

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in CITIC 21CN Company Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

PROVISION OF FINANCIAL ASSISTANCE
CONNECTED TRANSACTIONS
AND
NOTICE OF SPECIAL GENERAL MEETING

Independent financial adviser to the independent board committee and independent shareholders of CITIC 21CN Company Limited



China Galaxy International Securities (Hong Kong) Co., Limited

A letter from the board of directors of CITIC 21CN Company Limited is set out on pages 4 to 12 of this circular.

A letter from the independent board committee containing its recommendation to the independent shareholders is set out on page 13 of this circular. A letter from China Galaxy International Securities (Hong Kong) Co., Limited containing its advice to the independent board committee and the independent shareholders is set out on pages 14 to 25 of this circular.

A notice convening a special general meeting of CITIC 21CN Company Limited to be held at Units 614–616, Level 6, Core D, Cyberport 3, 100 Cyberport Road, Hong Kong on Wednesday, 29 January 2014 at 10:30 a.m. is set out on pages 28 to 29 of this circular. Whether or not you are able to attend such meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the head office and principal place of business of CITIC 21CN Company Limited in Hong Kong at Units 614–616, Level 6, Core D, Cyberport 3, 100 Cyberport Road, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof should you so desire.

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DEFINITIONS

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

“AQSIQ”	中華人民共和國國家質量監督檢驗檢疫總局信息中心 (Information Centre of General Administration of Quality Supervision, Inspection and Quarantine of the PRC**)
“associate(s)”	has the meaning ascribed to such term in the Listing Rules
“Board”	board of Directors
“CCIT”	中國國檢信息技術有限公司 (China Credit Information Technology Co. Ltd.**), a company established in the PRC with limited liability and held as to 50% by the Group, 30% by CITIC Group and 20% by China Huaxin Telecom
“China Galaxy”	China Galaxy International Securities (Hong Kong) Co., Limited, a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions
“China Huaxin Telecom”	中國華信郵電經濟開發中心 (China Huaxin Telecom Economic Development Centre**), a company established in the PRC with limited liability and holds 20% of the equity interest of CCIT
“CITIC 21CN Technology”	中信21世紀(中國)科技有限公司 (CITIC 21CN (China) Technology Co. Ltd.**), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“CITIC 21CN Technology Loan Agreement”	the agreement dated 20 December 2013 entered into between CITIC 21CN Technology and CCIT in relation to the extension of the maturity dates of the Existing CITIC 21CN Technology Loans and the grant of the New CITIC 21CN Technology Loan
“CITIC 21CN Telecom”	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”	loan in the amount of US\$6,900,000 (approximately HK\$53,820,000) advanced by CITIC 21CN Telecom to CCIT pursuant to the loan agreement dated 3 March 2006
“CITIC 21CN Telecom Loan Renewal Agreement”	the agreement dated 20 December 2013 entered into between CITIC 21CN Telecom and CCIT in relation to the extension of the maturity date of the CITIC 21CN Telecom Loan
“CITIC Group”	中國中信集團有限公司 (CITIC Group Corporation**), a company established in the PRC with limited liability and a substantial Shareholder
“CITIC Group Companies”	CITIC Group and its subsidiaries
“Company”	CITIC 21CN Company Limited, 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(s)”	has the meaning ascribed to such term in the Listing Rules

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“Convertible Bonds”	the US\$70,000,000 (approximately HK\$546,000,000) zero coupon convertible bonds issued by the Company as detailed in its circular dated 23 December 2005
“Director(s)”	director(s) of the Company
“Existing CITIC 21CN Technology Loans”	loans in the aggregate amount of RMB50,000,000 (approximately HK\$63,500,000) advanced by CITIC 21CN Technology to CCIT pursuant to the loan agreements dated 21 July 2009 and 23 November 2010
“Grand Cycle”	廣東天圖科技有限公司 (Guangdong Grand Cycle Technology Company Limited**), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HL95”	北京鴻聯九五信息產業有限公司 (Beijing Honglian 95 Information Industries Company Limited**), a company established in the PRC with limited liability and a 49%-owned joint venture of the Group
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board, comprising all the independent non-executive Directors, formed to advise the Independent Shareholders in relation to the Transactions
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the SGM under the Listing Rules
“JV Agreement”	the joint venture agreement dated 20 January 2005 in relation to the formation of CCIT
“Latest Practicable Date”	10 January 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loans”	collectively, the Existing CITIC 21CN Technology Loans, the New CITIC 21CN Technology Loan and the CITIC 21CN Telecom Loan
“New CITIC 21CN Technology Loan”	loan in the amount of RMB35,000,000 (approximately HK\$44,450,000) to be advanced by CITIC 21CN Technology to CCIT pursuant to the CITIC 21CN Technology Loan Agreement
“PIATS”	product identification, authentication and tracking system
“PRC”	People’s Republic of China
“PRC GAAP”	generally accepted accounting principles in the PRC
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the CITIC 21CN Technology Loan Agreement, the CITIC 21CN Telecom Loan Renewal Agreement and the Transactions
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the extension of the maturity dates of the Existing CITIC 21CN Technology Loans and the CITIC 21CN Telecom Loan, and the grant of the New CITIC 21CN Technology Loan
“US\$”	United States dollar, the lawful currency of the United States of America
“%”	per cent.

For the purpose of this circular, the translation of RMB into HK\$ and US\$ into HK\$ is based on the approximate exchange rate of RMB1.00 = HK\$1.27 and US\$1.00 = HK\$7.80.

*** The unofficial English transliterations or translations are for identification purposes only.*

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)

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 Jianming
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

13 January 2014

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

Dear Sir or Madam,

**PROVISION OF FINANCIAL ASSISTANCE
CONNECTED TRANSACTIONS
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

On 20 December 2013, the Board announced that CITIC 21CN Technology, a wholly-owned subsidiary of the Company, entered into the CITIC 21CN Technology Loan Agreement with CCIT, a non-wholly owned subsidiary of the Company, pursuant to which CITIC 21CN Technology conditionally agreed to extend the maturity dates of the Existing CITIC 21CN Technology Loans to 30 November 2016 and advance the New CITIC 21CN Technology Loan to CCIT for its capital expenditure and/or general working capital. On the same date, CITIC 21CN Telecom, a wholly-owned subsidiary of the Company, also entered into the CITIC 21CN Telecom Loan Renewal Agreement with CCIT, a non-wholly owned subsidiary of the Company, pursuant to which CITIC 21CN Telecom conditionally agreed to extend the maturity date of the CITIC 21CN Telecom Loan to 30 November 2016.

CCIT is held as to 50% by the Group, 30% by CITIC Group and 20% by China Huaxin Telecom. CITIC Group in turn holds approximately 21.73% of the entire issued share capital of the Company and is a substantial Shareholder. CCIT is thus a company falling under Rule 14A.11(5) of the Listing Rules and a connected person of the Company. The entering into of the CITIC 21CN Technology Loan Agreement and the CITIC 21CN Telecom Loan Renewal Agreement accordingly constitutes connected transactions for the Company under the Listing Rules. As one of the applicable percentage ratios in respect of the Transactions exceeds 25%, the Transactions are subject to the reporting and announcement requirements and the approval of the Independent Shareholders under Chapter 14A of the Listing Rules.

* For identification purposes only

LETTER FROM THE BOARD

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on the terms of the Transactions. China Galaxy has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with, among other things, further particulars of the Transactions, the recommendation of the Independent Board Committee in relation to the Transactions, the advice of China Galaxy in respect of the Transactions and the notice of the SGM at which resolutions will be proposed to consider and, if thought fit, approve the Transactions.

CITIC 21CN TECHNOLOGY LOAN AGREEMENT

The salient terms of the CITIC 21CN Technology Loan Agreement are summarised below:

Date	:	20 December 2013 (after trading hours)
Lender	:	CITIC 21CN Technology, a wholly-owned subsidiary of the Company
Borrower	:	CCIT, a non-wholly owned subsidiary of the Company, held as to 50% by the Group, 30% by CITIC Group and 20% by China Huaxin Telecom
Extension of the maturity dates of the Existing CITIC 21CN Technology Loans	:	The maturity dates of the Existing CITIC 21CN Technology Loans in the aggregate sum of RMB50,000,000 (approximately HK\$63,500,000), were further extended from 15 April 2014 to 30 November 2016.
Grant of the New CITIC 21CN Technology Loan	:	CITIC 21CN Technology also agreed to advance the New CITIC 21CN Technology Loan in the sum of RMB35,000,000 (approximately HK\$44,450,000) to CCIT with a maturity date of 30 November 2016.
Use of proceeds	:	The New CITIC 21CN Technology Loan is advanced for CCIT's capital expenditure and/or general working capital. If CCIT uses the New CITIC 21CN Technology Loan for any purposes other than capital expenditure and/or general working capital, CITIC 21 CN Technology has the right to request immediate repayment of the New CITIC 21CN Technology Loan and CCIT has to pay a penalty amounting to 30% of the New CITIC 21CN Technology Loan to CITIC 21CN Technology.
Interest	:	Both the Existing CITIC 21CN Technology Loans and the New CITIC 21CN Technology Loan are non-interest bearing.
Security	:	Both the Existing CITIC 21CN Technology Loans and the New CITIC 21CN Technology Loan are unsecured.
Condition precedent	:	The extension of the maturity dates for the Existing CITIC 21CN Technology Loans and the grant of the New CITIC 21CN Technology Loan are conditional on the passing of the necessary resolution(s) by the Independent Shareholders at the SGM approving the entering into of the CITIC 21CN Technology Loan Agreement and the performance of the transactions contemplated thereunder on or before 31 March 2014.

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Validity of the original loan agreement : Save as amended as aforesaid, the terms of the original loan agreement relating to the Existing CITIC 21CN Technology Loans shall in all respects remain and continue to be in full force and effect.

CITIC 21CN TELECOM LOAN RENEWAL AGREEMENT

The salient terms of the CITIC 21CN Telecom Loan Renewal Agreement are summarised below:

Date : 20 December 2013 (after trading hours)

Lender : CITIC 21CN Telecom, a wholly-owned subsidiary of the Company

Borrower : CCIT, a non-wholly owned subsidiary of the Company, held as to 50% by the Group, 30% by CITIC Group and 20% by China Huaxin Telecom

Extension of the maturity date of the CITIC 21CN Telecom Loan : The maturity date of the CITIC 21CN Telecom Loan in the sum of US\$6,900,000 (approximately HK\$53,820,000) was further extended from 15 April 2014 to 30 November 2016.

Interest : The CITIC 21CN Telecom Loan is non-interest bearing.

Security : The CITIC 21CN Telecom Loan is unsecured.

Condition precedent : The extension of the maturity date for the CITIC 21CN Telecom Loan is conditional on the passing of the necessary resolution(s) by the Independent Shareholders at the SGM approving the entering into of the CITIC 21CN Telecom Loan Renewal Agreement and the performance of the transactions contemplated thereunder on or before 31 March 2014.

Validity of the original loan agreement : Save as amended as aforesaid, the terms of the original loan agreement relating to the CITIC 21CN Telecom Loan shall in all respects remain and continue to be in full force and effect.

REASONS FOR, AND BENEFITS OF, ENTERING INTO THE TRANSACTIONS

The Group is an integrated information and content service provider. The Group's subsidiaries, CITIC 21CN Technology and CCIT, are principally engaged in the provision of product tracking, recall and enforcement information services to relevant authorities in the PRC through the operation of PIATS; the provision of product tracking and logistics information services to manufacturers; and the provision of services to consumers for verifying product information and origins, with CITIC 21CN Technology focusing on the drugs industry and CCIT focusing on the other industries.

CCIT was established in 2005 with the PIATS launched in 2007. In November 2007, the PRC government decided that in order to promote product safety, manufacturers of 69 product types are required to mandatorily join the PIATS. There was a significant increase in the number of corporations joining the PIATS in 2008 and thus the turnover of CCIT after such announcement but due to the lack of further supplemental implementation policies or guidance being issued by the relevant authorities, the revenue of CCIT begins to drop subsequently. Despite the lack of concrete supplemental implementation policies or guidance being issued since then, PRC governmental bodies have in recent period indicated their support for electronic monitoring for non-drugs industries. For example, (i) in May 2013, the State Council of the PRC indicated that Good Manufacturing Practice should be applied in infant formula quality supervision and that measures such as electronic monitoring should be used to track the quality of infant formula products; and (ii)

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in June 2012, the State Council of the PRC also indicated that it is recommended that enterprises dealing in nutrition products and alcohol should also adopt electronic monitoring in order for effective tracking of product quality.

Furthermore, in order to develop additional business stream for CCIT, in the fourth quarter of 2013, CCIT also began to prepare for the launch of its new services offering which is the provision of data management and quality tracking solutions to existing and new PIATS customers by leveraging on its proprietary knowledge and expertise of the PIATS platform. This new business differs from the existing PIATS business in that the existing PIATS business only provides a platform for customers to subscribe to the operation of PIATS by charging an annual subscription fee without offering the relevant hardware and/or software required to adopt the PIATS. Customers of existing PIATS business would use other third party hardware and/or software vendors for provision of such system reconfiguration and services required for them to adopt the PIATS. The new data management and quality tracking solutions business would allow CCIT to become an integrated provider of system solutions and services in addition to the provision of the PIATS platform. In October 2013, CCIT entered into strategic cooperation framework agreements with several leading PRC software companies as preparation for the launch of its data management and quality tracking solutions business in the first half of 2014. Given that enterprises or institutions that adopt PIATS typically have to reconfigure or restructure its IT hardware and software system, the Company believes that such collaboration together with its proprietary knowledge and expertise of the PIATS platform allows CCIT to be in a good position to offer such solutions and services to PIATS customers. In addition to strategic cooperation with relevant software companies, CCIT has also started to build a team to drive this new business, communicate with relevant governmental bodies and potential customers to understand their needs and requirements and initiate internal departmental integration to prepare for such launch. Such solutions, in terms of hardware and/or software design and implementation, can be applied to customers who have or need to adopt the PIATS and can be extended to the whole value chain of production, distribution and sale of products in various industries including drugs, food and beverage, agricultural resources and household appliances.

With a series of favourable regulatory policies and guidance being announced in recent years promoting the use of electronic monitoring in the drugs industry, it is expected that the number of drugs related enterprises and institutions that adopt electronic monitoring would increase going forward. Given that the new data management and quality tracking solutions would target customers in various industries including the drugs industry, the expected increase in drugs related enterprises and institutions adopting PIATS would provide a larger customer base that CCIT can target and if the new business is successfully implemented, there would be a great potential for CCIT. In order to effectively develop the aforesaid new business and also to maintain development of its existing PIATS business, CCIT would require additional funding for capital expenditure and working capital. It is expected that in the foreseeable near future, approximately RMB15.0 million (approximately HK\$19.1 million) would be required by CCIT in order to roll out the said new business.

PIATS is a barcoding system which is used in the PRC allowing manufacturers to track their products and consumers to verify the product information and their origins. PIATS was intended to be a nationwide tracking and authentication system to control the production, sale and distribution of products. With the support of the relevant PRC authorities since its launch, the application of PIATS is increasingly adopted by the drugs industry and could also be extended to other industries such as food and beverage, agricultural resources and household appliances.

PIATS has already been required by the relevant PRC authorities for use on national-declared basic drugs (Version 2012) of all types. Relevant drugs and healthcare companies are required to implement electronic monitoring in accordance with the regulations whether they participate in basic drugs tender purchase or not, and this is in addition to the existing implemented electronic monitoring basis of anesthetics drugs, mental disorder drugs, blood products, Chinese medicine injections, vaccines and national-declared basic drugs (Version 2009) of all types. Moreover, the relevant authorities in the PRC have also required imported drugs of the above-mentioned categories (including those being re-packaged in the PRC) to apply the corresponding electronic monitoring implementation requirements, and to continue to further apply the electronic monitoring to other areas of drugs through stages.

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Meanwhile, the relevant authorities in the PRC have expedited the provision of relevant working trainings to those medical and healthcare institutions in different provinces other than drug production and distribution enterprises, and included drug retailers in the pilot program under the electronic monitoring. In addition, due to various historical quality issues of dairy products under food category, the Company understands that relevant authorities in the PRC are also attempting to establish an information tracking system through the application of similar electronic monitoring measures.

Despite favourable regulatory policy encouraging the adoption of PIATS and in particular in the drugs industry, PIATS business is still at a relatively early adoption stage. According to the Ministry of Health in the PRC, there was a total of about 950,900 medical and healthcare institutions as at 31 March 2013, and the number of medical and healthcare institutions that have adopted PIATS was only about 240,000 as at 30 November 2013 but there has been a significant increase in the number of medical and healthcare institutions joining the PIATS electronic monitoring since the beginning of the fourth quarter of 2013. Given that there are no other companies that can provide service similar to PIATS at the moment and the overall favourable regulatory environment as disclosed above, the Directors believe there is significant growth potential for PIATS and the provision of related value added and solutions services.

Given the market potential as abovementioned, CCIT continues to require financial resources in order to further enhance its ongoing effort to enrich its products and services offering in order to further monetize the PIATS customer base of the Group. In addition to the drugs industry of which the adoption of PIATS is increasingly gaining momentum, further rules and regulations as and when implemented by the relevant PRC authorities in other industries such as food and beverage, agricultural resources and household appliances, will provide future growth drivers for CCIT as well. Therefore, it is anticipated that CCIT would need more working capital in order to continue its PIATS business and also to develop its data management and quality tracking solutions business.

Pursuant to the JV Agreement, the Group is under the obligation, among other matters, to assist CCIT to raise financing of up to RMB90 million. Even though the total amount of loans (including the New CITIC 21CN Technology Loan) from the Group to CCIT would exceed RMB90 million, it is the mutual understanding among the then shareholders of CCIT that the Group will assume the role as a leader and financing partner for CCIT including, but not limited to, raising or arranging loans for CCIT from independent third parties and/or the Group. On the other hand and in accordance with the JV Agreement, China Huaxin Telecom has coordinated with China Telecom for provision of quality and preferential telecommunication services which are essential for the implementation of the PIATS. AQSIC, being one of the original parties to the JV Agreement, transferred its equity interest in CCIT to CITIC Group in August 2008 after the PIATS platform was successfully established. Therefore, its cessation as a shareholder of CCIT did not have much impact on CCIT and CITIC Group, as a successor, has also been very supportive of the business development of CCIT. As such, the executive Directors consider that the provision of the New 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 that the Group has an obligation to provide direct financing to CCIT. The executive Directors consider that raising external financing by CCIT would be difficult and, if available, the financing costs to be incurred would hinder the development of CCIT. Having considered other available financing alternatives available to CCIT, the executive Directors consider that the provision of the Loans is the most effective and efficient financing method through which CCIT can quickly obtain the required funding to continue its PIATS business and also to roll out its data management and quality tracking solutions business targeting the PIATS business of the Group.

The New CITIC 21CN Technology Loan will be funded by internal resources of the Group, the source of such funding primarily came from the issue of the Convertible Bonds, which issuance is principally to fund the capital expenditure and working capital of the PIATS business. Of the US\$70.0 million (approximately HK\$546.0 million) Convertible Bonds, US\$26.0 million (approximately HK\$202.8 million) has been redeemed and US\$44.0 million (approximately HK\$343.2 million) has been converted. Of the US\$44.0 million (approximately HK\$343.2 million) Convertible Bonds converted, approximately US\$15.0 million (approximately HK\$117.0 million) has been advanced to CCIT as loans, approximately US\$18.5 million (approximately HK\$144.3 million) has been used for the development of PIATS business including that of CITIC 21CN Technology and approximately US\$10.5 million (approximately HK\$81.9 million) remains unutilized as at 30 September 2013.

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The executive Directors consider that the Group is in a healthy financial and liquidity position which enables the Group to advance the New CITIC 21CN Technology Loan and to extend the terms of the Existing CITIC 21CN Technology Loans and the CITIC 21CN Telecom Loan. The amount of the New CITIC 21CN Technology Loan was determined after considering the (i) funding requirement of CCIT to roll out its new data management and quality tracking solutions business and also to maintain its existing PIATS business; and (ii) the existing cash resources of the Group. While the Directors consider that the amount of the New CITIC 21CN Technology Loan is currently sufficient to meet the funding requirements of CCIT in the near future as aforementioned, but given that future funding requirements of CCIT would depend on uncontrollable factors including the performance of the new data management and quality tracking solutions business, market conditions for PIATS, regulatory environment and overall business performance of CCIT, the Directors would consider on a case by case basis if and when CCIT requires additional financing in the future. Should further financing be required from the Group to CCIT, the Company would, if necessary, seek the approval of its Shareholders in accordance with the requirements of the Listing Rules.

Given the generally favourable regulatory environment and that there are no other companies that can provide service similar to PIATS at the moment, the Directors believe that there is significant market for the adoption of PIATS as well as provision of PIATS related products and services, such as data management and quality tracking solutions, in addition to the existing value added services provided by CCIT. Although the Loans are unsecured and non-interest bearing, the Directors (including the independent non-executive Directors) are of the view that the provision of the Loans is in the interests of the Company and the Shareholders as a whole as it can enable CCIT to continue to develop its PIATS business and this is also in accordance with the spirit of the JV Agreement.

Although CCIT is only held as to 50% by the Group, it is treated as a non-wholly owned subsidiary of the Company as CITIC Group, its 30% shareholder, has by virtue of a supplemental agreement dated 28 March 2013 agreed to exercise its voting right on all matters relating to the financing and operating of CCIT in accordance with the instructions of the Group. Given that the Group is the single largest shareholder and, effectively the holding company, of CCIT, the Directors (including the independent non-executive Directors) are also of the view that the terms and conditions of the CITIC 21CN Technology Loan Agreement and the CITIC 21CN Telecom Loan Renewal Agreement (which were determined after arm's length negotiations between the parties with reference to the interest of the Group in CCIT) are fair and reasonable.

FINANCIAL RESULTS AND POSITION OF THE GROUP

The Company, along with its subsidiaries, is an integrated information and content service provider. In addition to CITIC 21CN Technology and CCIT, Grand Cycle is a wholly-owned subsidiary of the Group which is engaged in software development and system integration services while HL95, a 49%-owned joint venture of the Group, is engaged in telecommunications/information value-added services.

Set out below is a summary of the results and of the assets and liabilities of the Group for the last two financial years and the six months ended 30 September 2013:

	For the six months ended 30 September 2013 HK\$'000 (unaudited)	For the year ended 31 March 2013 HK\$'000 (audited)	For the year ended 31 March 2012 HK\$'000 (audited)
Turnover	14,892	489,885	481,663
Gross profit	2,069	71,383	54,919
Net loss attributable to owners	14,619	41,344	7,735

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	As at 30 September 2013	As at 31 March 2013	As at 31 March 2012
	<i>HK\$'000 (unaudited)</i>	<i>HK\$'000 (audited)</i>	<i>HK\$'000 (audited)</i>
Total assets	380,222	399,728	537,520
Total liabilities	104,466	112,337	138,551
Net assets	275,756	287,391	398,969
Cash and cash equivalent balance	94,454	116,730	133,813

Turnover of the Group increased by 1.7% from approximately HK\$481.7 million for the year ended 31 March 2012 to HK\$489.9 million for the year ended 31 March 2013. The slight increase was mainly due to (i) the increase in turnover of call center business which roughly offset the decrease in turnover of the SMS business of HL95. Turnover of the Group was only approximately HK\$14.9 million for the six months ended 30 September 2013 primarily due to the results of HL95 not being accounted for using the proportionate consolidation method.

The unaudited consolidated net assets of the Group were approximately HK\$275.8 million as at 30 September 2013. The Directors believe that the provision of the New CITIC 21CN Technology Loan and the extension of the terms of the Existing CITIC 21CN Technology Loans and the CITIC 21CN Telecom Loan would not have material impact on the net assets of the Group. The Directors also consider that save and except for the possible reduction of interest income, the provision of the New CITIC 21CN Technology Loan and the extension of the terms of the Existing CITIC 21CN Technology Loans and the CITIC 21CN Telecom Loan would not have material impact on the Group's future earnings.

FINANCIAL RESULTS AND POSITION OF CCIT

Set out below is a summary of the results and of the assets and liabilities of CCIT based on the PRC GAAP for each of the two years ended 31 December 2012 as extracted from the audited financial statements of CCIT and the nine months ended 30 September 2013:

	For the nine months ended 30 September 2013	For the year ended 31 December 2012	For the year ended 31 December 2011
	<i>RMB'000 (unaudited)</i>	<i>RMB'000 (audited)</i>	<i>RMB'000 (audited)</i>
Turnover	479	537	667
Net loss attributable to owners	6,682	13,047	17,762

	As at 30 September 2013	As at 31 December 2012	As at 31 December 2011
	<i>RMB'000 (unaudited)</i>	<i>RMB'000 (audited)</i>	<i>RMB'000 (audited)</i>
Total assets	37,461	38,932	42,646
Total liabilities	138,887	133,675	124,343
Net liabilities	101,426	94,743	81,697
Cash and cash equivalent balance	1,391	1,170	2,398

The turnover of CCIT decreased from approximately RMB667,000 in 2011 to approximately RMB537,000 in 2012 primarily due to the decrease in the number of customers that continued their subscriptions in industries such as food and beverage, agricultural resources and household appliances due to the lack of further supplemental implementation policies or guidance being issued by relevant authorities requiring manufacturers in these industries to join PIATS since the policy issued by the PRC government in November 2007, which required all manufacturers of 69 product types to mandatorily join the PIATS. The business environment for non-drug PIATS market

LETTER FROM THE BOARD

generally remained similar for the nine months ended 30 September 2013. The main reason for the continuous net losses of CCIT since its establishment is primarily due to the need for CCIT to continually invest in infrastructure and staff to develop and maintain its PIATS platform resulting in recurring direct operating costs, depreciation charge and staff costs, whilst the revenue contributed by PIATS customers in industries such as agricultural resources and food and beverage have yet to reach a critical mass for CCIT to be profitable.

Due to continued loss making status in 2012, net liabilities of CCIT increased to approximately RMB101.4 million as at 30 September 2013 and RMB94.7 million as at 31 December 2012 respectively from approximately RMB81.7 million as at 31 December 2011. Save for loans from the Group and a Director, CCIT has no other borrowings as at 30 September 2013 while cash and cash equivalent balance decreased from approximately RMB2.4 million as at 31 December 2011 to approximately RMB1.2 million and RMB1.4 million as at 31 December 2012 and 30 September 2013 respectively. The previous loans extended by the Group to CCIT have been utilized in capital expenditure and/or general working capital by CCIT in accordance with the relevant loan agreements. Of the total amount of loans extended of approximately RMB92.4 million (approximately HK\$117.3 million) since 2006, RMB35.4 million (approximately HK\$45.0 million) have been used for capital expenditures and the remaining RMB57.0 million (approximately HK\$72.4 million) used for general working capital.

FINANCIAL EFFECTS

Since 28 March 2013, CCIT is accounted for as a non-wholly owned subsidiary of the Company and its financial results are consolidated with those of the Group. As a result, there would not be any financial effect to the Group in terms of earnings, net assets, gearing and working capital due to grant of the New CITIC 21CN Technology Loan and extension of the terms of both the Existing CITIC 21CN Technology Loans and the CITIC 21CN Telecom Loan.

LISTING RULES IMPLICATIONS

CCIT is held as to 50% by the Group, 30% by CITIC Group and 20% by China Huaxin Telecom. CITIC Group in turn holds approximately 21.73% of the entire issued share capital of the Company and is a substantial Shareholder. CCIT is thus a company falling under Rule 14A.11(5) of the Listing Rules and a connected person of the Company. The entering into of the CITIC 21CN Technology Loan Agreement and the CITIC 21CN Telecom Loan Renewal Agreement accordingly constitutes connected transactions for the Company under the Listing Rules. As one of the applicable percentage ratios in respect of the Transactions exceeds 25%, the Transactions are subject to the reporting and announcement requirements and the approval of the Independent Shareholders under Chapter 14A of the Listing Rules.

The Group is part of a larger group of companies under CITIC Group which is controlled by the PRC government. Each of Mr. Wang Jun (*Chairman*), Mr. Luo Ning (*Vice Chairman*), Mr. Sun Yalei (*Executive Director*) and Ms. Xia Guilan (*Executive Director*) holds various senior positions within the CITIC Group Companies. Ms. Chen Xiao Ying (*Executive Vice Chairman*) is also a director of CCIT. Although there is common directorship, none of them has any equity interest in either CITIC Group or CCIT and will not derive any benefit from the Transactions. Therefore, the Board is of the view that none of them has any material interest in the Transactions or is required to abstain from voting on the relevant resolutions of the Board approving the Transactions.

Pursuant to the Listing Rules, any connected person with a material interest in the Transactions, and any Shareholder with a material interest in the Transactions are required to abstain from voting on the resolutions relating to the Transactions at the SGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, 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 resolutions approving the Transactions. According to the register of interests kept by the Company under section 336 of the SFO and so far as was known to the Directors and chief executive of the Company, CITIC Group and its associates together held 807,998,000 Shares, representing approximately 21.73% of the entire issued share capital of the Company, as at the Latest Practicable Date. CITIC Group and its associates would abstain from voting on the resolutions in relating to the Transactions at the SGM. The CITIC 21CN Technology Loan Agreement and the CITIC 21CN Telecom Loan Renewal Agreement are not inter-conditional with one another.

LETTER FROM THE BOARD

SGM

A notice convening the SGM to be held at Units 614–616, Level 6, Core D, Cyberport 3, 100 Cyberport Road, Hong Kong on Wednesday, 29 January 2014 at 10:30 a.m. is set out at the end of this circular.

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

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 13 of this circular which contains its recommendation to the Independent Shareholders in relation to the Transactions and the letter from China Galaxy set out on pages 14 to 25 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

As stated in the letter from the Independent Board Committee, the Independent Shareholders are recommended to vote in favour of the resolutions approving the Transactions at the SGM.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf 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)

13 January 2014

To the Independent Shareholders

Dear Sir or Madam,

**PROVISION OF FINANCIAL ASSISTANCE
CONNECTED TRANSACTIONS**

We refer to the circular issued by the Company on 13 January 2014 (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the terms of the Transactions and to advise the Independent Shareholders as to the fairness and reasonableness of the Transactions and to recommend whether or not the Independent Shareholders should vote for the resolutions to be proposed at the SGM to approve the Transactions. China Galaxy has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board and the letter from China Galaxy as set out in the Circular which contains, inter alia, its advice and recommendation to us and the Independent Shareholders regarding the terms of the Transactions together with the principal factors and reasons for its advice and recommendation.

Having taken into account the advice and recommendation of China Galaxy, we consider that the terms of the Transactions are fair and reasonable so far as the interests of the Independent Shareholders are concerned and the Transactions 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 resolutions to be proposed at the SGM to approve the Transactions.

Yours faithfully,
For and on behalf of
the Independent Board Committee
Dr. Hui Ho Ming, Herbert, JP
Mr. Zhang Jianming
Dr. Long Junsheng
Independent non-executive Directors

* For identification purposes only

LETTER FROM CHINA GALAXY

The following is the full text of the letter from China Galaxy International Securities (Hong Kong) Co., Limited which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.

Room 3501–3507, 35/F
Cosco Tower, Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

13 January 2014

To: *The Independent Board Committee and
the Independent Shareholders of CITIC 21CN Company Limited*

Dear Sirs,

PROVISION OF FINANCIAL ASSISTANCE CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the (i) the CITIC 21CN Technology Loan Agreement; and (ii) the CITIC 21CN Telecom Loan Renewal Agreement (collectively, the "Agreements"), details of which are set out in the letter from the Board (the "Letter from the Board") contained in the circular dated 13 January 2014 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 CITIC 21CN Technology Loan Agreement

On 20 December 2013, CITIC 21CN Technology, a wholly-owned subsidiary of the Company, entered into the CITIC 21CN Technology Loan Agreement with CCIT, a non-wholly owned subsidiary of the Company and a connected person of the Company, pursuant to which CITIC 21CN Technology conditionally agreed to (i) extend the maturity date of the Existing CITIC 21CN Technology Loans to 30 November 2016; and (ii) advance the New CITIC 21CN Technology Loan of RMB35 million to CCIT as its capital expenditure and/or general working capital.

The CITIC 21CN Telecom Loan Renewal Agreement

On 20 December 2013, CITIC 21CN Telecom, a wholly-owned subsidiary of the Company, entered into the CITIC 21CN Telecom Loan Renewal Agreement with CCIT to conditionally extend the CITIC 21CN Telecom Loan till 30 November 2016.

As CCIT is a non wholly-owned subsidiary and a connected person of the Company under the Listing Rules, and as one of the applicable percentage ratios in respect of the Transactions exceed 25%, each of (i) the CITIC 21CN Technology Loan Agreement; and (ii) the CITIC 21CN Telecom Loan Renewal 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.

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 with 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, China

LETTER FROM CHINA GALAXY

Galaxy International, 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 AND RECOMMENDATION

In arriving at our recommendation, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Directors and the management of the Company are true and accurate at the time they were made and will continue to be accurate as at the date of the despatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, information contained in the 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 contained in the Circular misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs or the prospects of the Company, the Group or any of their respective associates.

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

BACKGROUND OF THE TRANSACTION

A. Information of the Group

1. *Business overview of the Group*

As stated in the Letter from the Board, the Company is an investment holding company. The Company, along with its subsidiaries, is an integrated information and content service provider. CITIC 21CN Technology, a wholly-owned subsidiary of the Company and CCIT, a 50% non-wholly owned subsidiary of the Group, is principally engaged in the PIATS business. Grand Cycle, a wholly-owned subsidiary of the Group is engaged in software development and system integration services whilst HL95, a 49%-owned joint venture of the Group, is engaged in telecommunications/information value-added services.

2. *Financial results and position of the Group*

	For the six months ended 30 September 2013 HK\$'000 (unaudited)	For the year ended 31 March 2013 HK\$'000 (audited)	For the year ended 31 March 2012 HK\$'000 (audited)
Turnover	14,892	489,885	481,663
Gross profit	2,069	71,383	54,919
Net loss attributable to owners	14,619	41,344	7,735

LETTER FROM CHINA GALAXY

	As at 30 September 2013 <i>HK\$'000</i> (unaudited)	As at 31 March 2013 <i>HK\$'000</i> (audited)	As at 31 March 2012 <i>HK\$'000</i> (audited)
Total assets	380,222	399,728	537,520
Total liabilities	104,466	112,337	138,551
Net assets	275,756	287,391	398,969
Cash and cash equivalent balance	<u>94,454</u>	<u>116,730</u>	<u>133,813</u>

Turnover of the Group increased by 1.7% from approximately HK\$481.7 million for the year ended 31 March 2012 to HK\$489.9 million for the year ended 31 March 2013. The slight increase was mainly due to (i) the increase in turnover of call center business which roughly offset the decrease in turnover of the SMS business of Beijing Honglian 95 Information Industries Company Limited (“HL95”), a 49% owned jointly controlled entity of the Group. The Group’s share of the turnover of HL95 for the year ended 31 March 2013 was approximately HK\$473.6 million; and (ii) increase in revenue at CITIC 21CN Technology due to increase service fee income from its PIATS business. Turnover was only approximately HK\$14.9 million for the six months ended 30 September 2013 primarily due to the results of HL95 not being accounted for using the proportionate consolidation method.

Net loss attributable to shareholders for the year ended 31 March 2013 was approximately HK\$41.3 million, representing an increase of 434.5% over HK\$7.7 million in last corresponding year. The net increase in loss was attributable to various factors including but limited to the increase in administrative expenses, decrease in share of profit of an associate, absence of a reversal of accrued interest and related expenses in connection with arbitration and litigation as in the previous fiscal year, while partly offset by the increase in gross profit resulting from increase in gross profit margin, decrease in loss of other income, gains and losses, and an absence of additional impairment losses recognised in respect of PIATS business for the year ended 31 March 2013.

Net assets of the Group remained fairly constant at approximately HK\$275.8 million as at 30 September 2013 as compared to approximately HK\$287.4 million as at 31 March 2013 whilst cash and cash equivalent decreased to approximately HK\$94.5 million as at 30 September 2013 primarily as a result of net cash used in operating activities arising from the net loss of the Group incurred during the six months ended 30 September 2013.

B. Information of CCIT and the PIATS business

CCIT is a company established in 2005 to engage in the PIATS business which includes the provision of product tracking, recall and enforcement information services to relevant authorities in the PRC through the operation of PIATS; the provision of product tracking and logistics information services to manufacturers; and the provision of services to consumers for verifying product information and origins.

As stated in the Letter from the Board, in the fourth quarter of 2013 CCIT has begun to prepare for the launch of its new services, namely the provision of data management and quality tracking solutions. In this connection, in October 2013, CCIT entered into strategic cooperation framework agreements with several leading PRC software companies as preparation of its launching of its data management and quality tracking solutions business in 2014. Such solutions, in terms of hardware and/or software design and implementation, can be applied to customers who have or need to adopt the PIATS and can be extended to the whole value chain of production, distribution and sale of products in various industries including drugs, food and beverage, agricultural resources and household appliances.

As stated in the Letter from the Board, PIATS is a barcoding system which is used in China allowing manufacturers to track their products and consumers to verify the product information and their origins. PIATS was intended to be a nationwide tracking and authentication system to control the production, sale and distribution of products. With the support of the relevant PRC authorities since its launch, the application of PIATS is increasingly adopted by the drugs industry

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and could also be extended to other industries such as food and beverage, agricultural resources and household appliances.

Set out below is the financial information based on PRC GAAP for each of the two years ended 31 December 2012 as extracted from the audited financial statements of CCIT:

	For the nine months ended 30 September 2013	For the year ended 31 December 2012	For the year ended 31 December 2011
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)
Turnover	479	537	667
Net loss attributable to owners	<u>6,682</u>	<u>13,047</u>	<u>17,762</u>
	As at 30 September 2013	As at 31 December 2012	As at 31 December 2011
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)
Total assets	37,461	38,932	42,646
Total liabilities	138,887	133,675	124,343
Net liabilities	101,426	94,743	81,697
Cash and cash equivalent balance	<u>1,391</u>	<u>1,170</u>	<u>2,398</u>

As stated in the Letter from the Board, the turnover of CCIT decreased from approximately RMB667,000 in 2011 to approximately RMB537,000 in 2012 primarily due to the decrease in the number of customers that continued their subscriptions in industries such as food and beverage, agricultural resources and household appliances due to the lack of further supplemental implementation policies or guidance being issued by relevant authorities requiring manufacturers in these industries to join PIATS since the policy issued by the PRC government, in November 2007, requiring all manufacturers of 69 product types to mandatorily join the PIATS. Certain manufacturers had also halted to subscribe for the PIATS and stopped paying their annual subscription fee in 2012 and for the nine months ended 30 September 2013. The business environment for non-drug PIATS market generally remained similar for the nine months ended 30 September 2013.

Due to continued loss making status in 2012, net liabilities of CCIT increased to approximately RMB101.4 million as at 30 September 2013 and RMB94.7 million as at 31 December 2012 respectively from approximately RMB81.7 million as at 31 December 2011. Save for loans from the Group and a Director, CCIT has no other borrowings as at 30 September 2013 whilst cash and cash equivalent balance decreased from approximately RMB2.4 million as at 31 December 2011 to approximately RMB1.2 million and RMB1.4 million as at 31 December 2012 and 30 September 2013 respectively.

C. The Agreements

Background of the Agreements

CCIT was established in 2005, which is a JV company owned as to 50% by CITIC 21CN Telecom (a wholly owned subsidiary of the Company) and two other JV partners. Pursuant to the JV Agreement and according to the circular of the Company dated 8 February 2005, the scope of business of CCIT includes development, sales, maintenance and consultation of various information technology and telecommunication products in relation to PIATS.

Pursuant to the JV Agreement and as stated in the circular of the Company dated 8 February 2005, the Company is under the obligation, among other matters, to assist CCIT to raise financing. In the spirit of the JV Agreement, the Group has made and extended the following unsecured and interest-free loans to CCIT since 2006:

- (i) The CITIC 21CN Telecom Loan of US\$6.9 million made on 3 March 2006, of which the maturity was subsequently extended to 15 April 2014; and
- (ii) The loan of RMB20 million made by CITIC 21CN Technology on 21 July 2009, of which the maturity was subsequently extended to 15 April 2014; and the loan of RMB30 million made by CITIC 21CN Technology on 23 November 2010 with a maturity date till 15 April 2014 (collectively the "Existing CITIC 21CN Technology Loans").

Terms of the Agreements

Citic 21CN Technology Loan Agreement

On 20 December 2013, CITIC 21CN Technology, a wholly-owned subsidiary of the Company, entered into the CITIC 21CN Technology Loan Agreement with CCIT, a non wholly-owned subsidiary of the Company, pursuant to which CITIC 21CN Technology conditionally agreed to extend the maturity dates of the Existing CITIC 21CN Technology Loans to 30 November 2016 and advance the New CITIC 21CN Technology Loan to CCIT for its capital expenditure and general working capital.

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

Save as amended as aforesaid, the terms of the original loan agreement relating to the Existing CITIC 21CN Technology Loans shall in all respects remain and continue to be in full force and effect.

Citic 21CN Telecom Loan Renewal Agreement

In addition, on 20 December 2013, CITIC 21CN Telecom, a wholly-owned subsidiary of the Company, entered into the CITIC 21CN Telecom Loan Renewal Agreement with CCIT, a non-wholly owned subsidiary of the Company, pursuant to which CITIC 21CN Telecom conditionally agreed to extend the maturity date of the CITIC 21CN Telecom Loan to 30 November 2016. Save as amended as aforesaid, the terms of the original loan agreement relating to the CITIC 21CN Telecom Loan shall in all respects remain and continue to be in full force and effect.

Method of Funding

The funding for the New CITIC 21CN Technology Loan would be funded by the internal resources of the Group and the source of such internal resources primarily came from the issue of the Convertible Bonds, which issuance is principally to fund the capital expenditure and working capital of the PIATS business.

LETTER FROM CHINA GALAXY

Reasons for entering into the Agreements

As stated in the Letter from the Board, in the fourth quarter of 2013, CCIT has begun to prepare for the launch of its new services offering which is the provision of data management and quality tracking solutions. In October 2013, CCIT entered into strategic cooperation framework agreements with several leading PRC software companies as preparation for the launch of its data management and quality tracking solutions business in the first half of 2014. Such solutions, in terms of hardware and/or software design and implementation, can be applied to customers who have or need to adopt the PIATS and can be extended to the whole value chain of production, distribution and sale of products in various industries including drugs, food and beverage, agricultural resources and household appliances.

Meanwhile, regulatory environment remains favourable to the development of PIATS market in particular the PRC drugs and healthcare industry. Despite favourable regulatory policy encouraging the adoption of PIATS and in particular in the drug industry, PIATS business is still at a relatively early adoption stage. According to the Ministry of Health of the PRC, there were a total of about 950,900 medical and healthcare institutions as at 31 March 2013, and the number of medical and healthcare institutions that have adopted PIATS was only about 240,000 as at 30 November 2013. However, according to the Company, there has been a significant increase in the number of medical and healthcare institutions joining the PIATS electronic monitoring since the beginning of the fourth quarter of 2013. Given that there are no other companies that can provide service similar to PIATS at the moment, the Directors believe there is significant growth potential for PIATS and the provision of related value added and solutions services.

Given the market potential as abovementioned, the Company is of the view that CCIT continues to require financial resources in order to further enhance its ongoing effort to enrich its products and services offering in order to further monetize the PIATS customer base of the Group. In addition to the healthcare industry of which the adoption of PIATS is increasingly gaining momentum, further rules and regulations as and when implemented by the relevant PRC authorities in other industries such as food and beverage, agricultural resources and household appliances, will provide future growth drivers for CCIT as well. Therefore, it is anticipated that CCIT would need more working capital in order to continue its PIATS business and also to develop its data management and quality tracking solutions business.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion, we have taken into consideration the following principal factors and reasons:

A. The JV Agreement

As mentioned in the JV Agreement as stated above, the Group is under the obligation, among other matters, to assist CCIT to raise financing of up to RMB90 million. Even though the total amount of loans (including the New CITIC 21CN Technology Loan) from the Group to CCIT would exceed the agreed amount of RMB90 million as per the JV Agreement, 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 financing for CCIT from independent third parties and/or the Group, whilst the role of other shareholders generally included but not limited to provide support and guidance for the business development of CCIT. It is also stated in the Letter from the Board, under the terms of the JV, other shareholders of CCIT including China Huaxin Telecom has fulfilled their obligations by coordinating with China Telecom to provide CCIT with quality and preferential telecommunication services which are essential for the implementation of PIATS. Citic Group, being the other shareholder of CCIT, even though is not the original party under the JV Agreement, has also been supportive of the business development of CCIT. As such, the executive Directors consider that the provision of the New 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 that the Group has an obligation to provide direct financing to CCIT beyond the originally agreed RMB90 million. Having considered other available financing alternatives available to CCIT, the executive Directors consider that the provision of the New CITIC 21CN Technology Loan is the most effective and efficient financing method through which CCIT can quickly obtain the required funding to continue develop its PIATS business and also to roll out its data management and quality tracking solutions business targeting the PIATS business of the Group.

LETTER FROM CHINA GALAXY

As advised by the executive Directors, we noted that CCIT's fixed assets consist mainly of computer equipment and IT infrastructure. Given the lack of typical collateral such as land ownership or property that banks would generally require for approving of secured bank loans and the loss making track record, we consider that CCIT is in a relatively weaker position to secure bank loans from mainstream financial banking institutions. If CCIT were to source additional funding from equity financing, (i) the Group's shareholding in CCIT would be diluted if new shares were placed to third parties other than the Group and given that the Group only held as to 50% shareholding interest of CCIT, CCIT could cease to be a subsidiary of the Group; and (ii) if new shares were placed to the Group, even though the Group's shareholding in CCIT could increase, its interest as an equity shareholder will be ranked behind other creditors of the Group until such creditors are paid in full in the event of liquidation of CCIT.

Based on above, we are therefore of the view the Agreements are made in accordance with the spirit of the JV Agreement and that the executive Directors have made adequate consideration of the various source of financing available to CCIT before deciding to enter into the Agreements.

B. Source of funding

As stated in the Letter from the Board, the New CITIC 21CN Technology Loan will be funded by internal resources of the Group. In relation to whether the Group has the capacity to provide the necessary funding, we consider the following:

– The Convertible Bonds

As advised by the executive Directors, the source of such funding primarily came from the issue of Convertible Bonds, of which its issuance is principally to fund the capital expenditure and working capital of the PIATS business. The Convertible Bonds matured on 21 December 2010 and of the US\$70 million (or approximately HK\$546.0 million) raised, only US\$26 million (or approximately HK\$202.8 million) has been redeemed. It is noted from the Letter from the Board, out of the US\$44 million (or approximately HK\$343.2 million) being converted, the Group still has unutilized cash of approximately US\$10.5 million (or approximately HK\$81.9 million) as at 30 September 2013 and as such, we consider the New CITIC 21CN Technology Loan to be in line with the said use of proceeds of the abovementioned issuance of Convertible Bonds.

– Cash position and funding requirements for other businesses of the Group

As advised by the executive Directors, the Group has a healthy cash position and that there is no imminent significant cash outlay expected for other businesses of the Group or non-operating current liabilities that fall due within one year. The executive Directors therefore consider that the Group has a sufficient financial and liquidity position which enables the Group to advance the New CITIC 21CN Technology Loan and to extend the terms of the Existing CITIC 21CN Technology Loans and the CITIC 21CN Telecom Loan.

As disclosed in the interim report for the six months ended 30 September 2013 (the "Interim Report"), we noted that cash and cash equivalent balance of the Group as at 30 September 2013 to be approximately HK\$94.5 million. We also noted that the Group's current ratio (as calculated by current assets over current liabilities) was 1.95 times and saved for a long term loan from a director of the Group to CCIT that will only fall due in 2016, the Group has no other short or long term borrowings including bank loans as at 30 September 2013 that will fall due which will create additional liquidity pressure on the Group as a whole. We therefore agree with the Directors' view that the Group has a sufficient financial and liquidity position to enter into the Agreements.

C. Terms of the Agreements

In line with the Existing CITIC 21CN Technology Loans and the CITIC 21CN Telecom Loan, we noted that the New CITIC 21CN Technology Loan is also non-interest bearing and unsecured. As such, compared to alternative financing such as a typical bank borrowing which would generally be interest bearing and secured, we do not consider that such aforementioned terms of the New CITIC 21CN Technology Loan to be on normal commercial terms.

LETTER FROM CHINA GALAXY

D. China's PIATS industry development and regulatory environment

As stated in the Letter from the Board and section headed "Information of CCIT and the PIATS business" of this letter, we noted that successful development of PIATS business is generally dependent on implementation of favourable regulatory policies that require enterprises to adhere to such electronic monitoring of relevant products.

In relation to the PRC drugs and healthcare industry, we have noted the following recent regulatory trends and policies that would be favourable to the PIATS business as a whole:

- (i) It is noted that the government has incorporated into the electronic monitoring network narcotic drugs, blood products, vaccines, important injection and some psychiatric drugs since 2009. China's State Food & Drug Administration ("SFDA") included an outline specifying how to further promote the rapid and healthy development of the country's pharmaceutical industry during the 12th Five-Year Plan (2011 to 2015), including a drug safety plan. In 2012, all drugs that were on China's essential drug list were covered by the network. Essential drugs are those that satisfy health care needs and are available to the public at all times in adequate amounts and in appropriate dosage forms. To further promote electronic monitoring, from 1 May 2013, 213 new types of medicines have been added to such essential drug list, bringing the total to 520. It is also noted that China aims to keep track of all drugs prescribed by doctors by 2015 by using electronic monitoring network, according to its five-year drug supervision plan published by SFDA;
- (ii) In May 2013, SFDA issued a notice setting deadlines for implementing electronic monitoring for imported essential drugs. Imported drugs in domestic packaging must comply with electronic monitoring requirements by the end of November 2013, and all other imported drugs by the end of March 2014;
- (iii) For the implementation of the newly revised Good Manufacturing Practice ("GMP") published by SFDA in 2011, which require production of blood products, vaccines, injections and other sterile pharmaceutical products in existing drug manufacturers will have to meet the requirements of the new version of GMP before 31 December 2013. All other manufacturers of pharmaceutical products will have to meet the requirements of the new version by 31 December 2015. Electronic monitoring and supervision is expected to be incorporated into the daily supervision of drug production under the abovementioned newly revised GMP; and
- (iv) The newly revised Good Supply Practice ("GSP") in June 2013 calls for (i) drug operation enterprise to enforce the system of electronic drug supervision in order to ensure drug traceability and drug safety; and (ii) an comprehensive implementation of IT-based management and specified requirements on the facilities, network environment, database and functions of applied software. Application of electronic monitoring is therefore expected to expand to pharmaceutical retail sectors including hospitals, community health service centers, pharmacies and others, which will enable regulation and monitoring of pharmaceutical product manufacturing and distribution process.

We have also noted that according to Ministry of Finance in the PRC, there was a total of about 950,900 medical and healthcare institutions as at 31 March 2013, and according to the Letter from the Board, the number of medical and healthcare institutions that have adopted PIATS was only about 240,000 as at 30 November 2013.

In relation to the PRC dairy products industry, we have noted that in May 2013, China State Council indicated that GMP should be applied in infant formula quality supervision and that measures such as electronic monitoring should be used to track the quality of infant formula products. In June 2012, the China State Council also indicated that it is recommended that enterprises dealing in nutrition products and alcohol should also adopt electronic monitoring in order for effective tracking of product quality.

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Based on above, we consider that there could potentially be significant market opportunities in the PIATS electronic monitoring in industries including PRC drugs, dairy products and food and beverage industries, where product quality is of paramount importance and thereby rendering electronic monitoring as an importance means to detect and track product quality.

E. Financial results and business development of CCIT

As stated in the Letter from the Board, having considered the existing financial performance of CCIT, the executive Directors are 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. We noted and as stated in the section headed "Information of CCIT and the PIATS business" of this letter, CCIT has continued to be loss making for the two years ended 31 December 2012 and the nine months ended 30 September 2013. We have discussed with the senior management of the Group and CCIT and reviewed (i) historical financial information of CCIT and (ii) relevant financial discussion and analysis of CCIT's results in historical annual and interim reports of the Group, and noted that the main reason for the continuous net losses of CCIT since its establishment is primarily due to the need for CCIT to continually invest in infrastructure and staff to develop and maintain its PIATS platform resulting in recurring direct operating costs, depreciation charge and staff costs, whilst the revenue contributed by PIATS customers in industry such as agricultural resources and food and beverage have yet to reach a critical mass for CCIT to be profitable. The key reason for the revenue performance of CCIT, as stated in the Letter from the Board, is the lack of further supplemental implementation policies or guidance being issued by relevant authorities since November 2007 which resulted in the substantial increase in revenue of CCIT in 2008 only. In respect to this, we have performed independent public search on policies or guidance related to PIATS and save for industries such as food and beverage where certain governmental bodies have broadly indicated in recent period that electronic monitoring is encouraged for non-drugs industry as stated in the section headed "China's PIATS industry development and regulatory environment" in this letter, we have not found other concrete supplemental implementation policies or guidance being issued by relevant authorities since November 2007. Therefore, it should also be noted that until clear and updated supplemental work rules regarding mandatorily adoption of PIATS in industry such as agricultural resources and food and beverage has been promulgated by the relevant governmental authorities, we consider is unlikely that PIATS revenue attributable to the agricultural resources and food and beverage industries would show clear signs of improvement in the short term.

However, in relation to ongoing business development of CCIT, we noted in the letter from the Board that CCIT has in the fourth quarter of 2013 began to prepare for the launch of its new services offering which is the provision of data management and quality tracking solutions. Such solutions, in terms of hardware and/or software design and implementation, can be applied to customers who have or need to adopt the PIATS and can be extended to the whole value chain of production, distribution and sale of products in various industries including drugs, food and beverage, agricultural resources and household appliances. In addition, we noted that CCIT has, in October 2013, entered into strategic cooperation framework agreements with several leading PRC software companies as preparation of its launching of its data management and quality tracking solutions business in the first half of 2014. In particular, we noted that one of the strategic agreements is signed with a leading information service provider listed on the main board of the Stock Exchange to jointly develop and sell specifically designed hardware and software relating to the PIATS platform. The strategic partner is expected to contribute its knowledge and knowhow in the development of IT system whilst CCIT is expected to utilize and contribute its proprietary knowledge and expertise of its PIATS platform. It is also noted that in addition to strategic cooperation with relevant software companies, CCIT has also started to build a team to drive this new business, communicate with relevant governmental bodies and potential customers to understand their needs and requirements and initiate internal departmental integration to prepare for such launch.

Given that enterprises and/or institutions that need to adopt PIATS typically need to upgrade or redesign their IT infrastructure system and that the Group already has a sizeable existing customer base in the drug and healthcare industry, we consider that CCIT, with the proprietary PIATS knowledge that the Group and CCIT possess, is in a relatively favourable position to develop and grow its new data management and quality tracking solutions targeting the PIATS market. In addition, as stated in the above section, there remain a significant number of healthcare related enterprises and institutions that are yet to adopt PIATS, thereby providing room for the Group to grow its PIATS and new data management and quality tracking solutions businesses. We have discussed with the senior management of CCIT to understand its business development plans and

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capital expenditure and working capital requirements, including reviewing the business plan prepared by CCIT detailing analysis including but not limited to, the potential market, regulatory environment, product and services offering planned and financials. In addition to reviewing the strategic cooperation framework agreements as abovementioned, we have also noted from public sources that there is a handful of other solutions providers that is providing solutions relating to drug and healthcare products quality tracking which we believe indicate that there is a market for such solutions and services. Given that CCIT has proprietary knowledge in PIATS platform, we consider that CCIT is uniquely placed to develop its data management and quality tracking solutions business compared to other existing competitors and that such new business development plan if successfully implemented, could improve the future financial performance of CCIT. Shareholders shall however note that this business is still at a preparation stage and there is no guarantee that such business development plan could be successfully implemented.

In addition, given that CCIT is preparing to gradually roll out its data management and quality tracking solutions business in 2014, we consider it to be reasonable that CCIT would require additional funding to finance its ongoing and future capital expenditure and/or working capital.

As stated in the Letter from the Board, the amount of the New CITIC 21CN Technology Loan was determined after considering the (i) funding requirement of CCIT to roll out its new data management and quality tracking solutions business and also to maintain its existing PIATS business; and (ii) the existing cash resources of the Group. It is also noted that whilst the Directors consider that the amount of the New CITIC 21CN Technology Loan is currently sufficient to meet the funding requirements of CCIT in the near future as aforementioned, but given that future funding requirements of CCIT would depend on uncontrollable factors including the performance of the new data management and quality tracking solutions business, market conditions for PIATS, regulatory environment and overall business performance of CCIT, the Directors would consider on a case by case basis if and when CCIT require additional financing in the future. Should further financing be required from the Group to CCIT, the Company would, if necessary, seek the approval of its Shareholders in accordance with the requirements of the Listing Rules.

In relation to this, we have interviewed the senior management of CCIT and reviewed the business plan of CCIT in relation to its new data management and quality tracking solutions business and the cash balance of the Group as at 30 September 2013 and consider that the Directors have made necessary consideration to determine the amount of the New Citic 21CN Technology Loan.

F. Subsidiary status of CCIT

It should be noted that CCIT has been accounted as a subsidiary of the Group since 28 March 2013, as CITIC Group, its 30% shareholder has by virtue of a supplemental agreement dated on the same date agreed to exercise its voting right on all matters relating to the financing and operating of CCIT in accordance with the instructions of the Group. Therefore, CCIT's financial results are now consolidated by the Group as a subsidiary instead of a jointly controlled entity where CCIT was accounted for using the proportionate consolidation method. In addition, the Company still remains the single largest shareholder of CCIT.

G. Historical utilization of previous loans by CCIT

As stated in the Letter from the Board, the previous loans extended by the Group to CCIT have been utilized in capital expenditure and/or general working capital by CCIT in accordance with the relevant loan agreements. Of the total amount of loans extended of approximately RMB92.4 million (approximately HK\$117.3 million) since 2006, RMB35.4 million (approximately HK\$45.0 million) have been used for capital expenditures and the remaining RMB57.0 million (approximately HK\$72.4 million) used for general working capital.

We have reviewed the historical financial statements and fixed assets register of CCIT and noted that there is no material expenses which are not within the ordinary course of business of CCIT being recognized and that the increase in fixed assets since 2006 is in line with the amount used for capital expenditure as stated above. As such, we consider that CCIT has utilized the previous loans accordance to the terms of the previous loan agreements.

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H. Possible financial effects of entering into of the Agreements

Effect on net asset value

As extracted from the Interim Report, the unaudited consolidated net assets of the Group were approximately HK\$275.8 million as at 30 September 2013. The Directors expect that the provision of the New CITIC 21CN Technology Loan and the extension of the terms of the Existing CITIC 21CN Technology Loans and the CITIC 21CN Telecom Loan would not have material impact on the net assets of the Group.

Effect on earnings

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

Effect on gearing

According to the Interim Report, the Group has no outstanding bank loans as at 30 September 2013. Given that CCIT is consolidated as a subsidiary, the provision of the New CITIC 21CN Technology Loan and the extension of the terms of the Existing CITIC 21CN Technology Loans and the CITIC 21CN Telecom Loan would not have any impact on the gearing ratio of the Group.

Effect on working capital

As at 30 September 2013, the Group's cash and cash equivalent balance was approximately HK\$94.5 million. Given that CCIT is consolidated as a subsidiary, the provision of the New CITIC 21CN Technology Loan and the extension of the terms of the Existing CITIC 21CN Technology Loans and the CITIC 21CN Telecom Loan would not have any impact on the cash and cash equivalent balance of the Group.

We have discussed with the senior management of the Group and also considered the basis of the above possible financial effects as confirmed by the Company and we concur with the Directors' view on the above possible financial effects.

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 New CITIC 21CN Technology Loan and the extension of the terms of the Existing CITIC 21CN Technology Loans.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that even though the terms of the Agreements is not on normal commercial terms and not conducted in the ordinary and usual course of business of the Group, but given that (a) the loans are unsecured and non-interest bearing and therefore is effectively a shareholder loan which is similar to that of a capital injection made by a shareholder from the perspective of CCIT and therefore the Agreements can be viewed as a de facto equity interest of the Company in CCIT with addition protection being a creditor rather than an equity owner; (b) CCIT has a chance to improve on its continuing loss making status, which would also benefit the financial performance of the Group, if the new data management and quality tracking solutions business can be successfully implemented and that given its proprietary knowledge of the PIATS platform, CCIT is in a relatively good position to effectively develop such business; (c) CCIT is already a non wholly-owned subsidiary of the Company and that there is no adverse financial effect on the Group as a result of the Agreements; and (d) the funding to be used to extend the New CITIC 21CN Technology Loan primarily came from the issue of the Convertible Bonds, of which its issuance is principally to fund the capital

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expenditure and working capital of the PIATS business, we consider that (i) the terms of the Agreements are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Agreements 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
China Galaxy International Securities (Hong Kong) Co., Limited
Steven Chiu
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually 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 DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) 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 were taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Long positions in the Shares and underlying Shares:

Name of Director	Nature of interest	Number of Shares and underlying Shares	Approximate percentage of the existing issued share capital of the Company
Mr. Wang Jun	Personal	30,000,000 ¹	0.81%
Ms. Chen Xiao Ying	Corporate	784,937,030 ²	21.11%

Notes:

- This represents an interest in 30,000,000 underlying Shares in respect of options granted by the Company on 23 March 2005 under the share option scheme of the Company adopted on 30 August 2002. The options are exercisable in three equal tranches, the first of which has an exercise period from 23 March 2006 to 23 March 2015, the second of which has an exercise period from 23 March 2007 to 23 March 2015 and the third of which has an exercise period from 23 March 2008 to 23 March 2015. The exercise price of the options is HK\$3.175 per Share.
- These Shares are held by Uni-Tech International Group Limited, a wholly-owned subsidiary of 21CN Corporation, which is in turn owned as to 100% by Pollon Internet Corporation, a company wholly owned by Ms. Chen Xiao Ying.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required (a) 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 would be taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

3. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF THE GROUP

None of the Directors has, or has had, any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2013, the date to which the latest published audited financial statements of the Group were made up.

None of the Directors is materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

4. SERVICE CONTRACTS

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

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associate(s) was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. CONSENT OF EXPERT

The following is the qualification of the professional adviser who has given opinion or advice contained in this circular:

Name	Qualification
China Galaxy International Securities (Hong Kong) Co., Limited	A licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

China Galaxy 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 respectively appear.

As at the Latest Practicable Date, China Galaxy did not have: (a) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (b) any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2013, the date to which the latest published audited financial statements of the Group were made up.

7. MATERIAL ADVERSE CHANGE

The Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 March 2013, the date to which the latest published audited consolidated financial statements of the Group were made up.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the head office and principal place of business of the Company in Hong Kong during normal business hours from the date of this circular up to and including the date of the SGM:

- (a) the CITIC 21CN Technology Loan Agreement; and
- (b) the CITIC 21CN Telecom Loan Renewal Agreement.

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 of CITIC 21CN Company Limited (the “Company”) will be held at Units 614–616, Level 6, Core D, Cyberport 3, 100 Cyberport Road, Hong Kong on Wednesday, 29 January 2014 at 10:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. **“THAT:**

- (a) the execution of the CITIC 21CN Technology Loan Agreement (as defined in the circular of the Company dated 13 January 2014 (the “Circular”) of which this notice forms part) by 中信21世紀(中國)科技有限公司 (CITIC 21CN (China) Technology Co. Ltd.**), a wholly-owned subsidiary of the Company, as lender and 中信國檢信息技術有限公司 (China Credit Information Technology Co. Ltd.** as borrower (a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) in relation to the extension of the maturity dates of the Existing CITIC 21CN Technology Loans and the grant of the New CITIC 21CN Technology Loan (both as defined in the Circular) be and is hereby approved, confirmed and ratified;
- (b) all the transactions contemplated under the CITIC 21CN Technology Loan Agreement be and are hereby approved; and
- (c) any one director of the Company be and is hereby authorised to do all acts and things and execute all documents or make such arrangement as he may determine to be appropriate, necessary or desirable to give effect to the CITIC 21CN Technology Loan Agreement and the transactions contemplated thereunder, and to agree to such variation, amendment, supplement or waiver of matters relating thereto as are, in the opinion of such director, in the interest of the Company and its shareholders as a whole.”

2. **“THAT:**

- (a) the execution of the CITIC 21CN Telecom Loan Renewal Agreement (as defined in the circular of the Company dated 13 January 2014 (the “Circular”) of which this notice forms part) by CITIC 21CN Telecom Company Limited, a wholly-owned subsidiary of the Company, as lender and 中信國檢信息技術有限公司 (China Credit Information Technology Co. Ltd.** as borrower (a copy of which has been produced to the meeting marked “B” and signed by the chairman of the meeting for the purpose of identification) in relation to the extension of the maturity date of the CITIC 21CN Telecom Loan (as defined in the Circular) be and is hereby approved, confirmed and ratified;
- (b) all the transactions contemplated under the CITIC 21CN Telecom Loan Renewal Agreement be and are hereby approved; and

NOTICE OF SGM

- (c) any one director of the Company be and is hereby authorised to do all acts and things and execute all documents or make such arrangement as he may determine to be appropriate, necessary or desirable to give effect to the CITIC 21CN Telecom Loan Renewal Agreement and the transactions contemplated thereunder, and to agree to such variation, amendment, supplement or waiver of matters relating thereto as are, in the opinion of such director, in the interest of the Company and its shareholders as a whole.”

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

Hong Kong, 13 January 2014

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM12
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 13 January 2014.
- (2) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised 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.
- (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 head office and 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 later 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.

* *For identification purposes only*

** *The unofficial English transliterations or translations are for identification purposes only.*