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If you have sold or transferred all your shares in CITIC 21CN COMPANY LIMITED, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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 TRANSACTIONS
LOANS TO A CONNECTED PERSON**

**Independent financial adviser to the Independent Board Committee
and Independent Shareholders of CITIC 21CN Company Limited**

 **Guangdong Securities Limited**

A letter from the Board is set out on pages 5 to 13 of this circular. A letter from the Independent Board Committee is set out on page 14 of this circular.

A letter from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 23 of this circular.

A notice convening the SGM to be held at Crown Room, 8th Floor, The Dynasty Club Limited, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Wednesday, 29 December 2010 at 10:00 a.m. is set out on pages 30 to 32 of this circular.

Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Aggregate Loan Amount”	means approximately RMB95,882,000 (equivalent to approximately HK\$112,470,000), being the aggregate of the Second CITIC 21CN Technology Loan, the Loan and the CITIC 21CN Telecom Loan;
“associates”	has the meaning as ascribed to it under the Listing Rules;
“Board”	means the board of Directors of the Company for the time being;
“CCIT”	means 中國信託信息技術有限公司 (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 (indirectly) and China Huaxin Telecom respectively. CCIT is a connected person of the Company;
“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 Technology Renewal Loan Agreement”	means the conditional renewal loan agreement dated 23 November 2010 entered into between CITIC 21CN Technology and CCIT in relation to extension of the Loan for a term of approximately two years ending 15 April 2014;
“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 (equivalent to HK\$53,820,000) advanced by CITIC 21CN Telecom to CCIT pursuant to the terms of the CITIC 21CN Telecom Loan Agreement, the Supplemental Loan Agreement and the Renewal Loan Agreement (as conditionally extended under the Second Renewal Loan Agreement) as referred to in the Company’s announcements dated 6 March 2006, 22 May 2008, 21 July 2009 and 23 November 2010, and the circular of the Company dated 11 June 2008;

* For identification purpose only

DEFINITIONS

“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 the CITIC 21CN Telecom Loan as referred to in the Company’s announcements dated 6 March 2006, 22 May 2008, 21 July 2009 and 23 November 2010, and the circular of the Company dated 11 June 2008;
“CITIC Group”	means 中國中信集團公司 (CITIC Group*), a substantial ultimate shareholder of the Company which owns (indirectly) 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 person”	has the same meaning as ascribed to it under the Listing Rules;
“Convertible Bonds”	means the US\$70,000,000 (equivalent to HK\$546,000,000) 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 in full;
“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 Board Committee”	means an independent committee of the Board, comprising Dr. Hui Ho Ming, Herbert, JP, Mr. Zhang Jian Ming and Dr. Long Junsheng, being all independent non-executive Directors, established for the purpose of advising the Independent Shareholders in connection with the Second CITIC 21CN Technology Loan Agreement, the CITIC 21CN Technology Renewal Loan Agreement and the Second Renewal Loan Agreement and the transactions contemplated thereunder;
“Independent Financial Adviser” or “Guangdong Securities”	means Guangdong Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Second CITIC 21CN Technology Loan Agreement, the CITIC 21CN Technology Renewal Loan Agreement and the Second Renewal Loan Agreement;

* For identification purpose only

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“Independent Shareholders”	means the Shareholders of the Company other than CITIC Group and its associates, and those who are required to abstain from voting in respect of the Second CITIC 21CN Technology Loan Agreement, the CITIC 21CN Technology Renewal Loan Agreement and the Second Renewal Loan Agreement under the Listing Rules (if any);
“JV Agreement”	means the joint venture agreement dated 20 January 2005 in relation to the formation of CCIT;
“Latest Practicable Date”	means 6 December 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information therein;
“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 (equivalent to HK\$23,460,000) advanced by CITIC 21CN Technology to CCIT pursuant to the terms of the Loan Agreement (as conditionally extended under the CITIC 21CN Technology Renewal Loan Agreement) as referred to in the Company’s announcements dated 21 July 2009 and 23 November 2010;
“Loan Agreement”	means the loan agreement dated 21 July 2009 entered into between CITIC 21CN Technology as lender and CCIT as borrower in relation to the provision of the Loan as referred to in the Company’s announcements dated 21 July 2009 and 23 November 2010;
“Long Stop Date”	means 31 March 2011 or such other date as CITIC 21CN Technology and CCIT, or CITIC 21CN Telecom and CCIT (as the case may be) 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;
“PRC”	means the People’s Republic of China;
“Renewal Loan Agreement”	means the renewal loan agreement dated 22 May 2008 entered into between CITIC 21CN Telecom and CCIT in relation to extension of the CITIC 21CN Telecom Loan as referred to in the Company’s announcements dated 6 March 2006, 22 May 2008, 21 July 2009 and 23 November 2010, and the circular of the Company dated 11 June 2008;
“Repayment Day”	means 15 April 2014;
“RMB”	means Renminbi, the lawful currency of the PRC;
“SAFE”	means 國家外匯管理局 (State Administration of Foreign Exchange);

DEFINITIONS

“Second CITIC 21CN Technology Loan”	means an unsecured and non-interest bearing loan of RMB30,000,000 (equivalent to HK\$35,190,000) to be advanced by CITIC 21CN Technology to CCIT pursuant to the terms of the Second CITIC 21CN Technology Loan Agreement;
“Second CITIC 21CN Technology Loan Agreement”	means the conditional loan agreement dated 23 November 2010 entered into between CITIC 21CN Technology as lender and CCIT as borrower in relation to the provision of the Second CITIC 21CN Technology Loan;
“Second Renewal Loan Agreement”	means the conditional second renewal loan agreement dated 23 November 2010 entered into between CITIC 21CN Telecom and CCIT in relation to extension of the CITIC 21CN Telecom Loan for a further term of approximately 3.1 years ending 15 April 2014;
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	means the special general meeting of the Company to be convened and held on 29 December 2010 for the purpose of considering, and if thought fit, approving the terms of the Second CITIC 21CN Technology Loan Agreement, the CITIC 21CN Technology Renewal Loan Agreement and the Second Renewal Loan Agreement and the transactions contemplated thereunder;
“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 the CITIC 21CN Telecom Loan as referred to in the Company’s announcements dated 6 March 2006, 22 May 2008, 21 July 2009 and 23 November 2010, and the circular of the Company dated 11 June 2008;
“US\$”	means United States dollars, the lawful currency of the United States of America;
“%”	means per cent.

In this circular, certain amounts denominated in RMB have been translated into HK\$ at an exchange rate of RMB1 = HK\$1.1730, and certain amounts denominated in US\$ have been translated into HK\$ at an exchange rate of US\$1.00 = HK\$7.80, in each case, for illustration purpose only. Such conversions are solely for the purpose of illustration and shall not be construed as representations that amounts in RMB or US\$ were or may have been converted into those currencies and vice versa at such rates or any other exchange rates.

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)

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

Registered office:
Canon's Court
22 Victoria Street
Hamilton, HM 12
Bermuda

*Head Office and Principal Place
of Business in Hong Kong:*
Units 614-616
Level 6, Core D
Cyberport 3
100 Cyberport Road
Hong Kong

8 December 2010

*To the Shareholders, and for information only,
the holders of the share options*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
LOANS TO A CONNECTED PERSON**

INTRODUCTION

On 23 November 2010, CITIC 21CN Technology, a wholly-owned subsidiary of the Company, entered into the Second CITIC 21CN Technology Loan Agreement with CCIT, a 50%-owned jointly-controlled entity of the Group and a connected person of the Company, pursuant to which CITIC 21CN Technology conditionally agreed to advance the Second CITIC 21CN Technology Loan to CCIT as its capital expenditures and general working capital on the terms and subject to the conditions therein contained.

In 2009, CITIC 21CN Technology provided CCIT the Loan under the Loan Agreement. On 23 November 2010, the Loan is conditionally extended for a term of approximately 2 years under the CITIC 21CN Technology Renewal Loan Agreement.

In 2006, CITIC 21CN Telecom, a wholly-owned subsidiary of the Company, 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 extended for a term of three years under the Renewal Loan Agreement. On 23 November 2010, the CITIC 21CN Telecom Loan is conditionally extended for a further term of approximately 3.1 years under the Second Renewal Loan Agreement.

As CCIT is a non wholly-owned subsidiary and an associate of the CITIC Group, and thus a connected person of the Company under Rules 14A.11(5) and 14A.11(4) of the Listing Rules, each of (i) the provision of the Second CITIC 21CN Technology Loan by CITIC 21CN Technology to CCIT pursuant to the Second CITIC 21CN Technology Loan Agreement, (ii) the CITIC 21CN Technology Renewal Loan Agreement, and (iii) the Second Renewal Loan Agreement constitutes a connected transaction under Rule 14A.13(2)(a) of the Listing Rules and is subject to the approval of the Independent Shareholders at the SGM under Chapter 14A of the Listing Rules.

* For identification purpose only

LETTER FROM THE BOARD

Each of the Second CITIC 21CN Technology Loan and the CITIC 21CN Telecom Loan exceeds 5% but less than 25% of the relevant Percentage Ratios, and thus constitutes a discloseable transaction for the Company under the Listing Rules. Pursuant to Rules 14.22 and 14A.25 of the Listing Rules, the Aggregate Loan Amount of the Second CITIC 21CN Technology Loan, the Loan and the CITIC 21CN Telecom Loan is approximately RMB95,882,000 (equivalent to approximately HK\$112,470,000), which exceeds 5% but less than 25% of the relevant Percentage Ratios. Thus, the Second CITIC 21CN Technology Loan, the Loan and the CITIC 21CN Telecom Loan (when aggregated) also constitute a discloseable transaction for the Company under the Listing Rules.

The purpose of this circular is to provide you with further information regarding, among other things, the Second CITIC 21CN Technology Loan Agreement, the CITIC 21CN Technology Renewal Loan Agreement, the Second Renewal Loan Agreement, the recommendation of the Independent Board Committee to the Independent Shareholders and the advice of Guangdong Securities to the Independent Board Committee and the Independent Shareholders in relation to the Second CITIC 21CN Technology Loan Agreement, the CITIC 21CN Technology Renewal Loan Agreement, the Second Renewal Loan Agreement and the transactions contemplated thereunder, and to give you notice to convene the SGM to consider and, if thought fit, to approve the Second CITIC 21CN Technology Loan Agreement, the CITIC 21CN Technology Renewal Loan Agreement and the Second Renewal Loan Agreement.

(1) THE SECOND CITIC 21CN TECHNOLOGY LOAN AGREEMENT

Date

23 November 2010

Parties

Lender : CITIC 21CN Technology
Borrower : CCIT

Second CITIC 21CN Technology Loan amount

RMB30,000,000 (equivalent to HK\$35,190,000)

Second CITIC 21CN Technology Loan period

From date(s) of drawdown to 15 April 2014 and CCIT shall repay the Second CITIC 21CN Technology Loan in full on the Repayment Day

Interest rate and security

Non-interest bearing and unsecured

Principal terms of the Loan

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

Condition precedent

The grant of the Second CITIC 21CN Technology Loan is subject to, among others, the Company having obtained the approval of the Independent Shareholders in respect of the grant of the Second CITIC 21CN Technology Loan by CITIC 21CN Technology under the Second CITIC 21CN Technology 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 Second CITIC 21CN Technology Loan Agreement is not fulfilled by the Long Stop Date, the Second CITIC 21CN Technology 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.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE SECOND CITIC 21CN TECHNOLOGY LOAN AGREEMENT

CCIT will make use of the Second CITIC 21CN Technology 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 (indirectly) and China Huaxin Telecom respectively.

Taking into account of the current management and operation of CCIT, the Second CITIC 21CN Technology Loan amount was determined based on the expected capital expenditure and working capital requirements of CCIT. Based on the information provided by CCIT, such capital expenditure and working capital shall be applied for, among others, the purchase of information technology related fixed assets, system maintenance, rent, wages and administration expenses.

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 Second CITIC 21CN Technology 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 Second CITIC 21CN Technology 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. The provision of the Second CITIC 21CN Technology Loan is financed from the proceeds from such issue of the Convertible Bonds. Therefore, the provision of the Second CITIC 21CN Technology Loan to CCIT is in line with the use of the proceeds of the Convertible Bonds as previously announced. The Convertible Bonds have been converted into Shares of the Company or otherwise repaid in full.

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 Second CITIC 21CN Technology Loan has no interest and unsecured, the Directors (including the independent non-executive Directors) consider that the terms of the transaction are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

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

(2) THE CITIC 21CN TECHNOLOGY RENEWAL LOAN AGREEMENT SUPPLEMENTING AND AMENDING THE LOAN AGREEMENT

(i) The Loan Agreement

Date

21 July 2009

Parties

Lender : CITIC 21CN Technology

Borrower : CCIT

LETTER FROM THE BOARD

Loan amount

RMB20,000,000 (equivalent to HK\$23,460,000)

Loan period

Three years commencing from 1 April 2009 to 31 March 2012

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 capital expenditures and 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.

Further details of the Loan and the Loan Agreement are set out in the announcements of the Company dated 21 July 2009 and 23 November 2010.

(ii) The CITIC 21CN Technology Renewal Loan Agreement

Date

23 November 2010

Parties

Lender : CITIC 21CN Technology

Borrower : CCIT

Loan amount

RMB20,000,000 (equivalent to HK\$23,460,000)

Term, security and interest rate of the Loan

Based on the Loan Agreement, CITIC 21CN Technology provided the Loan for a term of 3 years (with effect from 1 April 2009 to 31 March 2012), non-interest bearing and unsecured, to CCIT. The term of the Loan is conditionally extended for a period of approximately 2 years ending 15 April 2014, non-interest bearing and unsecured pursuant to the CITIC 21CN Technology Renewal Loan Agreement.

All other terms remain the same as stated in the Loan Agreement.

Condition precedent

The CITIC 21CN Technology Renewal Loan Agreement is subject to, among others, the Company having obtained the approval of the Independent Shareholders in respect of the performance of the transactions contemplated thereunder in accordance with all applicable laws, rules and regulations.

If the condition precedent set out in the CITIC 21CN Technology Renewal Loan Agreement is not fulfilled by the Long Stop Date, the CITIC 21CN Technology Renewal 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 EXTENSION OF THE LOAN

The Loan has been used by CCIT for its capital expenditures and working capital. Taking into account of the current management and operation of CCIT, the extension of the Loan pursuant to the

LETTER FROM THE BOARD

CITIC 21CN Technology Renewal Loan Agreement was determined based on the expected capital expenditure and working capital requirements of CCIT. Based on the information provided by CCIT, such capital expenditure and working capital has been applied for, among others, the purchase of information technology related fixed assets, system maintenance, rent, wages and administration expenses. As set out above, the Group is under the obligation, among other matters, to assist CCIT to raise financing, and it is the mutual understanding among the shareholders of CCIT that the Group assumes the role as a leader and financing partner for CCIT. Having considered other available financing alternatives available to CCIT, the Directors consider that the extension of the Loan is the most effective and efficient financing method to CCIT for it to develop its PIATS business, and in accordance with the spirit of the JV Agreement though it is not explicitly stated in it.

As mentioned in the Company's announcement dated 21 July 2009, the Loan is financed from the proceeds from the issue of the Convertible Bonds, which is in line with the use of the proceeds of the Convertible Bonds as previously announced. The Convertible Bonds have been converted into Shares of the Company or otherwise repaid in full.

For the reasons mentioned above, the Directors believe that there is great potential for PIATS and have confidence in the development of CCIT, and CCIT is accounted for as a jointly-controlled entity of the Group. Therefore, although the Loan has no interest and is unsecured, the Directors (including the independent non-executive Directors) consider that the terms of the transaction are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

(3) THE SECOND RENEWAL LOAN AGREEMENT SUPPLEMENTING AND AMENDING THE CITIC 21CN TELECOM LOAN AGREEMENT, THE SUPPLEMENTAL LOAN AGREEMENT AND THE RENEWAL LOAN AGREEMENT

(i) The CITIC 21CN Telecom Loan Agreement and the Supplemental Loan Agreement

Date

3 March 2006

Parties

Lender : CITIC 21CN Telecom

Borrower : CCIT

CITIC 21CN Telecom Loan amount

US\$6,900,000 (equivalent to HK\$53,820,000)

CITIC 21CN Telecom Loan period

Two years commencing from the date of receipt of the CITIC 21CN Telecom Loan by CCIT. The repayment of the CITIC 21CN Telecom Loan will be subject to the approval of the SAFE in accordance with SAFE's requirements.

Interest rate and security

Non-interest bearing and unsecured

Further details of the CITIC 21CN Telecom Loan, the CITIC 21CN Telecom Loan Agreement and the Supplemental Loan Agreement are set out in the announcements of the Company dated 6 March 2006, 22 May 2008, 21 July 2009 and 23 November 2010, and the circular of the Company dated 11 June 2008.

LETTER FROM THE BOARD

(ii) The Renewal Loan Agreement

Date

22 May 2008

Parties

Lender : CITIC 21CN Telecom

Borrower : CCIT

CITIC 21CN Telecom Loan amount

US\$6,900,000 (equivalent to HK\$53,820,000)

Term, security and interest rate of the CITIC 21CN Telecom Loan

Based on the CITIC 21CN Telecom 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 was 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.

Further details of the CITIC 21CN Telecom Loan and the Renewal Loan Agreement are set out in the announcements of the Company dated 6 March 2006, 22 May 2008, 21 July 2009 and 23 November 2010, and the circular of the Company dated 11 June 2008.

(iii) The Second Renewal Loan Agreement

Date

23 November 2010

Parties

Lender : CITIC 21CN Telecom

Borrower : CCIT

CITIC 21CN Telecom Loan amount

US\$6,900,000 (equivalent to HK\$53,820,000)

Term, security and interest rate of the CITIC 21CN Telecom Loan

Based on the CITIC 21CN Telecom 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 was extended for a period of three years ending 23 March 2011, non-interest bearing and unsecured pursuant to the Renewal Loan Agreement. The term of the CITIC 21CN Telecom Loan is conditionally extended for a further period of approximately 3.1 years ending 15 April 2014, non-interest bearing and unsecured pursuant to the Second Renewal Loan Agreement.

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

LETTER FROM THE BOARD

Condition precedent

The Second Renewal Loan Agreement is subject to, among others, the Company having obtained the approval of the Independent Shareholders in respect of the performance of the transactions contemplated thereunder in accordance with all applicable laws, rules and regulations.

If the condition precedent set out in the Second Renewal Loan Agreement is not fulfilled by the Long Stop Date, the Second Renewal 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 EXTENSION OF THE CITIC 21CN TELECOM LOAN

The CITIC 21CN Telecom Loan has been used by CCIT for its capital expenditures and working capital. Taking into account of the current management and operation of CCIT, the further extension of the CITIC 21CN Telecom Loan pursuant to the Second Renewal Loan Agreement was determined based on the expected capital expenditure and working capital requirements of CCIT. Based on the information provided by CCIT, such capital expenditure and working capital has been applied for, among others, the purchase of information technology related fixed assets, system maintenance, rent, wages and administration expenses. As set out above, the Group is under the obligation, among other matters, to assist CCIT to raise financing, and it is the mutual understanding among the shareholders of CCIT that the Group assumes the role as a leader and financing partner for CCIT. Having considered other available financing alternatives available to CCIT, the Directors consider that the further extension of the CITIC 21CN Telecom Loan is the most effective and efficient financing method to CCIT for it to develop its PIATS business, and in accordance with the spirit of the JV Agreement though it is not explicitly stated in it.

As mentioned in the Company's announcements dated 6 March 2006, 22 May 2008, 21 July 2009 and 23 November 2010, and the circular of the Company dated 11 June 2008, the CITIC 21CN Telecom Loan is financed from the proceeds from the issue of the Convertible Bonds, which is in line with the use of the proceeds of the Convertible Bonds as previously announced. The Convertible Bonds have been converted into Shares of the Company or otherwise repaid in full.

For the reasons mentioned above, the Directors believe that there is great potential for PIATS and have confidence in the development of CCIT, and CCIT is accounted for as a jointly-controlled entity of the Group. Therefore, although the CITIC 21CN Telecom Loan has no interest and is unsecured, the Directors (including the independent non-executive Directors) consider that the terms of the transaction are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

INFORMATION ON THE GROUP AND CCIT

The Company is an investment holding company. CITIC 21CN Technology is principally engaged in telecom value added services and PIATS business (as described below). CITIC 21CN Telecom is principally engaged in system integration and software development. CCIT is principally engaged in the PIATS business which includes authentication and product tracking and logistics information 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 well as recall and enforcement information services to relevant authorities in the PRC.

FINANCIAL EFFECTS

The provision of the Second CITIC 21CN Technology Loan will both decrease the Group's cash and bank balance and increase the Group's non-current loan receivable by up to RMB15,000,000 (equivalent to HK\$17,595,000), being half of the loan amount of up to RMB30,000,000 (equivalent to HK\$35,190,000), in the consolidated financial statements of the Group. CCIT is a 50%-owned jointly-controlled entity of the Group and the financial performance of CCIT is accounted for using the proportionate consolidation method under which the share of individual assets and liabilities, income and expenses and cash flows of CCIT attributable to the Group are included in the relevant components of the consolidated financial statements of the Group.

LETTER FROM THE BOARD

The provision of the Loan and the CITIC 21CN Telecom Loan both decreased the Group's cash and bank balance and increased the Group's non-current loan receivable by RMB10,000,000 (equivalent to HK\$11,730,000) and US\$3,450,000 (equivalent to HK\$26,910,000) respectively, being half of the loan amounts of RMB20,000,000 (equivalent to HK\$23,460,000) and US\$6,900,000 (equivalent to HK\$53,820,000) respectively, in the consolidated financial statements of the Group. The extension of the Loan and the CITIC 21CN Telecom Loan pursuant to the CITIC 21CN Technology Renewal Loan Agreement and the Second Renewal Loan Agreement respectively will further extend such financial effects for approximately 2 years and 3.1 years respectively.

GENERAL

The Group is part of a larger group of companies under the CITIC Group ("CITIC Group Companies") which is controlled by the PRC government. Each of Mr. Wang Jun (Chairman of the Company), Mr. Luo Ning (Vice Chairman of the Company), Mr. Sun Yalei (Executive Director of the Company) and Ms. Xia Guilan (Executive Director of the Company) holds various senior positions within the CITIC Group Companies. Ms. Chen Xiao Ying (Executive Vice Chairman of the Company) is also a director of CCIT. Subject as aforesaid, no Director has a material interest in the transaction, and no Director has abstained from voting on the board resolutions regarding the Second CITIC 21CN Technology Loan Agreement, the CITIC 21CN Technology Renewal Loan Agreement and the Second Renewal Loan Agreement.

As CCIT is a non wholly-owned subsidiary and an associate of the CITIC Group, and thus, a connected person of the Company under Rules 14A.11(5) and 14A.11(4) of the Listing Rules, each of (i) the provision of the Second CITIC 21CN Technology Loan by CITIC 21CN Technology to CCIT pursuant to the Second CITIC 21CN Technology Loan Agreement, (ii) the CITIC 21CN Technology Renewal Loan Agreement, and (iii) the Second Renewal Loan Agreement constitutes a connected transaction under Rule 14A.13(2)(a) of the Listing Rules and is subject to the approval of the Independent Shareholders at the SGM under Chapter 14A of the Listing Rules. Under the Listing Rules, any connected person with a material interest in the transactions, and any Shareholder with a material interest in the transactions and its associates shall not vote on the transactions.

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 transactions, (as at the Latest Practicable Date) no Shareholder is required to abstain from voting on the proposed resolutions approving the Second CITIC 21CN Technology Loan Agreement, the CITIC 21CN Technology Renewal Loan Agreement and the Second Renewal Loan Agreement and the transactions contemplated thereunder. The said agreements are not inter-conditional upon one another. To the best of the Directors' knowledge, information and belief having made all reasonable enquires and based on the information set out in the Disclosure of Interests Form filed with the Company, as at the Latest Practicable Date, the CITIC Group and its associates hold in aggregate 807,998,000 Shares (representing approximately 21.73% of the issued share capital of the Company). The CITIC Group and its associates will abstain from voting on the resolution(s) in relation to each of the Second CITIC 21CN Technology Loan Agreement, the CITIC 21CN Technology Renewal Loan Agreement and the Second Renewal Loan Agreement at the SGM.

Each of the Second CITIC 21CN Technology Loan and the CITIC 21CN Telecom Loan exceeds 5% but less than 25% of the relevant Percentage Ratios, and thus constitutes a discloseable transaction for the Company under the Listing Rules. Pursuant to Rules 14.22 and 14A.25 of the Listing Rules, the Aggregate Loan Amount of the Second CITIC 21CN Technology Loan, the Loan and the CITIC 21CN Telecom Loan is approximately RMB95,882,000 (equivalent to approximately HK\$112,470,000), which exceeds 5% but less than 25% of the relevant Percentage Ratios. Thus, the Second CITIC 21CN Technology Loan, the Loan and the CITIC 21CN Telecom Loan (when aggregated) also constitute a discloseable transaction for the Company under the Listing Rules.

The Directors (including the independent non-executive Directors) consider that the terms of each of the Second CITIC 21CN Technology Loan Agreement, the CITIC 21CN Technology Renewal Loan Agreement and the Second Renewal Loan Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

Your attention is drawn to the additional information set out in the appendix to this circular.

LETTER FROM THE BOARD

Independent Board Committee

The Independent Board Committee has been appointed to advise the Independent Shareholders in respect of the Second CITIC 21CN Technology Loan Agreement, the CITIC 21CN Technology Renewal Loan Agreement and the Second Renewal Loan Agreement. Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

SGM

A notice convening the SGM to be held at Crown Room, 8th Floor, The Dynasty Club Limited, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai Hong Kong at 10:00 a.m. on Wednesday, 29 December 2010 is set out on pages 30 to 32 of this circular. A form of proxy for the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

Pursuant to the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. In compliance with the Listing Rules, the votes on the ordinary resolutions proposed to the Shareholders at the SGM will be taken by poll, and the results of which will be announced after the SGM in accordance with the requirement under the Listing Rules.

DIRECTORS' RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individual accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

RECOMMENDATION

The Independent Board Committee, having taken into account the advice of Guangdong Securities, considers that the Second CITIC 21CN Technology Loan Agreement, the CITIC 21CN Technology Renewal Loan Agreement and the Second Renewal Loan Agreement and the transactions contemplated thereunder are in the interest of the Group and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM approving the Second CITIC 21CN Technology Loan Agreement, the CITIC 21CN Technology Renewal Loan Agreement and the Second Renewal Loan Agreement and the transactions contemplated thereunder.

FURTHER INFORMATION

Your attention is drawn to the letters from the Independent Board Committee and Guangdong Securities which are respectively set out on page 14 and pages 15 to 23 of this circular. Additional information is also set out in the appendix to this circular for your information.

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

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)

8 December 2010

To the Independent Shareholders

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
LOANS TO A CONNECTED PERSON**

We have been appointed as members of the Independent Board Committee to advise you in connection with the Second CITIC 21CN Technology Loan Agreement, the CITIC 21CN Technology Renewal Loan Agreement and the Second Renewal Loan Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board contained in the circular to the Shareholders dated 8 December 2010 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same respective meanings when used herein unless the context otherwise requires.

Having considered the terms of the Second CITIC 21CN Technology Loan Agreement, the CITIC 21CN Technology Renewal Loan Agreement and the Second Renewal Loan Agreement and the transactions contemplated thereunder and the advice of Guangdong Securities in relation thereto as set out on pages 15 to 23 of the Circular, we are of the opinion that the terms of each of the Second CITIC 21CN Technology Loan Agreement, the CITIC 21CN Technology Renewal Loan Agreement and the Second Renewal Loan Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM approving the Second CITIC 21CN Technology Loan Agreement, the CITIC 21CN Technology Renewal Loan Agreement and the Second Renewal Loan Agreement and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee

Dr. Hui Ho Ming, Herbert, JP **Mr. Zhang Jian Ming** **Dr. Long Junsheng**
Independent non-executive Directors

* For identification purpose only

LETTER FROM GUANGDONG SECURITIES

Set out below is the text of a letter received from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreements for the purpose of inclusion in this circular.



粵海證券有限公司
GUANGDONG SECURITIES LIMITED

Units 2505-06, 25/F.
Low Block of Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

8 December 2010

To: *The independent board committee and the independent shareholders
of CITIC 21CN Company Limited*

Dear Sirs,

DISCLOSABLE AND CONNECTED TRANSACTIONS IN RELATION TO LOANS TO A CONNECTED PERSON

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Second CITIC 21CN Technology Loan Agreement; (ii) the CITIC 21CN Technology Renewal Loan Agreement; and (iii) the Second Renewal Loan Agreement (collectively, the "**Agreements**"), details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 8 December 2010 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Second CITIC 21CN Technology Loan Agreement

On 23 November 2010, CITIC 21CN Technology, a wholly-owned subsidiary of the Company, entered into the Second CITIC 21CN Technology Loan Agreement with CCIT, a 50%-owned jointly-controlled entity of the Group and a connected person of the Company, pursuant to which CITIC 21CN Technology conditionally agreed to advance the Second CITIC 21CN Technology Loan of RMB30 million to CCIT as its capital expenditures and general working capital on the terms and subject to the conditions therein contained.

The CITIC 21CN Technology Renewal Loan Agreement

In 2009, CITIC 21CN Technology provided CCIT the Loan of RMB20 million under the Loan Agreement. On 23 November 2010, CITIC 21CN Technology entered into the CITIC 21CN Technology Renewal Loan Agreement with CCIT to conditionally extend the Loan for a term of approximately 2 years to 15 April 2014.

The Second Renewal Loan Agreement

In 2006, CITIC 21CN Telecom, a wholly-owned subsidiary of the Company, provided CCIT the CITIC 21CN Telecom Loan of US\$6.9 million under the CITIC 21CN Telecom Loan Agreement and the Supplemental Loan Agreement. In 2008, the CITIC 21CN Telecom Loan was extended for a term of three years under the Renewal Loan Agreement. On 23 November 2010, CITIC 21CN Telecom entered into the Second Renewal Loan Agreement with CCIT to conditionally extend the CITIC 21CN Telecom Loan for a further term of approximately 3.1 years to 15 April 2014.

As CCIT is a non wholly-owned jointly-controlled entity and a connected person of the Company under the Listing Rules, each of (i) the provision of the Second CITIC 21CN Technology Loan by CITIC 21CN Technology to CCIT pursuant to the Second CITIC 21CN Technology Loan Agreement, (ii) the CITIC 21CN Technology Renewal Loan Agreement, and (iii) the Second Renewal Loan Agreement constitutes a connected transaction under the Listing Rules and is subject to the approval of the Independent Shareholders at the SGM under Chapter 14A of the Listing Rules.

LETTER FROM GUANGDONG SECURITIES

With reference to the Board Letter, each of the Second CITIC 21CN Technology Loan and the CITIC 21CN Telecom Loan exceeds 5% but less than 25% of the relevant Percentage Ratios, and thus constitutes a discloseable transaction for the Company under the Listing Rules. In addition, since the Aggregate Loan Amount exceeds 5% but less than 25% of the relevant Percentage Ratios, the Second CITIC 21CN Technology Loan, the Loan and the CITIC 21CN Telecom Loan (when aggregated) also constitute discloseable transactions 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 transactions, no Shareholder is required to abstain from voting on the proposed resolutions approving the Agreements and the transactions contemplated thereunder. The Agreements are not inter-conditional upon one another.

The Independent Board Committee comprising Dr. Hui Ho Ming, Herbert, JP, Mr. Zhang Jian Ming and Dr. Long Junsheng (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Agreements are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolutions to approve the Agreements and the transactions contemplated thereunder at the SGM. We, Guangdong Securities, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company and CCIT or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the entering into of the Agreements. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Guangdong Securities is to ensure that such information has been correctly extracted from the relevant sources.

LETTER FROM GUANGDONG SECURITIES

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Agreements, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the entering into of the Agreements

Business overview of the Group

With reference to the Board Letter, the Company is an investment holding company. CITIC 21CN Technology, a wholly-owned subsidiary of the Company, is principally engaged in telecom value added services and PIATS business. CITIC 21CN Telecom, a wholly-owned subsidiary of the Company, is principally engaged in system integration and software development. CCIT, a 50%-owned jointly-controlled entity of the Group, is principally engaged in the PIATS business which includes authentication and product tracking and logistics information 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 well as recall and enforcement information services to relevant authorities in the PRC (the “Value-added Services”).

Set out below are the financial information of the Group for each of the two years ended 31 March 2010 and the six months ended 30 September 2010 as extracted from the Company’s annual report for the year ended 31 March 2010 (the “Annual Report”) and the Company’s interim results announcement for the six months ended 30 September 2010 (the “Interim Results”):

	For the six months ended 30 September 2010 <i>HK\$'000</i> (unaudited)	For the year ended 31 March 2010 <i>HK\$'000</i> (audited)	For the year ended 31 March 2009 <i>HK\$'000</i> (audited)	% change from 2009 to 2010
Total turnover	115,786	287,560	274,645	4.70
– Telecommunications/ information value-added services	113,145	279,447	259,371	7.74
– PIATS business	1,501	8,035	13,306	(39.61)
– System integration and software development	1,140	78	1,968	(96.04)
Gross profit	26,892	37,820	13,297	184.43
Loss for the period/year	(15,510)	(51,517)	(148,007)	(65.19)
Total comprehensive expense for the year	(12,493)	(51,698)	(136,184)	(62.04)

LETTER FROM GUANGDONG SECURITIES

	As at 30 September 2010 HK\$'000 (unaudited)	As at 31 March 2010 HK\$'000 (audited)	As at 31 March 2009 HK\$'000 (audited)	% change from 2009 to 2010
Non-current assets	267,814	271,381	329,795	(17.71)
Current assets including	291,712	296,899	273,250	8.65
– Bank balances and cash	173,501	188,834	196,421	(3.86)
Non-current liabilities	(1,220)	(1,220)	(640)	90.63
Current liabilities including	(150,347)	(146,608)	(130,346)	12.48
– Bank loans	(11,270)	(11,074)	(24,917)	(55.56)
Shareholders' equity	407,949	420,442	472,048	(10.93)
Current ratio (current assets over current liabilities)	1.94 times	2.03 times	2.10 times	(3.40)
Gearing ratio (bank loans over Shareholders' equity)	2.76%	2.63%	5.28%	(50.10)

From the above table, we noted that the total turnover of the Group for the year ended 31 March 2010 increased slightly by approximately 4.70% as compared to the year ended 31 March 2009. Nevertheless, the Group's turnover from the PIATS business decreased by approximately 39.61%. With reference to the Annual Report, the said decrease was due to the consolidation of PIATS existing business and the reduction of the annual service subscription fee income during the year ended 31 March 2010. The Group's loss for the year ended 31 March 2010 was reduced significantly by approximately 65.19% as compared to the year ended 31 March 2009. The said decrease was mainly due to (i) increase in the Group's gross profit margin and other gains; (ii) substantial reduction of administrative expenses; and (iii) absence of impairment losses recognised in respect of the PIATS business.

We also noted from the above table that the Group's current ratio (as calculated by current assets over current liabilities) and gearing ratio (as calculated bank loans over Shareholders' equity) were 1.94 times and 2.76% respectively as at 30 September 2010. In addition, the Group's bank balances and cash was amounted to approximately HK\$173.50 million. The Directors considered that the Group had a sufficient financial and liquidity position which enables the Group to (i) advance the Second CITIC 21CN Technology Loan; and (ii) extend the terms of the Loan and the CITIC 21CN Telecom Loan.

Information on CCIT and the PIATS business

With reference to the Board Letter, CCIT, is principally engaged in the PIATS business which includes authentication and product tracking and logistics information services for products sold in the PRC through the operation of PIATS, which in turn provides the Value-added Services.

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

As to the area of electronic monitoring of drugs, the relevant authorities in the PRC have expressly stipulated the implementation scope and the work objectives of electronic monitoring of basic drugs under Basic Medicine Catalogue, and have, since July 2010, organized enterprises throughout the country to undertake all necessary preparation work required for the implementation of the electronic monitoring project of drugs. CITIC 21CN Technology is operating in coordination with the relevant authorities on both the state and local levels in providing training, consultation services and formulating plans for manufacturers, distributors and the relevant authorities, as well as safeguarding the smooth operation of network system of the electronic monitoring project (the "Drug Project"). So as to ensure the smooth implementation of the Drug Project, CITIC 21CN Technology had

LETTER FROM GUANGDONG SECURITIES

established a multi-channel service system that covers the whole country and consists of network system, call center and SMS. The Directors expected that both CCIT and CITIC 21CN Technology will continue its co-operation in promoting and providing the Value-added Services including those on the Drug Project.

As advised by the Directors, in December 2007, the PRC government issued a policy for all manufacturers of 69 product types (including but not limited to agricultural resources and food) in the PRC to mandatorily join PIATS. CCIT made plentiful attempts on the electronic monitoring of the said product types and gained certain achievements and experience. However, CCIT is unable to carry out full promotion in the said product types as the relevant authorities in the PRC government has not further issued supplemental work rules.

Set out below is the audited financial information of CCIT for each of the two years ended 31 December 2009 as extracted from the audited consolidated financial statements of CCIT:

	For the year ended 31 December 2009 <i>RMB</i>	For the year ended 31 December 2008 <i>RMB</i>	% change from 2008 to 2009
Turnover	2,328,685	24,761,150	(90.60)
Loss for the year	(25,577,460)	(13,870,364)	84.40
	As at 31 December 2009 <i>RMB</i>	As at 31 December 2008 <i>RMB</i>	% change from 2008 to 2009
Total assets including	58,973,089	63,175,083	(6.65)
– Cash and cash equivalent	8,802,306	7,042,536	24.99
Total liabilities	(102,652,532)	(81,277,066)	26.30
Net liabilities	(43,679,443)	(18,101,983)	141.30

As illustrated in the above table, the turnover of CCIT for the year ended 31 December 2009 decreased by approximately 90.60% as compared to the year ended 31 December 2008. In addition, CCIT's loss for the year ended 31 December 2009 increased by approximately 84.40% as compared to the year ended 31 December 2008. As aforementioned, in December 2007, the PRC government issued a policy for all manufacturers of 69 product types (including but not limited to agricultural resources and food) in the PRC to mandatorily join PIATS. This policy increased the manufacturers joining the PIATS. Hence, CCIT has experienced significant increase in turnover for the year ended 31 December 2008. Nevertheless, the PRC government has not further issued supplemental work rules regarding the said policy. Accordingly, CCIT is unable to carry out full promotion in the said product types and there was a decrease in turnover when certain of the manufacturers had halted to subscribe the PIATS services and had not paid their annual service subscription fee during the year ended 31 December 2009.

With reference to the Interim Results, the advancement of electronic monitoring in the drugs under the Basic Medicine Catalogue implies that, the government will make electronic monitoring an important tool for the management of high-risk commodities. Pinpointing the various issues of dairy products under food category, the relevant authorities in the PRC is attempting to establish an information tracking system through the application of similar informationalized measures (as stated under the document issued by the relevant government authority in September 2010). CCIT 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 Directors have confidence that PIATS can combat counterfeit and poor-quality commodities, improve commodity safety, and protect the interests of consumers and enterprises. Given that there is no other companies that can provide service similar to PIATS at the moment, the Directors believe that there is great potential for PIATS.

LETTER FROM GUANGDONG SECURITIES

The Directors consider that through the continuous promotion by CCIT to expand the scope and coverage of the applications of PIATS, such as dairy products, and the expected launching of the Value-added Services, being the main income source of CCIT, in early 2012, the loss making position of CCIT may be relieved accordingly.

Given that the existing financial positions of CCIT are relatively weak, the Directors considered that the financial support from the Group is important for CCIT to continue its operation and development. The Directors also consider that such continual financial support to CCIT is commercially justifiable. Having also considered the existing financial performance of CCIT, the Directors are also of the view that raising external financing by CCIT would be difficult and, if available, the financing costs to be incurred would hinder the development of CCIT.

Reasons for entering into of the Agreements

With reference to the Board Letter, CCIT will make use of the Second CITIC 21CN Technology Loan for its capital expenditures and working capital. Taking into account of the current management and operation of CCIT, the Second CITIC 21CN Technology Loan amount was determined based on the expected capital expenditure and working capital requirements of CCIT. As extracted from the Board Letter, such capital expenditure and working capital has been applied for, among others, the purchase of information technology related fixed assets, system maintenance, rent, wages and administration expenses.

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 executive Directors consider that the provision of the Second CITIC 21CN Technology Loan is the most effective and efficient financing method through which CCIT can quickly obtain the required funding to develop its PIATS business. As such, the provision of the Second CITIC 21CN Technology 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. The provision of the Second CITIC 21CN Technology Loan is financed by the proceeds from the issue of the Convertible Bonds. Therefore, the provision of the Second CITIC 21CN Technology Loan to CCIT is in line with the use of the proceeds of the Convertible Bonds as previously announced. The Convertible Bonds have been converted into Shares of the Company or otherwise repaid in full.

Given that (i) the possible future prospects of CCIT as illustrated under the section headed "Information on CCIT and the PIATS business" above; (ii) it is the Group's obligation to assist CCIT to raise financing; and (iii) the provision of the Second CITIC 21CN Technology Loan is in line with the use of the proceeds of the Convertible Bonds as previously announced, we concur with the Directors' view that the provision of the Second CITIC 21CN Technology Loan is in the interest of the Company and the Shareholders as a whole.

With reference to the Board Letter and as advised by the Directors, the Loan and the CITIC 21CN Telecom Loan were fully-utilised by CCIT for its capital expenditures and working capital. As set out above, the Group is under the obligation, among other matters, to assist CCIT to raise financing, and it is the mutual understanding among the shareholders of CCIT that the Group assumes the role as a leader and financing partner for CCIT. Having considered other available financing alternatives available to CCIT, the executive Directors consider that the extension of the terms of the Loan and the CITIC 21CN Telecom Loan is the most effective and efficient financing method to CCIT for it to develop its PIATS business, and in accordance with the spirit of the JV Agreement though it is not explicitly stated in it.

Given the above, we concur with the Directors' view that the extension of the terms of the Loan and the CITIC 21CN Telecom Loan is in the interest of the Company and the Shareholders as a whole.

LETTER FROM GUANGDONG SECURITIES

2. Terms of the Agreements

The Second CITIC 21CN Technology Loan Agreement

On 23 November 2010, CITIC 21CN Technology entered into the Second CITIC 21CN Technology Loan Agreement with CCIT, pursuant to which CITIC 21CN Technology conditionally agreed to advance the Second CITIC 21CN Technology Loan of RMB30 million to CCIT as its capital expenditures and general working capital on the terms and subject to the conditions therein contained.

The Second CITIC 21CN Technology Loan is (i) non-interest bearing and unsecured; and (ii) shall only be used as the capital expenditures and general working capital of CCIT. If CCIT uses the Second CITIC 21CN Technology Loan for any purposes other than as capital expenditures and/or general working capital, CITIC 21CN Technology has the right to request CCIT to repay the Second CITIC 21CN Technology Loan immediately and CCIT has to pay a penalty which amounts to 30% of the Second CITIC 21CN Technology Loan to CITIC 21CN Technology.

With reference to the Board Letter and as advised by the Directors, as CCIT has received strong support from the PRC government (through the selection of the Company to develop the PIATS) and the existing policies of the PRC government in relation to product information as set out under the section headed "Information on CCIT and the PIATS business" in this letter 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, given that (i) the Group is the single largest shareholder of CCIT and CCIT is accounted for as a jointly-controlled entity of the Group; (ii) the Second CITIC 21CN Technology Loan will be financed by the proceeds from the zero-coupon Convertible Bonds and no external interest-bearing financing is required; and (iii) the current bank saving rate of the Group is low. Therefore, although the Second CITIC 21CN Technology Loan has no interest and unsecured, the Directors considered that the terms of the Second CITIC 21CN Technology Loan Agreement are fair and reasonable. Furthermore, as aforementioned, the loss making position of CCIT may be relieved through continuous promotion by CCIT to expand the scope and coverage of the applications of PIATS, such as dairy products, and the expected launching of the Value-added Services, being the main income source of CCIT, in early 2012. Accordingly, the Directors are of the view that the proposed due date of 15 April 2014 is justifiable.

We have also enquired into the Directors regarding the measures as to monitoring the use of the Second CITIC 21CN Technology Loan and were advised by the Directors that the Group will monitor the use of the Second CITIC 21CN Technology Loan through the directors of CCIT which were assigned by the Group (the Group has currently assigned five out of eight members of the board of CCIT) and review the management accounts of CCIT monthly on a continuous basis.

Given that the Second CITIC 21CN Technology Loan is non-interest bearing and unsecured, we consider that the terms of the Second CITIC 21CN Technology Loan Agreement are not on normal commercial terms. Nevertheless, taking into account the above analysis and the reasons for entering into of the Second CITIC 21CN Technology Loan Agreement as set out under the section headed "Reasons for entering into of the Agreements" in this letter, we consider that the terms of the Second CITIC 21CN Technology Loan Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

The CITIC 21CN Technology Renewal Loan Agreement

In 2009, CITIC 21CN Technology provided CCIT the Loan under the Loan Agreement. On 23 November 2010, CITIC 21CN Technology entered into the CITIC 21CN Technology Renewal Loan Agreement with CCIT to conditionally extend the Loan for a term of approximately 2 years to 15 April 2014. All other terms remain the same as stated in the Loan Agreement (details of which are set out in the sectioned headed "The CITIC 21CN Technology Renewal Loan Agreement supplementing and amending the Loan Agreement" under the Board Letter).

LETTER FROM GUANGDONG SECURITIES

With reference to the Board Letter, the extension of the term of the Loan pursuant to the CITIC 21CN Technology Renewal Loan Agreement was determined based on the expected capital expenditure and working capital requirements of CCIT. Furthermore, as aforementioned, the loss making position of CCIT may be relieved through continuous promotion by CCIT to expand the scope and coverage of the applications of PIATS, such as dairy products, and the expected launching of the Value-added Services, being the main income source of CCIT, in early 2012. Accordingly, the Directors are of the view that the proposed extension of the term of the Loan to 15 April 2014 is justifiable.

Given that the Loan is non-interest bearing and unsecured, we consider that the terms of the CITIC 21CN Technology Renewal Loan Agreement are not on normal commercial terms. Nevertheless, taking into account the above analysis and the reasons for entering into of the CITIC 21CN Technology Renewal Loan Agreement as set out under the section headed "Reasons for entering into of the Agreements" in this letter, we consider that the terms of the CITIC 21CN Technology Renewal Loan Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

The Second Renewal Loan Agreement

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 extended for a term of three years under the Renewal Loan Agreement. On 23 November 2010, CITIC 21CN Telecom entered into the Second Renewal Loan Agreement with CCIT to conditionally extend the CITIC 21CN Telecom Loan for a further term of approximately 3.1 years to 15 April 2014. All other terms remain the same as stated in the CITIC 21CN Telecom Loan Agreement, the Supplemental Loan Agreement and the Renewal Loan Agreement (details of which are set out in the sectioned headed "The Second Renewal Loan Agreement supplementing and amending the CITIC 21CN Telecom Loan Agreement, the Supplemental Loan Agreement and the Renewal Loan Agreement" under the Board Letter).

With reference to the Board Letter, the extension of the term of the CITIC 21CN Telecom Loan pursuant to the Second Renewal Loan Agreement was determined based on the expected capital expenditure and working capital requirements of CCIT. Furthermore, as aforementioned, the loss making position of CCIT may be relieved through continuous promotion by CCIT to expand the scope and coverage of the applications of PIATS, such as dairy products, and the expected launching of the Value-added Services, being the main income source of CCIT, in early 2012. Accordingly, the Directors are of the view that the proposed extension of the term of the CITIC 21CN Telecom Loan to 15 April 2014 is justifiable.

Given that the CITIC 21CN Telecom Loan is non-interest bearing and unsecured, we consider that the terms of the Second Renewal Loan Agreement are not on normal commercial terms. Nevertheless, taking into account the above analysis and the reasons for entering into of the Second Renewal Loan Agreement as set out under the section headed "Reasons for entering into of the Agreements" in this letter, but are fair and reasonable so far as the Independent Shareholders are concerned.

Your attention is also drawn to the fact that the ability of repayment of the Second CITIC 21CN Technology Loan, the Loan and the CITIC 21CN Telecom Loan by CCIT relies on the continued success of the PIATS business which will in turn improve the liquidity position of CCIT. Although the PIATS business is prosperous under the prevailing favourable PRC government policy and business environment where no direct competitor exists, there is a possibility that the PIATS business will not be as successful as expected by the management of CCIT and the Group and hence the Second CITIC 21CN Technology Loan, the Loan and the CITIC 21CN Telecom Loan may not be repaid by CCIT on or before 15 April 2014. In such circumstance, the Group's financial position may be adversely affected. We are of the view that Independent Shareholders should bear in mind the above fact when considering the Agreements since they may have different risk preference and risk toleration level.

3. Possible financial effects of the entering into of the Agreements

Effect on net asset value

As extracted from the Interim Results, the unaudited consolidated net assets of the Group were approximately HK\$407.96 million as at 30 September 2010. The Directors expect that the provision of the Second CITIC 21CN Technology Loan and the extension of the terms of the Loan and the CITIC 21CN Telecom Loan would not have material impact on the net assets of the Group.

LETTER FROM GUANGDONG SECURITIES

Effect on earnings

As confirmed by the Directors, save as and except for the possible reduction of interest income, the provision of the Second CITIC 21CN Technology Loan and the extension of the terms of the Loan and the CITIC 21CN Telecom Loan would not have material impact on the Group's future earnings.

Effect on gearing

According to the Interim Results, the Group's gearing ratio (calculated by bank loans over Shareholders' equity) was approximately 2.76% as at 30 September 2010. The Directors expect that the gearing ratio of the Group would not be materially affected upon the provision of the Second CITIC 21CN Technology Loan and the extension of the terms of the Loan and the CITIC 21CN Telecom Loan.

Effect on working capital

As at 30 September 2010, the Group's cash and cash equivalents was approximately HK\$173.50 million. With reference to the Board Letter, the provision of the Second CITIC 21CN Technology Loan will decrease the Group's cash and bank balance by up to RMB15 million (equivalent to approximately HK\$17.6 million), being half of the Second CITIC 21CN Technology Loan amount up to RMB30 million (equivalent to approximately HK\$35.2 million), in the consolidated financial statements of the Group, as CCIT is a 50%-owned jointly-controlled entity of the Group and is accounted for using the proportionate consolidation method.

For our due diligence purpose, we have obtained and reviewed the calculation of the above possible financial effects (the "Calculation"), which was provided by the Company. Based on the Calculation, we concur with the Directors' view on the above possible financial effects.

Based on the possible financial effects of the entering into of the Agreements, we are of the opinion that the entering into of the Agreements is in the interests of the Company and the Shareholders as a whole.

It should be noted that the aforementioned analyses are for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon the provision of the provision of the Second CITIC 21CN Technology Loan and the extension of the terms of the Loan and the CITIC 21CN Telecom Loan.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Agreements are not on normal commercial terms but are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the provision of the Second CITIC 21CN Technology Loan and the extension of the terms of the Loan and the CITIC 21CN Telecom Loan are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Agreements and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Guangdong Securities Limited
Graham Lam
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individual accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Directors

As at the Latest Practicable Date, the interests or short positions of each Director and chief executive of the Company in the Shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (c) were required pursuant to the Model Code for Securities Transaction by Directors of Listed Companies (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

	Number of Shares/ underlying shares held			Approximate percentage of the issued share capital as at the Latest practicable Date
	Share (Corporate interest)	Share options (Personal interest) ⁽²⁾	Aggregate interests	
Mr. Wang Jun	–	30,000,000	30,000,000	0.8069%
Ms. Chen Xiao Ying	784,937,030 ⁽¹⁾	90,000,000	874,937,030	23.5333%
Mr. Luo Ning	–	10,000,000	10,000,000	0.2690%
Mr. Sun Yalei	–	10,000,000	10,000,000	0.2690%
Mr. Zhang Lianyang	–	15,000,000	15,000,000	0.4035%
	<u>784,937,030</u>	<u>155,000,000</u>	<u>939,937,030</u>	<u>25.2817%</u>

Note:

- (1) The interest in these 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 interim report of the Company dated 23 November 2010.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO); or (b) were required, pursuant to section 352 of the SFO, to

be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

(ii) **Substantial Shareholders**

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (save as disclosed in the paragraph headed "Directors" above), had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provision of the Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of other members of the Group:

– Long position in Shares

Name	Nature of interest	Number of Shares held	Total interest in Shares/ underlying shares	Approximate percentage of the issued share capital as at the Latest practicable Date
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 (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.

– Long position in shares of other members of the Group

The party, other than members of the Group, directly or indirectly, having 10% or more interests in the subsidiaries of the Company as at the Latest Practicable Date was as follows:

Name of substantial shareholder	Name of subsidiary	Approximate percentage of the issued share capital of the subsidiary
Tam Po Ki	Cattsoft Technology Company Limited	30% (Long Position)
CITIC Group (Note 1)	CCIT	30% (Long Position)
China Huaxin Telecom (Note 2)	CCIT	20% (Long Position)

Notes:

1. The CITIC Group holds such 30% interest through its subsidiary, namely CITIC Networks Co., Ltd.
2. China Huaxin Telecom is a wholly owned subsidiary of China Telecom.

Saved as disclosed above, the Directors are not aware of any other person (other than a Director or chief executive of the Company) who had an interest (including options and warrants) or short position, directly or indirectly, in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (other than contracts expiring or determinable by any member of Group within one year without payment of compensation, other than statutory compensation).

4. LITIGATION

On 29 October 2009, the Company received the Arbitration Notice issued by China International Economic and Trade Arbitration Commission (“CIETAC”). According to the Arbitration Notice, Oracle (China) Software Systems Co., Ltd (formerly known as Beijing Oracle Software Systems Co., Ltd.) (“Oracle Beijing”) submitted an application in relation to an arbitration (the “Arbitration”) on the dispute arising from the Payment Agreement signed by Oracle Beijing, CITIC 21CN (China) Technology Co., Ltd., the Company and Oracle Systems Hong Kong Limited on 30 May 2006. The Payment Agreement provided, among others, the settlement arrangement of license fee and service fee in relation to the Oracle License and Services Agreement in an aggregate amount of approximately RMB116 million against which approximately US\$11 million 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 23 June 2010, the Company received the Arbitral Award (“Arbitral Award”) handed down by CIETAC. The Arbitral Award resulted in the interest expenses for the period starting from the date on which the payment was due up to 1 October 2009 at 0.02% daily rate of RMB23,730,000 and legal and related costs of RMB1,300,000 to be borne by the Company. Accordingly, full provision of the aforesaid amounts has been made in the condensed consolidated financial statements for the year ended 31 March 2010.

On 19 October 2010, the Company made a written application (“Application”) to set aside the Arbitral Award to the Beijing First Intermediate People’s Court, which then notified to the Company by a written notice dated 21 October 2010 that it had decided to entertain the Application. The Application was heard on 26 November 2010. As of the Latest Practicable Date, the Application was still in progress.

On 27 October 2010, the Company received a court order (“the Order”) from the High Court of the Hong Kong Special Administrative Region (“HKSAR”) that leave be granted to Beijing Oracle to enforce the Arbitral Award and the Company and CITIC 21CN (China) Technology Co., Ltd. may within 14 days after service of the Order apply to set aside the Order and the Arbitral Award shall not be enforceable until after the expiration of such period, or if the Company and CITIC 21CN (China) Technology Co., Ltd. apply within the said period to set aside the Order, until after the application is finally disposed of. On 10 November 2010, the Company made an application to the High Court of the HKSAR by way of a Summons for the Order to be set aside and the hearing of the said Summons is scheduled to take place on 9 December 2010.

As at the Latest Practicable Date, other than as disclosed above, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

5. DIRECTORS' INTERESTS IN CONTRACTS AND COMPETING BUSINESS

- (a) 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 had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date.
- (b) None of the Directors has any direct or indirect interest in any assets which have been, since 31 March 2010, the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to the Company or any of its subsidiaries.
- (c) As at the Latest Practicable Date, none of the Directors and their respective associates had any beneficial interest in a business which compete or may compete with the business of the Group.

6. GENERAL

- (a) The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The principal place of business of the Company is Units 614-616, Level 6, Core D, Cyberport 3, 100 Cyberport Road, Hong Kong.
- (b) The secretary of the Company is Mr. Au Kin Fai who is a member of the Hong Kong Institute of Certified Public Accountants.
- (c) The qualified accountant of the Company is Mr. Yuen Wai Ho who is a fellow member of the Hong Kong Institute of Certified Public Accountants.
- (d) The principal registrar is Appleby Management (Bermuda) Limited, Argyle House, 41A Cedar Avenue, Hamilton HM 12, Bermuda.
- (e) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (f) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

7. EXPERT

- (a) The following is the qualification of the expert which has given its opinion or advice contained in this circular:

Name	Qualifications
Guangdong Securities Limited	A licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

- (b) As at the Latest Practicable Date, Guangdong Securities did not have any direct or indirect shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate any person to subscribe for securities in any member of the Group.
- (c) Guangdong Securities has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.
- (d) Guangdong Securities was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2010, the date to which the latest published audited financial statements of the Company were made up.
- (e) The letter from Guangdong Securities is given as of the date of this circular for incorporation herein.

8. MATERIAL ADVERSE CHANGE

Save as disclosed in this circular, as at the Latest Practicable Date, the Directors confirm there was no material adverse change in the financial or trading position of the Group since 31 March 2010, the date to which the latest published audited consolidated financial statements of the Company were made up.

9. MISCELLANEOUS

- (a) So far as is known to the Directors, as at the Latest Practicable Date, there was (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon the CITIC Group and/or its associates in respect of their shareholding in the Company; and (ii) no obligation or entitlement of the CITIC Group and/or its associates, whereby it has or may have temporarily or permanently passed control over the exercise of the voting rights in respect of its Shares to a third party, either generally or on a case-by-case basis.
- (b) So far as is known to the Directors, as at the Latest Practicable Date, (other than the CITIC Group and/or its associates, which are interested in an aggregate of 807,998,000 Shares (representing approximately 21.73% of the issued share capital of the Company) as of the Latest Practicable Date, who are interested in the Second CITIC 21CN Technology Loan Agreement, the CITIC 21CN Technology Renewal Loan Agreement and the Second Renewal Loan Agreement) there was no discrepancy between any Shareholder's beneficial shareholding interest in the Company as disclosed in this circular.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company at Units 614-616, Level 6, Core D, Cyberport 3, 100 Cyberport Road, Hong Kong during normal office hours on any weekday, except public holidays, from the date of this circular up to and including the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the audited consolidated financial statements of the Company and its subsidiaries for the two financial years ended 31 March 2010;
- (c) the letter of consent referred to under the paragraph headed "Expert" in this appendix;

- (d) the Second CITIC 21CN Technology Loan Agreement, the Loan Agreement, the CITIC 21CN Technology Renewal Loan Agreement, the CITIC 21CN Telecom Loan Agreement, the Supplemental Loan Agreement, the Renewal Loan Agreement and the Second Renewal Loan Agreement;
- (e) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 14 of this circular;
- (f) the letter of advice from Guangdong Securities to the Independent Board Committee and the Independent Shareholders dated 8 December 2010, the text of which is set out on pages 15 to 23 of this circular;
- (g) the annual reports of the Company for the two years ended 31 March 2010 and the interim report for the six months ended 30 September 2010; and
- (h) this circular.

NOTICE OF SPECIAL GENERAL MEETING

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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of the Shareholders of CITIC 21CN Company Limited (the “**Company**”) will be held at 10:00 a.m. on Wednesday, 29 December 2010 at Crown Room, 8th Floor, The Dynasty Club Limited, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions which will be proposed as ordinary resolutions:

ORDINARY RESOLUTIONS

“**THAT:**

- 1(a) the entering into of the conditional loan agreement dated 23 November 2010 (the “**Second CITIC 21CN Technology Loan Agreement**”) between CITIC 21CN (China) Technology Co. Ltd* (中信21世紀(中國)科技有限公司) (“**CITIC 21CN Technology**”), a wholly-owned subsidiary of the Company, as lender and China Credit Information Technology Co. Ltd* (中信國檢信息技術有限公司) (“**CCIT**”) as borrower, a copy of which has been produced to the meeting marked “A” and initialed by the Chairman of the meeting for the purpose of identification, whereby CITIC 21CN Technology has conditionally agreed to advance a loan of RMB30,000,000 (equivalent to HK\$35,190,000) to CCIT, upon the terms and subject to the conditions therein contained, be and is hereby approved, confirmed and ratified and the performance of the transactions contemplated under the Second CITIC 21CN Technology Loan Agreement by CITIC 21CN Technology be and is hereby approved; and
- (b) any director of the Company be and is hereby authorised for and on behalf of the Company to do all acts and things and execute and deliver all documents whether under the common seal of the Company or otherwise as may be necessary, desirable or expedient to carry out or to give effect to any or all transactions contemplated under the Second CITIC 21CN Technology Loan Agreement.”
- 2(a) the entering into of the conditional renewal loan agreement dated 23 November 2010 (the “**CITIC 21CN Technology Renewal Loan Agreement**”) between CITIC 21CN Technology and CCIT, a copy of which has been produced to the meeting marked “B” and initialed by the Chairman of the meeting for the purpose of identification, in relation to extension of the loan of RMB20,000,000 (equivalent to HK\$23,460,000) advanced by CITIC 21CN Technology to CCIT, upon the terms and subject to the conditions therein contained, be and is hereby approved, confirmed and ratified and the performance of the transactions contemplated under the CITIC 21CN Technology Renewal Loan Agreement by CITIC 21CN Technology be and is hereby approved; and
- (b) any director of the Company be and is hereby authorised for and on behalf of the Company to do all acts and things and execute and deliver all documents whether under the common seal of the Company or otherwise as may be necessary, desirable or expedient to carry out or to give effect to any or all transactions contemplated under the CITIC 21CN Technology Renewal Loan Agreement.”

* For identification purpose only

NOTICE OF SPECIAL GENERAL MEETING

- 3(a) the entering into of the conditional second renewal loan agreement dated 23 November 2010 (the “**Second Renewal Loan Agreement**”) between CITIC 21CN Telecom Company Limited (“**CITIC 21CN Telecom**”), a wholly-owned subsidiary of the Company and CCIT, a copy of which has been produced to the meeting marked “C” and initialed by the Chairman of the meeting for the purpose of identification, in relation to extension of the loan of US\$6,900,000 (equivalent to HK\$53,820,000) advanced by CITIC 21CN Telecom to CCIT, upon the terms and subject to the conditions therein contained, be and is hereby approved, confirmed and ratified and the performance of the transactions contemplated under the Second Renewal Loan Agreement by CITIC 21CN Telecom be and is hereby approved; and
- (b) any director of the Company be and is hereby authorised for and on behalf of the Company to do all acts and things and execute and deliver all documents whether under the common seal of the Company or otherwise as may be necessary, desirable or expedient to carry out or to give effect to any or all transactions contemplated under the Second Renewal Loan Agreement.”

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

Hong Kong, dated 8 December 2010

In this notice, certain amounts denominated in RMB have been translated into HK\$ at an exchange rate of RMB1 = HK\$1.1730, and certain amounts denominated in US\$ have been translated into HK\$ at an exchange rate of US\$1.00 = HK\$7.80, in each case, for illustration purpose only. Such conversions are solely for the purpose of illustration and shall not be construed as representations that amounts in RMB or US\$ were or may have been converted into those currencies and vice versa at such rates or any other exchange rates.

As at the date of this notice, 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. Zhang Jian Ming and Dr. Long Junsheng.

Registered Office:
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head Office and Principal Place of Business in Hong Kong:
Units 614-616
Level 6, Core D
Cyberport 3
100 Cyberport Road
Hong Kong

Notes:

- (1) A form of proxy for use at the meeting is despatched to the shareholders of the Company with the circular of the Company dated 8 December 2010.
- (2) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorized to sign the same.
- (3) A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.

NOTICE OF SPECIAL GENERAL MEETING

- (4) In order to be valid, the proxy form completed in accordance with the instructions set out therein, together with the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of that power or authority), must be deposited at the principal place of business of the Company in Hong Kong at Units 614-616, Level 6, Core D, Cyberport 3, 100 Cyberport Road, Hong Kong not less than 48 hours before the time appointed for the meeting or any adjournment thereof.
- (5) Completion and return of the form of proxy will not preclude a member from attending and voting in person at the meeting convened or any adjournment thereof and in such event, the form of proxy will be deemed to be revoked.
- (6) Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.