

To: Business Editor (For immediate release)



(STOCK CODE: 241)

**ANNOUNCES ITS INTERIM RESULTS FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2005**

**TURNOVER UP 52.8% TO HK\$192,361,000**

**GROSS PROFIT UP 51.8% TO HK\$83,648,000**

**Earnings before interest and tax and major non-cash items (depreciation, amortization and share option expense) UP 60.8% TO HK\$34,852,000**

**NET PROFIT UP 6.1% TO HK\$9,525,000**

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PROVISION OF PRODUCT AUTHENTICATION SERVICES SIGNALS BRISK PROSPECT!

<b>Financial Highlights</b>	<b>For 6 months ended 30 September (HK\$'000)</b>		
	<b>2005</b>	<b>2004</b>	<b>Change (%)</b>
<b>Turnover</b>	192,361	125,890	+ 52.8%
<b>Gross profit (Gross margin)</b>	83,648 (43.5%)	55,107 (43.8%)	+ 51.8%
<b>Earnings before interest and tax and major non-cash items (depreciation, amortization and share option expense)</b>	34,852	21,679	+ 60.8%
<b>Net profit (Net margin)</b>	9,525 (5.0%)	8,974 (7.1%)	+ 6.1%
<b>Net profit before share option expense (Net margin before share option expense)</b>	22,559 (11.7%)	11,642 (9.2%)	+ 93.8%

(Hong Kong, 11 December 2005) – **CITIC 21CN COMPANY LIMITED** (“CITIC 21CN” or the “Group”) (Stock Code: 241), a pioneer and leader in providing of telecommunication/information value-added services (“VAS”) in the People’s Republic of China (the “PRC”), announced its interim results on 8 December 2005 for the 6 months ended 30 September 2005 (the “Period”).

During the Period, CITIC 21CN achieved a turnover of HK\$192,361,000 (2004: HK\$125,890,000), representing an increase of 52.8% over the same period of last year. Gross profit for the Period rose to HK\$83,648,000 (2004: HK\$55,107,000), representing an increase of 51.8% over the same period of last year, and earnings before interest and tax and major non-cash items (depreciation, amortization and share option expense) for the Period rose to HK\$34,852,000 (2004: HK\$21,679,000), representing an increase of 60.8% over the same period of last year.

Net profit for the Period rose to HK\$9,525,000 (2004: HK\$8,974,000), representing an increase of 6.1% over the same period of last year. Including in the net profit for the period, there is a share option expense of HK\$13,034,000, a non-cash expense, which was expensed in accordance with the new accounting standard, Hong Kong Financial Reporting Standard 2 – Share-based Payment. Therefore, not taking into account of the aforementioned non-cash share option expense, net profit for the Period would be HK\$22,559,000, representing an increase of 93.8% over the same period of last year.

Gross margin for the Period was 43.5% (2004: 43.8%), and net margin was 5.0% (2004: 7.1%) respectively. Not taking into account of the aforementioned non-cash share option expense, net margin for the Period will be 11.7% (2004: 9.2%). Basic earnings per share for the Period were HK 0.29 cents (2004: HK 0.27 cents). Not taking into account of the aforementioned non-cash share option expense, basic earnings per share for the Period will be HK 0.68 cents (2004: HK 0.35 cents), an increase of 94.3%.

### **Growth momentum**

Having received strong support from the CITIC Group, the largest shareholder of the Group, CITIC 21CN has successfully secured a variety of businesses of providing information technology and telecommunication/information VAS to customers with the support of the PRC government authorities.

Benefiting from the increasing popularity and usage of fixed-line interactive voice response system (“IVRS”) and short messaging services (“SMS”) in the PRC, CITIC 21CN’s share of turnover for the Period of Beijing Honglian 95 Information Industries Company Limited (“HL95”), a 49%-owned jointly-controlled entity of the Group, rose to HK\$137,900,000 (2004: HK\$109,800,000), representing an increase of 25.7% over the same period of last year.

As a result of the Group’s successful marketing strategy, the sales of network equipment for the Period rose to HK\$66,200,000 (2004: HK\$16,100,000), representing a surge of 311.2% over the same period of last year.

### **Business update and outlook**

#### **Huge growth potential for “PIATS”**

Through the operation of Product Identification, Authentication & Tracking System (“PIATS”), which can access to the databank of Information Centre of General Administration of Quality Supervision, Inspection and Quarantine of the PRC, Quality Supervision Information Technology Co. Ltd. (“QSIT”) provides anti-forgery enhancement services, trans-shipment information services, market research services, promotion services, customer care to customers and other marketing-related services and logistic management services.

Every product passing through PIATS will be allocated a unique identification code that stores information about its specifications, logistics and distribution. Consumers can easily verify the authenticity of a product by accessing PIATS through various telecommunication channels, such as fixed-line and mobile phones, internet and shopping center enquiry terminals. Revenue sources of QSIT mainly come from the collection of product authentication service fees from both manufacturers and consumers.

Since brand strategy has always been a major concern for domestic and foreign corporations in the PRC, an improvement in intellectual property protection will further enhance investors’ interests and confidence in investing in the PRC. Capitalizing on the robust demand for PIATS due to forgeries and counterfeit products in the PRC, the Group anticipates that PIATS will sustain brisk growth in line with the rapidly-growing prosperity of the PRC economy.

#### **PRC trend towards E-customs**

In addition to providing information technology support, Dongfang Customs Technology Company Limited (“Dongfang Customs”) operates a sole network platform in the PRC for accessing China Electronic Customs’ dedicated network for electronic customs processing and other electronic government services. Through its operation of the network platform, Dongfang Customs also provides services to users of China Electronic Customs on customs declaration, identity authentication, online payment, billing and customs related services.

Major users of Dongfang Customs include manufacturers, import and export corporations, government agencies, insurance and logistics companies. Users are principally charged a time-based telecommunication fee for accessing the network platform.

As corporates can benefit through the speeding up of customs declaration procedures and the minimization of the relevant handling costs, the PRC Government encourages customs declarations to be performed electronically. Capitalizing on the robust growth of the PRC economy and the ongoing foreign investments into the PRC, Dongfang Customs anticipates that the number of users will continue to grow significantly and rapidly in the years to come.

### **Solid platform for future growth**

As a leading telecommunication VAS company in the PRC, HL95 provides SMS and IVRS services via fixed telephone line network and mobile phone network, and offers governmental, commercial and entertainment contents.

Leveraging its nationwide network coverage, HL95 will continue to expand its services geographically in the PRC and provide a comprehensive range of government- and business-related VAS through strategic cooperation with more government authorities and large corporations. Moreover, HL95 will further enhance its services in terms of call centres, multimedia message system (“MMS”) and wireless application protocol (“WAP”).

Furthermore, HL95 will provide QSIT and Dongfang Customs with a mass platform to launch other telecommunication/information VAS to provide services to individuals and businesses in the PRC, consolidating the Group’s foundation for future growth and expansion.

### **PRC embraces digital TV**

In order to participate in the PRC’s national project to digitalize all television broadcasting by 2010, a joint venture agreement was entered into between Hebei Television Station China and CITIC 21CN DIGITAL TELEVISION AND MOVIES LIMITED, an indirectly wholly-owned subsidiary of the Group, for the purpose of establishing Hebei Digital Television Technology Company Limited (the “JV Company”) on a 51:49 basis in August 2005.

Capitalizing on the promising growth prospects for digital television in the PRC and leveraging the Group’s extensive business network in the PRC as well as its strong expertise in information technology and media-related businesses, it is anticipated that the JV Company will further expand the Group’s profitability and earning capacity, whilst enhancing its business coverage in the PRC media industry.

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### **About CITIC 21CN COMPANY LIMITED (SEHK: 241)**

CITIC 21CN COMPANY LIMITED, a member of the CITIC Group, is a pioneer and leader in providing telecommunication/information VAS in the PRC. The Company is principally engaged in the provision of (1) governmental, commercial, financial and entertainment information services, (2) electronic custom clearance and processing services, and (3) system integration, software development and technical support services.

Issued by PR ASIA Consultants Limited on behalf of CITIC 21CN COMPANY LIMITED.

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