Ms Chen said.

Guangdong Grand Cycle Technology Company Limited (“Grand Cycle”), a wholly-owned subsidiary of the Group, is engaged in software development and system integration services. During the year, Grand Cycle reported a turnover of HK\$2.27 million (2007: HK\$10.49 million) Since the fiscal year of 2007, the management has been scaling down the operations of Grand Cycle due to the highly

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competitive market situation and the long collection period inherent in the industry for providing system integration services to the telecom industry.

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About CITIC 21CN

CITIC 21CN COMPANY LIMITED is one of the largest providers of telecommunication/information value-added services in the PRC, offering governmental, entertainment, financial and commercial information services nationwide through multiple channels including short messages services, interactive voice response system, call centres and internet.

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CITIC 21CN Company Limited
(Stock code: 241)
For the year ended 31 March 2008
Consolidated Income Statement

	For the year ended 31 March	
	2008	2007
	HK\$'000	HK\$'000
Turnover	233,374	286,057
Cost of sales and services	<u>(183,765)</u>	<u>(221,127)</u>
Gross profit	49,609	64,930
Other income	20,823	27,098
Administrative expenses	(139,926)	(139,158)
Share option expense	(3,751)	(1,272)
Change in fair value of convertible bonds	(11,395)	(19,807)
Change in fair value of loan receivable	(1,921)	--
Share of profit of an associate	11,520	6,718
Finance costs	<u>(1,359)</u>	<u>(721)</u>
Loss before taxation	(76,400)	(62,212)
Taxation	<u>(133)</u>	<u>(2,353)</u>
Loss for the year	<u><u>(76,533)</u></u>	<u><u>(64,565)</u></u>
Attributable to:		
Equity holders of the Company	(75,860)	(60,998)
Minority interests	<u>(673)</u>	<u>(3,567)</u>
	<u><u>(76,533)</u></u>	<u><u>(64,565)</u></u>
Loss per share		
Basic	<u><u>(2.10) HK cents</u></u>	<u><u>(1.84) HK cents</u></u>