

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, 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 with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

CITIC 21CN
中信 21世紀
CITIC 21CN COMPANY LIMITED
(incorporated in Bermuda with limited liability)
(Stock code: 241)

**ISSUE OF US\$70,000,000 ZERO COUPON CONVERTIBLE BONDS
DUE 2010 CONVERTIBLE INTO ORDINARY SHARES OF
CITIC 21CN COMPANY LIMITED**

Lead Placing Agent



Merrill Lynch

MERRILL LYNCH FAR EAST LIMITED

Co-Lead Placing Agent



GOLDBOND SECURITIES LIMITED

A notice convening a special general meeting of CITIC 21CN COMPANY LIMITED to be held at Board Room of The Dynasty Club, 7/F, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on 9 January 2006 at 3:00 p.m., or any adjournments thereof, is set out on pages 23 to 24 of this circular.

Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the head office of the Company in Hong Kong at Suites 7001-7005, 70/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not prevent you from subsequently attending and voting at the special general meeting or any adjourned meetings if you so wish.

23 December 2005

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
Introduction	7
Purchase Agreement in respect of the US\$70,000,000 Zero Coupon Convertible Bonds	8
Placing commission	14
Use of proceeds	14
Reasons for the issue of the Bonds	14
Shareholding structure of the Company	15
Application for listing	16
Fund raising activities of the Company for the 12 months before the date of this circular	16
The Special General Meeting	17
Procedure for demanding a poll	17
Documents available for inspection	18
General	18
Appendix – General Information	19
Notice of SGM	23

DEFINITIONS

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

“Additional Bonds”	zero coupon bonds in the aggregate principal amount of US\$15,000,000 (with the same terms and conditions as the Firm Bonds) to be issued by the Company to the subscribers of the Firm Bonds
“AGM”	the annual general meeting of the Company held on 19 August 2005
“Amaranth”	Amaranth LLC
“associate(s)”	have the meanings ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	the holder(s) of the Bonds from time to time
“Bonds”	Firm Bonds and/or Additional Bonds, as the case may be
“Business Day(s)”	a day(s) other than a Saturday or Sunday on which banks are open for business
“Bye-Laws”	the existing bye-laws of the Company
“CITIC Group”	CITIC Group, a company incorporated in the PRC, which is indirectly interested (including Shares and underlying shares of the Company) in approximately 28.5% of the issued share capital of the Company
“Closing Date(s)”	the First Closing Date and/or the Second Closing Date, as the case may be
“Company”	CITIC 21CN COMPANY LIMITED, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange

DEFINITIONS

“Control”	the right to appoint and/or remove all or the majority of the members of the Board or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise
“Conversion Price”	the price at which New Shares will be issued upon conversion of the Bonds
“Conversion Ratio”	the principal amount of each Bond translated into HK\$ at the Fixed Exchange Rate divided by the then applicable Conversion Price
“Directors”	the directors of the Company
“Firm Bonds”	zero coupon bonds in the aggregate principal amount of US\$55,000,000 to be issued by the Company, upon conversion of which the New Shares will be allotted and issued by the Directors under the General Mandate
“First Closing Date”	at 6:00 p.m. (Hong Kong time) on 21 December 2005
“Fixed Exchange Rate”	HK\$7.7534 = US\$1.00
“Floating Conversion Price”	in respect of each notice of conversion delivered by any Bondholders, means the arithmetic average of the Volume Weighted Average Price of the Shares for each day during the period of ten consecutive Trading Days immediately prior to the date of the conversion notice multiplied by 94%
“General Mandate”	the general mandate granted to the Board at the Company’s AGM to exercise the powers of the Company to allot, issue and deal with Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the AGM
“Goldreward.com”	Goldreward.com Ltd.
“Group”	the Company and its subsidiaries
“Highbridge”	Highbridge International LLC and Highbridge Asia Opportunities L.P.
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Initial Conversion Price”	the initial conversion price of the Bonds, being HK\$1.36 per Share (subject to adjustments)
“Issue Date”	the date on which the Bonds are constituted by the Trust Deed
“Latest Practicable Date”	21 December 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	21 December 2010
“New Shares”	the new Shares to be issued by the Company upon the conversion of the Bonds
“Och-Ziff Capital”	OZ Master Fund, Ltd. and OZ Asia Master Fund, Ltd.
“Other Conversion Adjustments”	adjustments that have to be made due to consolidation or subdivisions or reclassification of Shares, capitalisation of profits or reserves, capital distributions, rights issues and other events which may have a diluting effect on Bondholders
“Perfect Deed”	Perfect Deed Co. Ltd.
“Person(s)”	any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Directors or any other governing board and does not include the Company’s wholly-owned direct or indirect subsidiaries
“PIATS”	product identification, authentication and tracking system operated by QSIT
“Placing Agents”	Merrill Lynch Far East Limited as the lead placing agent, and Goldbond Securities Limited as the co-lead placing agent, both are licensed corporations under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“PRC”	The People’s Republic of China
“Prevailing Rate”	the spot rate at which an independent bank of international repute, selected by the Company and approved in writing by the Trustee, sells US\$
“Purchasers”	the purchasers of the Bonds procured by the Placing Agents, namely Och-Ziff Capital, Amaranth and Highbridge
“Purchase Agreement”	the bond purchase agreement entered into between the Company and the Purchasers on 14 December 2005 in respect of the purchase of the Bonds by the Purchasers
“Put Option Date”	each of the second, third and fourth anniversary of the Issue Date
“QSIT”	Quality Supervision Information Technology Co. Ltd., a 50% owned jointly controlled entity of the Group
“Reset Date”	each of the first, second, third and fourth anniversary of the Issue Date
“Reference Price”	HK\$1.09, representing the arithmetic average of the closing price of the Shares for the Reference Period
“Reference Period”	the 30 Trading Days up to and including 13 December 2005, being the last Trading Day before the date of the Purchase Agreement
“Reset Reference Price”	in respect of each Reset Date, the arithmetic average of the Volume Weighted Average Price of the Shares for each day during the period of ten consecutive Trading Days immediately prior to the Reset Date multiplied by 125%
“Road Shine”	Road Shine Developments Limited
“Second Closing Date”	at 6:00 p.m. (Hong Kong time) on or before 2 February 2006 or such other date as the Company, the Settlement Agent and the Purchasers may agree

DEFINITIONS

“Settlement Agent”	a settlement agent to be jointly appointed by the Company and each Purchaser in connection with the closing and the settlement of the Bonds through Euroclear Bank S.A./N.V. as operator of the Euroclear System and Clearstream Banking, société anonyme
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the issue of the Additional Bonds and the allotment of New Shares to be issued upon their conversions
“Share(s)”	Share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Share Issue Authority”	the authority to issue and allot such amount of New Shares deliverable upon conversion of the Additional Bonds to satisfy all the conversion rights of bondholders of the Additional Bonds pursuant to a Shareholders’ resolution to be proposed at the SGM
“Supplemental Paying and Conversion Agency Agreement”	a supplemental paying and conversion agency agreement to be dated the Second Closing Date under which, among other things, the Company appoints paying agents to make payments of principal and premium (if any) on the Additional Bonds on its behalf
“Supplemental Trust Deed”	the trust deed to be dated the Second Closing Date, constituting the Additional Bonds made between the Company and the Trustee
“Trading Day(s)”	means a day(s) which the Stock Exchange is open for dealings
“Trust Deed”	the trust deed dated the First Closing Date, constituting the Firm Bonds made between the Company and the Trustee
“Trustee”	J.P. Morgan Corporate Trustee Services Limited
“Uni-Tech”	Uni-Tech International Group Limited

DEFINITIONS

- “Volume Weighted Average Price” in respect of a Share on any Trading Day, the order book volume-weighted average price of a Share appearing on or derived from Bloomberg screen 241 HK Equity VAP or such other source as shall be determined to be appropriate by an independent investment bank on such Trading Day, provided that on any such Trading Day where such price is not available or cannot otherwise be determined as provided above, the volume weighted average price of a Share in respect of such Trading Day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding Trading Day on which the same can be so determined
- “HK\$” Hong Kong dollars, the lawful currency of Hong Kong
- “RMB” Renminbi, the lawful currency of the PRC
- “US\$” United States dollars, the lawful currency of the United States of America

CITIC 21CN
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CITIC 21CN COMPANY LIMITED

(incorporated in Bermuda with limited liability)

(Stock code: 241)

Board of Directors

Executive Directors

Mr. Wang Jun (*Chairman*)

Ms. Chen Xiao Ying (*Executive Vice Chairman*)

Mr. Luo Ning (*Vice Chairman*)

Mr. Sun Yalei

Mr. Zhang Lian Yang

Ms. Xia Guilan

Independent Non-executive Directors

Mr. Hui Ho Ming, Herbert, JP

Mr. Zhang Jian Ming

Mr. Liu Hongru

Registered Office

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

Head Office and Principal

Place of Business in Hong Kong

Suites 7001-7005

70/F, Two International

Finance Centre

8 Finance Street

Central

Hong Kong

23 December 2005

To the Shareholders

Dear Sirs,

**ISSUE OF US\$70,000,000 ZERO COUPON CONVERTIBLE BONDS DUE
2010 CONVERTIBLE INTO ORDINARY SHARES OF
CITIC 21CN COMPANY LIMITED**

INTRODUCTION

On 14 December 2005, the Company announced that it entered into the Purchase Agreement with the Purchasers relating to the issuance of the Firm Bonds and the Additional Bonds, subject to the terms and conditions therein. The Firm Bonds were issued on the First Closing Date. The issue of the Additional Bonds will require the approval of the Share Issue Authority and the transactions contemplated under the Purchase Agreement by the Shareholders at the SGM.

The purpose of this circular is (i) to give you further information on, among other matters, the Purchase Agreement and the Additional Bonds; and (ii) to give you notice of the SGM at which necessary resolution will be proposed to seek your approval of the Share Issue Authority and the transactions contemplated under the Purchase Agreement.

LETTER FROM THE BOARD

PURCHASE AGREEMENT IN RESPECT OF THE US\$70,000,000 ZERO COUPON CONVERTIBLE BONDS

- Date** : 14 December 2005
- Issuer** : The Company
- Purchasers and amount of Bonds to be purchased** : The Purchasers and the principal amounts of the Bonds which each of the Purchasers has agreed to purchase are as follow:
- (1) Och-Ziff Capital to purchase US\$27,500,000 Firm Bonds and US\$7,500,000 Additional Bonds
 - (2) Amaranth to purchase US\$15,000,000 Firm Bonds and US\$5,000,000 Additional Bonds
 - (3) Highbridge to purchase US\$12,500,000 Firm Bonds and US\$2,500,000 Additional Bonds

The Purchasers are investment funds which are professional institutional investors and are independent of and not connected with the Directors, chief executives and substantial shareholders of the Company or its subsidiaries, or any of their respective associates.

The issue of the Firm Bonds was completed on the First Closing Date, on which the Company issued and each Purchaser subscribed and paid for the Firm Bonds.

Subject to conditions precedent as set out below, the Company agrees to issue and each Purchaser severally but not jointly agrees to subscribe and pay for the Additional Bonds on the Second Closing Date.

Conditions precedent of the Additional Bonds:

Completion of the issue of the Additional Bonds is conditional, amongst other things, on the following conditions precedent:

- (i) the Supplemental Trust Deed and the Supplemental Paying and Conversion Agency Agreement, each in a form approved by the Trustee, have been executed by all parties thereto on or prior to the Second Closing Date;
- (ii) (if so required by the laws of Bermuda) the approval of the Bermuda Monetary Authority for the issue of the Additional Bonds and the New Shares issuable on the conversion of the Additional Bonds has been obtained;

LETTER FROM THE BOARD

- (iii) the approval for the listing of the New Shares issuable on conversion of the Additional Bonds (subject to conditions satisfactory to the Purchasers) on the Stock Exchange shall have been obtained on or before the Second Closing Date;
- (iv) the Shareholders have approved the Share Issue Authority and the transactions contemplated under the Purchase Agreement;
- (v) at the Second Closing Date (a) the representations and warranties of the Company are true, accurate and correct in all respects at, and as if made on such date; (b) the Company has performed all of its obligations expressed to be performed on or before such date according to the Purchase Agreement; and (c) a form of compliance certificate confirming the aforementioned points (a) and (b) dated as of such date and duly signed by an authorised officer of the Company has been delivered to the Purchasers; and
- (vi) there shall not have been, in the opinion of the Purchasers, since the date of the Purchase Agreement, any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions or currency exchange rates or foreign exchange controls such as would in its view be likely to prejudice materially dealings in the Bonds in the secondary market.

If any of the conditions set forth above is not satisfied on or prior to the Second Closing Date, the parties to the Purchase Agreement shall be released and discharged from their respective obligations relating to the Additional Bonds to be issued and subscribed on that date. The Purchasers may, at their discretion, waive compliance with the whole or any part of the conditions precedent. The Company will issue further announcement in the event that any of the conditions have been waived.

No conditions have been fulfilled or waived as at the Latest Practicable Date.

Principal terms of the Bonds

The terms of the Bonds have been negotiated on arm's length basis, the principal terms of which are summarised below:

(A) Principal amount

Firm Bonds	:	US\$55,000,000 in aggregate
Additional Bonds	:	US\$15,000,000 in aggregate

(B) Maturity Date

21 December 2010

LETTER FROM THE BOARD

(C) Conversion

Bondholders have the right to convert their Bonds into Shares in whole or in part at any time on or after 15 February 2006 up to the close of business on 14 December 2010 or if such Bonds have been called for redemption before the Maturity Date, then up to the close of business on a date no later than seven Business Days prior to the date fixed for redemption thereof.

(D) Conversion Price and reset

The initial conversion price is HK\$1.36 per Share, representing a premium of approximately 25% of the average closing price of the Shares for the Reference Period. The conversion price will be subject to Other Conversion Adjustments and adjustments as detailed below:

- (a) the Conversion Price shall be adjusted downwards on each Reset Date to the Reset Reference Price if the applicable Reset Reference Price is less than the Conversion Price in effect on the relevant Reset Date (taking into account any Other Conversion Adjustments which may have occurred prior to the Reset Date); and
- (b) the Conversion Price applicable to each notice of conversion delivered by any Bondholders shall be the Floating Conversion Price if the Floating Conversion Price is less than the Conversion Price in effect on the Conversion Date (taking into account any adjustments as described in (a) above and Other Conversion Adjustments which may have occurred prior to the conversion date).

The Conversion Price as adjusted in the aforementioned manner shall be rounded upwards, if necessary, to the nearest Hong Kong cent, provided that:

- (i) any adjustment to the Conversion Price shall be limited such that the adjusted Conversion Price under paragraph D(a) above shall be not less than 70% of the Reference Price and the adjusted Conversion Price under paragraph D(b) above shall be not less than 60% of the Reference Price, subject in each case to any Other Conversion Adjustments;
- (ii) the Conversion Price shall not be reduced below the then par value (currently HK\$0.01 per Share) of the Shares unless under applicable law then in effect the Bonds could be converted at such reduced Conversion Price into legally issued, fully-paid and non-assessable Shares; and
- (iii) for the avoidance of doubt, any such adjustment to the Conversion Price shall only be a downward adjustment.

The lowest Conversion Price is the lowest Floating Conversion Price which is HK\$0.654 per Share.

LETTER FROM THE BOARD

(E) Denomination

US\$1,000 each without coupon attached

(F) Redemption upon Maturity

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each Bond at 128.008% of its principal amount on the Maturity Date.

(G) Redemption by the Company

On or at any time after 21 December 2007 and prior to the Maturity Date, the Company may redeem all, and not some only, of the Bonds at a redemption price equal to the Early Redemption Amount (as defined below) on the redemption date, provided, however, that no such redemption may be made unless (i) both (a) the closing price of the Shares (translated into US\$ at the Prevailing Rate), for each of the 20 consecutive Trading Days immediately prior to the date upon which notice of such redemption is given, is at least 130% of the applicable Early Redemption Amount divided by the Conversion Ratio and (b) the closing price of the Shares for each of the 20 consecutive Trading Days immediately prior to the date upon which notice of such redemption is given, is at least 130% of the applicable Early Redemption Amount (translated into Hong Kong dollars at the Prevailing Rate) divided by the Conversion Ratio; or (ii) more than 90% principal amount of the Bonds has already been converted, redeemed or purchased and cancelled.

The “Early Redemption Amount” of a Bond, for each US\$1,000 principal amount of the Bonds, is determined so that it represents for the Bondholder a gross yield of 5% per annum, calculated on a semi-annual basis. As the Bonds are zero coupon bonds, the effective interest rate to be borne by the Company is also 5% per annum.

(H) Redemption for Taxation Reasons

At any time the Company may redeem all, and not some only, of the Bonds at a redemption price equal to the Early Redemption Amount on the redemption date in the event of certain changes in, or amendment to, the laws or regulations of Bermuda or Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations.

(I) Redemption for Delisting or Change of Control

Following the occurrence of a Relevant Event (as defined below), the Bondholders will have the right at their option, to require the Company to redeem all or some only of their Bonds at their Early Redemption Amount.

LETTER FROM THE BOARD

A “Relevant Event” occurs when:

- (i) the Shares cease to be listed or admitted to trading on the Stock Exchange or any alternative stock exchange (as relevant); or
- (ii) when there is a “Change of Control”.

A “Change of Control” occurs when:

- (i) any Person or Persons acting together acquires Control of the Company if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Company on the Closing Date;
- (ii) the Company consolidates with or merges into or sells or transfers all or substantially all of the Company’s assets to any other Person, unless the consolidation, merger, sale or transfer will not result in the other Person or Persons acquiring Control over the Company or the successor entity; or
- (iii) one or more Persons (other than any Person referred to in point (i) above) acquires the legal or beneficial ownership of all or substantially all of the Company’s issued share capital.

(J) Redemption at the Option of the Bondholders

On each Put Option Date, each Bondholder will have the right to require the Company to redeem all or some only of the Bonds at 110.381%, 115.969% and 121.840%, respectively, of their principal amount.

(K) Limitation on incurring indebtedness

The Company has undertaken to procure that its consolidated total debt shall not at any time exceed US\$125,000,000. In addition, the Company is subject to certain restrictions on the incurring of indebtedness after the First Closing Date such as the maturity dates and the interests of new indebtedness and that the new indebtedness will rank pari passu with, or is subordinated to in rights of payment to, the Bonds.

(L) Status

The Bonds (when issued) will constitute direct, unconditional, unsecured and unsubordinated obligations of the Company and will at all times rank pari passu and without any preference or priority among themselves. The payment obligations of the Company shall at all times rank equally with all other present and future unconditional, unsecured and unsubordinated obligations of the Company other than those preferred by statute or applicable laws.

LETTER FROM THE BOARD

(M) New Shares

For illustrative purpose and assuming full conversion of the Bonds at the Initial Conversion Price, the Bonds will be convertible into approximately 399,072,058 New Shares, representing (i) approximately 12.1% of the issued share capital of the Company as at the date of the Purchase Agreement, and (ii) approximately 10.8% of issued share capital of the Company as at the date of the Purchase Agreement as enlarged by the allotment and issue of such New Shares.

The New Shares will rank pari passu in all respects with the Shares then in issue at the date of their allotment and issue including the right to attend or vote at any meetings of the Company.

(N) General Mandate and Share Issue Authority

The New Shares to be issued pursuant to conversion of the Firm Bonds will be allotted and issued under the General Mandate. As at 19 August 2005, being the date of passing of the Shareholders' resolution granting the General Mandate, the Company had in issue 3,308,628,417 Shares and accordingly the Company is allowed to issue up to 661,725,683 Shares under the General Mandate. The Directors confirm that there is sufficient available mandate in the event the Firm Bonds are to be presented for conversion at the lowest Conversion Price which is the lowest Floating Conversion Price of HK\$0.654 per Share.

The New Shares to be issued pursuant to conversion of the Additional Bonds will be, if approved by the Shareholders at the SGM, allotted and issued under Share Issue Authority.

(O) Lock-ups

The Company has undertaken to the Purchasers that, for a period from the date of the Purchase Agreement to the date 90 days after the Second Closing Date, neither it nor any of its subsidiaries or affiliates over which it exercises management or voting control, nor any person acting on its or their behalf will without the prior written consent of each of the Purchasers (which consent shall not be unreasonably withheld or delayed), issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal), any Shares or securities convertible or exchangeable into or exercisable for Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the Shares, including equity swaps, forward sales and options representing the right to receive any Shares (whether or not such contract is to be settled by delivery of Shares or such other securities, in cash or otherwise) save for Shares issued: (i) pursuant to the conversion provisions of the Bonds; or (ii) pursuant to obligation in existence at the date of the Purchase Agreement, which have been publicly disclosed by the Company; or (iii) pursuant to share options to be granted by the Company from time to time under its existing share option schemes; (iv) pursuant to the existing warrants issued by the Company in March 2005, and save for share options to be granted by the Company from time to time under its existing share option schemes.

LETTER FROM THE BOARD

(P) Undertakings from substantial Shareholders

Each of Road Shine, Goldreward.com and Perfect Deed, all being subsidiaries of the CITIC Group, and Uni-Tech, a company 99.5% indirectly-owned by Ms. Chen Xiao Ying, the Executive Vice-Chairman of the Company, together holding an aggregate of approximately 48.1% equity interest in the Company, undertakes (i) not to sell, pledge or otherwise dispose of any Shares or securities convertible into Shares or enter into other transactions with a similar effect for a period from the date of the Purchase Agreement up to 90 days after the Second Closing Date; and (ii) to vote in favour of the resolution to be submitted to the SGM to approve the Share Issue Authority. The provision of such undertaking by each of Road Shine, Goldreward.com and Perfect Deed would fall under the requirement of Rule 13.18 of the Listing Rules.

PLACING COMMISSION

The Placing Agents will receive, in aggregate, a placing commission in the sum equal to 4.0% of the principal amount of the Bonds, such commission was arrived at after arm's length negotiation. The Directors consider that the placing commission is fair and reasonable.

USE OF PROCEEDS

The net proceeds from the Firm Bonds and Additional Bonds are estimated to be approximately US\$52.1 million and US\$14.3 million respectively. The Company presently intends to use the net proceeds from the issue of the Firm Bonds for additional capital expenditures of PIATS while those from the issue of Additional Bonds will be used as additional general working capital of the Group.

Pending the deployment of the net proceeds as aforesaid, the funds will be placed in short term deposits or money market instruments as the Directors see fit.

REASONS FOR THE ISSUE OF THE BONDS

The Directors consider that the issue of the Bonds is an appropriate means of raising additional capital for the Company since it will provide the Company with immediate funding, and should the conversion rights attached to the Bonds be exercised, the shareholders' base of the Company will be enlarged.

The Directors consider that, among other things, the terms of the Purchase Agreement including the Initial Conversion Price, which were arrived at after arm's length negotiations between the Company, the Placing Agents and the Purchasers, are fair and reasonable and are in the interests of the Company and the Shareholders. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company as at the date of the Purchase Agreement and immediately after full conversion of the Firm Bonds and Additional Bonds was and will be as follows:

(i) Assuming the Bonds are to be converted at HK\$1.36 per Share

Name of shareholder	As at the date of the Purchase Agreement		Assuming all Firm Bonds but no Additional Bonds are fully converted into Shares		Assuming both Firm Bonds and Additional Bonds are fully converted into Shares	
	No. of Shares	Approximate % to issued share capital of the Company	No. of Shares	Approximate % to issued share capital of the Company	No. of Shares	Approximate % to issued share capital of the Company
Uni-Tech	784,937,030	23.7	784,937,030	21.7	784,937,030	21.1
Road Shine	600,000,000	18.1	600,000,000	16.6	600,000,000	16.2
Goldreward.com	163,818,000	5.0	163,818,000	4.5	163,818,000	4.4
Perfect Deed	44,180,000	1.3	44,180,000	1.2	44,180,000	1.2
Bondholders	-	-	313,556,617	8.7	399,072,058	10.8
Public	1,715,693,387	51.9	1,715,693,387	47.3	1,715,693,387	46.3
	<u>3,308,628,417</u>	<u>100.0</u>	<u>3,622,185,034</u>	<u>100.0</u>	<u>3,707,700,475</u>	<u>100.0</u>

(ii) Assuming the Bonds are to be converted at the lowest conversion price of HK\$0.654 per Share (60% of the Reference Price)

Name of shareholder	As at the date of the Purchase Agreement		Assuming all Firm Bonds but no Additional Bonds are fully converted into Shares		Assuming both Firm Bonds and Additional Bonds are fully converted into Shares	
	No. of Shares	Approximate % to issued share capital of the Company	No. of Shares	Approximate % to issued share capital of the Company	No. of Shares	Approximate % to issued share capital of the Company
Uni-Tech	784,937,030	23.7	784,937,030	19.8	784,937,030	18.9
Road Shine	600,000,000	18.1	600,000,000	15.2	600,000,000	14.5
Goldreward.com	163,818,000	5.0	163,818,000	4.1	163,818,000	4.0
Perfect Deed	44,180,000	1.3	44,180,000	1.1	44,180,000	1.1
Bondholders	-	-	652,044,342	16.5	829,874,617	20.1
Public	1,715,693,387	51.9	1,715,693,387	43.3	1,715,693,387	41.4
	<u>3,308,628,417</u>	<u>100.0</u>	<u>3,960,672,759</u>	<u>100.0</u>	<u>4,138,503,034</u>	<u>100.0</u>

Notes:

- Uni-Tech is wholly-owned by 21CN Corporation. 21CN Corporation is owned as to 99.5% by Pollon Internet Corporation, which is wholly-owned by Ms. Chen Xiao Ying, Executive Vice-Chairman of the Company.
- CITIC Group is the beneficial substantial shareholder of Road Shine, Goldreward.com and Perfect Deed.

LETTER FROM THE BOARD

Should all Firm Bonds and Additional Bonds be converted at the lowest Conversion Price which is equivalent to the lowest Floating Conversion Price at HK\$0.654 per Share, Och-Ziff will own approximately 10.05% of the then enlarged issued share capital of the Company and thus become a substantial shareholder of the Company under the Listing Rules.

APPLICATION FOR LISTING

No application has been or will be made for the listing of, or permission to deal in, the Bonds on the Stock Exchange or any other stock exchange. The approval for the listing of the New Shares issuable on conversion of the Firm Bonds on the Stock Exchange has been obtained. An application has been made to the Stock Exchange for the listing of and permission to deal in the New Shares issuable on conversion of the Additional Bonds.

FUND RAISING ACTIVITIES OF THE COMPANY FOR THE 12 MONTHS BEFORE THE DATE OF THIS CIRCULAR

The Company has the following fund raising activities within the 12 months before the date of this circular:

(i) Rights issue of warrants

	No. of warrants	Price per right <i>HK\$</i>	Funds raised <i>HK\$</i>
Rights issue of warrants	550,697,664	0.10	<u>55,069,766</u>

(ii) Exercise of share options and warrants

	Shares issued	Average exercise price <i>HK\$</i>	Shareholders' funds raised <i>HK\$</i>
Share options	19,580,668	0.36	7,119,935
Warrants	52,417	2.40	<u>125,801</u>
			<u>7,245,736</u>

The total funds raised in the amount of approximately HK\$62,316,000 during the 12-month period before the date of this circular have been or are intended to be used for capital expenditures and general working capital of the Group. RMB48,000,000 has been used as registered capital of QSIT while the rest is used as general working capital of the Company. Currently, there are over 2,000 customers which have entered into agreement to join PIATS.

LETTER FROM THE BOARD

THE SPECIAL GENERAL MEETING

The SGM will be held at Board Room of The Dynasty Club, 7/F, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on 9 January 2006 at 3:00 p.m., or any adjournments thereof, for the purpose of considering and, if thought fit, passing the ordinary resolution to approve the Share Issue Authority and the transactions contemplated under the Purchase Agreement. Should all Additional Bonds be converted at the lowest Conversion Price which is equivalent to the lowest Floating Conversion Price at HK\$0.654 per Share, the maximum number of Shares issuable on conversion of Additional Bonds under Share Issue Authority is 177,830,275 Shares. A notice convening the SGM is set out on pages 23 to 24 of this circular.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the meeting, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the head office of the Company in Hong Kong at Suites 7001-7005, 70/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not prevent you from subsequently attending and voting at the SGM or any adjourned meetings if you so wish.

No Shareholder is required to abstain from voting at the SGM pursuant to the Listing Rules and/or the Bye-Laws.

PROCEDURE FOR DEMANDING A POLL

Pursuant to bye-law 70 of the Bye-Laws, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded (i) by the chairman of the meeting; or (ii) by at least three Shareholders present in person or by a duly authorized corporate representative or by proxy for the time being entitled to vote at the meeting; or (iii) by any Shareholder or Shareholders present in person or by a duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or (iv) by any Shareholder or Shareholders present in person or by a duly authorized representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

LETTER FROM THE BOARD

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the head office of the Company in Hong Kong at Suites 7001-7005, 70/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours up to the date of the SGM.

- (a) the memorandum of association and Bye-Laws of the Company; and
- (b) the Purchase Agreement.

GENERAL

The Company is an investment holding company. The principal activities of its subsidiaries, jointly-controlled entities and an associate are as follows:

- (i) provision of telecommunication/information value-added services;
- (ii) operation of an exclusive network platform in the PRC for accessing China Electronic Customs' dedicated network for electronic customs processing and other electronic government services;
- (iii) operation of an exclusive platform PIATS for product authentication which in turn provides anti-counterfeit service, trans-shipment information service and other marketing-related services such as market research, promotion service and customer care, and logistic management service; and
- (iv) provision of system integration and software development.

This circular is for information purposes only and is not an offer to sell or the solicitation of an offer to buy any securities and neither this circular nor anything herein forms the basis for any contract or commitment whatsoever.

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

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(i) Directors

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

	Number of Shares/underlying shares held				Approximate percentage of the issued share capital as at the Latest Practicable Date
	Shares (Corporate interest)	Share options (Personal interest) ⁽²⁾	Equity derivatives ⁽³⁾	Aggregate interests	
Mr. Wang Jun	-	30,000,000	-	30,000,000	0.9
Ms. Chen Xiao Ying	784,937,030 ⁽¹⁾	160,000,000	130,822,838 ⁽¹⁾	1,075,759,868	32.5
Mr. Luo Ning	-	10,000,000	-	10,000,000	0.3
Mr. Sun Yalei	-	10,000,000	-	10,000,000	0.3
Mr. Zhang Lian Yang	-	15,000,000	-	15,000,000	0.5
	<u>784,937,030</u>	<u>225,000,000</u>	<u>130,822,838</u>	<u>1,140,759,868</u>	<u>34.5</u>

Notes:

- (1) The interest in these Shares and underlying shares of the Company were held by Uni-Tech, a wholly owned subsidiary of 21CN Corporation. 21CN Corporation is owned as to 99.5% by Pollon Internet Corporation, a company wholly owned by Ms. Chen Xiao Ying, Executive Vice Chairman of the Company.
- (2) Particulars of interests of the Directors in the share options of the Company are set out in the annual report of the Company dated 4 July 2005.

- (3) All interests in Shares and underlying shares of the Company are long positions. All interests in equity derivatives of the Company are interests in warrants of the Company which confer rights to subscribe for Shares at an initial subscription price of HK\$2.40 per Share (subject to adjustment) exercisable during the period from 18 March 2005 to 17 September 2006.

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

(ii) Substantial Shareholders

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

– Long position in Shares

Name	Nature of interest	Number of Shares held (note (c))	Equity derivatives (note (c))	Personal interest in share options	Total interest in Shares/ underlying shares	Approximate percentage of the issued share capital as at the Latest Practicable Date
Uni-Tech (note (a))	Beneficial owner	784,937,030	130,822,838	-	915,759,868	27.7
21CN Corporation (note (a))	Interest of controlled corporation	784,937,030	130,822,838	-	915,759,868	27.7
Pollon Internet Corporation (note (a))	Interest of controlled corporation	784,937,030	130,822,838	-	915,759,868	27.7
Ms. Chen Xiao Ying (note (a))	Interest of controlled corporation	784,937,030	130,822,838	160,000,000	1,075,759,868	32.5
CITIC Group ("CITIC") (note (b))	Interest of controlled corporation	807,998,000	134,666,333	-	942,664,333	28.5

Notes:

- (a) Uni-Tech is wholly-owned by 21CN Corporation. 21CN Corporation is owned as to 99.5% by Pollon Internet Corporation, which is wholly-owned by Ms. Chen Xiao Ying, Executive Vice Chairman of the Company.
 - (b) The interest in these Shares and underlying shares of the Company were held by Road Shine as to 700,000,000 Shares, Goldreward.com as to 191,121,000 Shares and Perfect Deed as to 51,543,333 Shares, all of which are controlled by CITIC Group.
 - (c) All interests in Shares and underlying shares of equity derivatives and share options of the Company are long positions. All interests in underlying shares of equity derivatives of the Company are interests in warrants.
- *Long position in shares of other members of the Group*

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

Name of substantial shareholder	Name of subsidiary	Approximate percentage of total issued share capital of the subsidiary
Tam Po Ki	Cattsoft Technology Company Limited	30% (long position)

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

3. SERVICE CONTRACTS

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

4. LITIGATION

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

5. DIRECTORS' INTERESTS IN CONTRACTS AND COMPETING BUSINESS

- (a) No contracts of significance in relation to the Company's business to which the Company, any of its subsidiaries or its holding companies were a party and in which a Director had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date.
- (b) None of the Directors has any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Company as at 31 March 2005 were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to the Company or any of its subsidiaries.
- (c) As at the Latest Practicable Date, none of the Directors and their respective associates had any beneficial interest in a business which compete or may compete with the business of the Group.

6. MISCELLANEOUS

- (a) The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The principal place of business of the Company is Suites 7001-7005, 70/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.
- (b) The secretary and qualified accountant of the Company is Mr. Kwong Chun Chung who is a fellow member of the Hong Kong Institute of Certified Public Accountants.
- (c) The principal registrar is Reid Management Limited, Argyle House, 41A Cedar Avenue, Hamilton HM 12, Bermuda.
- (d) The Hong Kong branch share registrar and transfer office of the Company is Secretaries Limited, G/F, Bank of East Asia, Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong (with effect from 3 January 2006, the address of Secretaries Limited will be relocated to 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong).
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

CITIC 21CN
中信 21世紀
CITIC 21CN COMPANY LIMITED

(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 Board Room of The Dynasty Club, 7/F, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on 9 January 2006 at 3:00 p.m., or any adjournments thereof, for the purposes of considering and, if thought fit, passing, with or without modification, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (a) the creation and issue of an additional US\$15,000,000 zero coupon bonds (the “**Additional Bonds**”) due 2010 by CITIC 21CN COMPANY LIMITED (the “**Company**”) to OZ Master Fund, Ltd., OZ Asia Master Fund, Ltd., Amaranth LLC, Highbridge International LLC and Highbridge Asia Opportunities L.P. (the “**Purchasers**”), convertible into new shares in the capital of the Company on and subject to the terms and conditions of the bond purchase agreement dated 14 December 2005, made between the Company and the Purchasers in respect of, inter alia, the issue of the bonds by two series, comprising the firm bonds in the amount of US\$55,000,000 and the Additional Bonds (the “**Bond Purchase Agreement**”) be and is hereby approved;
- (b) the directors of the Company (the “**Directors**”) be and are hereby authorised to (i) issue the Additional Bonds on and subject to the terms of the Bond Purchase Agreement and (ii) to issue from time to time and in accordance with the terms and conditions of the Additional Bonds, such number of new shares in the capital of the Company as may be required to be issued pursuant to the exercise of the conversion rights attached to the Additional Bonds; and
- (c) the Directors be and are hereby authorised to take such other actions and execute such other documents or deeds as they may consider necessary or desirable to effect the transactions contemplated under the Bond Purchase Agreement and the issue of the Additional Bonds.”

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

Hong Kong, 23 December 2005

NOTICE OF SGM

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head Office and Principal Place of Business in Hong Kong:

Suites 7001-7005
70/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the above meeting may appoint one or more proxies to attend and to vote in his stead. A proxy need not be a member of the Company.
2. A form of proxy for use at the SGM is enclosed herein.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her 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.
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 of the Company in Hong Kong at Suites 7001-7005, 70/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong not less than 48 hours before the time appointed for the meeting or any adjournments 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 adjournments 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.