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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 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 to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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

DISCLOSEABLE AND CONNECTED TRANSACTION
LOAN TO A CONNECTED PERSON

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



A letter from the Board is set out on pages 5 to 12 of this circular. A letter from the Independent Board Committee is set out on page 13 of this circular.

A letter from GF Capital (Hong Kong) Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee is set out on pages 14 to 24 of this circular.

A notice convening the SGM to be held at Crown Room, 8th Floor, The Dynasty Club Limited, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Monday, 31 August 2009 at 10:30 a.m. or immediately after holding of AGM as appropriate is set out on pages 31 to 32 of this circular.

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

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DEFINITIONS

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

“associates”	has the meaning as ascribed to it under the Listing Rules;
“Aggregate Loan Amount”	means approximately RMB75,531,200, including the Loan and the Renewal Loan;
“Board”	means the board of Directors of the Company for the time being;
“CCIT”	means 中國國檢信息技術有限公司 (China Credit Information Technology Co. Ltd* formerly identified as QSIT* or Quality Supervision Information Technology Co. Ltd*), a company incorporated in the PRC with limited liability and a 50%-owned jointly-controlled entity of the Group, the remaining 30% and 20% equity interest of CCIT are owned by CITIC Group and China Huaxin Telecom respectively;
“China Huaxin Telecom”	means 中國華信郵電經濟開發中心 (China Huaxin Telecom Economic Development Centre*), a wholly-owned subsidiary of China Telecom which owns 20% of the shareholdings of CCIT;
“China Telecom”	means 中國電信集團公司 (China Telecommunications Corporation*), a company incorporated in the PRC with limited liability;
“CITIC 21CN Technology”	means 中信二十一世紀(中國)科技有限公司 (CITIC 21CN (China) Technology Co. Ltd*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company;
“CITIC 21CN Telecom”	means CITIC 21CN Telecom Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company;
“CITIC 21CN Telecom Loan”	means a non-interest bearing and unsecured loan of US\$6,900,000 as stated in the CITIC 21CN Telecom Loan Agreement and the Supplemental Loan Agreement;

* For identification purpose only

DEFINITIONS

“CITIC 21CN Telecom Loan Agreement”	means the loan agreement dated 3 March 2006 entered into between CITIC 21CN Telecom and CCIT in relation to the provision of a non-interest bearing and unsecured loan of US\$6,900,000 from CITIC 21CN Telecom to CCIT as referred to in the Company’s announcement dated 6 March 2006;
“CITIC Group”	means 中國中信集團公司 (CITIC Group*), a substantial ultimate shareholder of the Company which owns 30% of the shareholdings of CCIT;
“Company”	means CITIC 21CN Company Limited (中信21世紀有限公司*), an exempted company incorporated in Bermuda with limited liability and whose Shares are listed and traded on the main board of the Stock Exchange;
“Connected Persons”	has the same meaning as ascribed to it under the Listing Rules;
“Convertible Bonds”	means the US\$70,000,000 zero coupon convertible bonds due 2010 issued by the Company as detailed in its circular dated 23 December 2005, which have been converted into Shares of the Company or otherwise repaid;
“Director(s)”	means the directors of the Company for the time being;
“Group”	means the Company and its subsidiaries;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	means an independent committee of the Board, comprising Dr. Hui Ho Ming, Herbert, JP, Mr. Chen Wuzhao and Mr. Zhang Jian Ming, being all independent non-executive Directors, established for the purpose of advising the Independent Shareholders in connection with the Loan Agreement and the transactions contemplated thereunder;

* For identification purpose only

DEFINITIONS

“Independent Financial Adviser” or “GF Capital”	means GF Capital (Hong Kong) Limited, a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activities;
“Independent Shareholders”	means the Shareholders of the Company other than CITIC Group and its associates;
“JV Agreement”	means the joint venture agreement dated 20 January 2005 in relation to the formation of CCIT;
“Latest Practicable Date”	means 17 July 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information therein;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange;
“Loan”	means an unsecured and non-interest bearing loan of RMB20,000,000 to be advanced by CITIC 21CN Technology to CCIT pursuant to the terms of the Loan Agreement;
“Loan Agreement”	means the conditional loan agreement dated 21 July 2009 entered into between CITIC 21CN Technology as lender and CCIT as borrower in relation to the provision of a non-interest bearing and unsecured loan of RMB20,000,000 from CITIC 21CN Technology to CCIT;
“Long Stop Date”	means 30 September 2009 or such other date as CITIC 21CN Technology and CCIT may agree in writing;
“Percentage Ratios”	means the ratios under Rule 14.07 of the Listing Rules;
“PIATS”	means product identification, authentication and tracking system operated by CCIT;
“PRC”	means the People’s Republic of China;
“Renewal Loan”	means a non-interest bearing and unsecured loan of US\$6,900,000 for a term of three years ending 23 March 2011 under the Renewal Loan Agreement;
“Renewal Loan Agreement”	means the renewal loan agreement dated 22 May 2008 entered into between CITIC 21CN Telecom and CCIT in relation to renewal of the CITIC 21CN Telecom Loan for a term of three years ending 23 March 2011;

DEFINITIONS

“Repayment Day”	means 31 March 2012;
“RMB”	means Renminbi, the lawful currency of the PRC;
“SAFE”	means 國家外匯管理局 (State Administration of Foreign Exchange);
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	means the special general meeting of the Company to be convened and held on 31 August 2009 for the purpose of considering, and if thought fit, approving the terms of the Loan Agreement and the transactions contemplated thereunder;
“Share(s)”	means ordinary share(s) of HK\$0.01 each in the capital of the Company;
“Shareholder(s)”	means holder(s) of the Shares of the Company;
“Stock Exchange”	means the Stock Exchange of Hong Kong Limited;
“Supplemental Loan Agreement”	means the supplemental loan agreement dated 3 March 2006 entered into between CITIC 21CN Telecom and CCIT in relation to the provision of a non-interest bearing and unsecured loan of US\$6,900,000 from CITIC 21CN Telecom to CCIT as referred to in the Company’s announcement dated 6 March 2006;
“US\$”	means United States dollars, the lawful currency of the United States of America;
“%”	means per cent;

CITIC 21CN
中信 21世紀

CITIC 21CN COMPANY LIMITED
中信21世紀有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 241)

Board of Directors

Executive Directors:

Mr. Wang Jun (*Chairman*)
Ms. Chen Xiao Ying (*Executive Vice Chairman*)
Mr. Luo Ning (*Vice Chairman*)
Mr. Sun Yalei
Mr. Zhang Lianyang
Ms. Xia Guilan

Independent non-executive Directors:

Dr. Hui Ho Ming, Herbert, JP
Mr. Zhang Jian Ming
Mr. Chen Wuzhao

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

28 July 2009

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

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
LOAN TO A CONNECTED PERSON**

INTRODUCTION

On 21 July 2009, CITIC 21CN Technology, a wholly-owned subsidiary of the Company, entered into the Loan Agreement with CCIT, a 50%-owned jointly-controlled entity of the Group, pursuant to which CITIC 21CN Technology conditionally agreed to advance the Loan to CCIT as its capital expenditures and general working capital on the terms and subject to the conditions therein contained.

Since CCIT is owned as to 50%, 30% and 20% by the Company, CITIC Group and China Huaxin Telecom respectively, and CITIC Group is a substantial shareholder of the Company, CCIT is a non wholly-owned subsidiary and a connected person of the Company under Rule 14A.11(5) of the Listing Rules. The provision of the Loan by CITIC

* For identification purpose only

LETTER FROM THE BOARD

21CN Technology to CCIT constitutes a connected transaction under Rule 14A.13(2)(a)(i) of the Listing Rules and is subject to the approval of the Independent Shareholders at the SGM under Chapter 14A of the Listing Rules.

In 2006, CITIC 21CN Telecom provided CCIT the CITIC 21CN Telecom Loan under the CITIC 21CN Telecom Loan Agreement and the Supplemental Loan Agreement. In 2008, the CITIC 21CN Telecom Loan was renewed for a term of three years under the Renewal Loan Agreement.

Taking into account of the Renewal Loan and the Renewal Loan Agreement which was entered into within a 12-month period of the Loan Agreement, the Renewal Loan Agreement and the Loan Agreement are required to be aggregated pursuant to Rules 14.22 and 14A.25 of the Listing Rules. The Aggregate Loan Amount, including the Loan and the Renewal Loan, will be approximately RMB75,531,200. As the Aggregate Loan Amount exceeds 5% but less than 25% of the relevant Percentage Ratios, the Loan constitutes a discloseable transaction for the Company under the Listing Rules.

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

THE LOAN AGREEMENT

Date

21 July 2009

Parties

Lender : CITIC 21CN Technology

Borrower : CCIT

Loan amount

RMB20,000,000

Loan period

Three years commencing from 1 April 2009 to 31 March 2012 and CCIT shall repay the Loan in full on the Repayment Day.

Interest rate and security

Non-interest bearing and unsecured

LETTER FROM THE BOARD

Principal terms of the Loan

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

The Loan will be financed by the Group's internal resources.

The Loan Agreement was entered into after taking into accounts of the current operation and management of CCIT and the terms of the Loan Agreement are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Condition precedent

The grant of the Loan is subject to, among others, the Company having obtained the approval of the Independent Shareholders (other than those who are required to abstain from voting under the Listing Rules, if any) in respect of the grant of the Loan by CITIC 21CN Technology under the Loan Agreement and the performance of the transactions contemplated thereunder in accordance with all applicable laws, rules and regulations.

If the condition precedent sets out in the Loan Agreement is not fulfilled by the Long Stop Date, the Loan Agreement will be terminated automatically and have no further force and effect and no party shall have any liability under them save for any antecedent breach of any term thereof.

THE CITIC 21CN TELECOM LOAN AGREEMENT AND THE SUPPLEMENTAL LOAN AGREEMENT

The CITIC 21CN Telecom Loan Agreement

Date

3 March 2006

Parties

Lender : CITIC 21CN Telecom

Borrower : CCIT

CITIC 21CN Telecom Loan amount

US\$6,900,000 (equivalent to approximately RMB55,531,200)

CITIC 21CN Telecom Loan period

Two years commencing from the date of receipt of the CITIC 21CN Telecom Loan by CCIT

LETTER FROM THE BOARD

Interest rate and security

Non-interest bearing and unsecured

Agreed exchange rate between US\$ and RMB

US\$1 = RMB8.048

The Supplemental Loan Agreement

Date

3 March 2006

Parties

Lender : CITIC 21CN Telecom

Borrower : CCIT

Terms

The CITIC 21CN Telecom Loan Agreement and the Supplemental Loan Agreement have to be registered with the Beijing Office of the SAFE within 15 days of the signing of the CITIC 21CN Telecom Loan Agreement and the Supplemental Loan Agreement. The repayment of the CITIC 21CN Telecom Loan will be subject to the approval of the SAFE in accordance with SAFE's requirements.

After the signing of the CITIC 21CN Telecom Loan Agreement, in order to properly ensure that the relevant requirements of SAFE are properly followed, the Group also entered into the Supplemental Loan Agreement.

THE RENEWAL LOAN AGREEMENT

Date

22 May 2008

Parties

Lender : CITIC 21CN Telecom

Borrower : CCIT

Renewal Loan amount

US\$6,900,000 (equivalent to approximately RMB55,531,200)

LETTER FROM THE BOARD

Term, security and interest rate of the Renewal Loan

Based on the CITIC 21CN Loan Agreement and the Supplemental Loan Agreement, CITIC 21CN Telecom provided the CITIC 21CN Telecom Loan for a term of 2 years (with effect from 23 March 2006 to 23 March 2008), non-interest bearing and unsecured, to CCIT. The term of the CITIC 21CN Telecom Loan is extended for a period of three years ending 23 March 2011, non-interest bearing and unsecured pursuant to the Renewal Loan Agreement.

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

REASONS FOR AND BENEFITS OF ENTERING INTO THE LOAN AGREEMENT

CCIT will make use of the Loan for its capital expenditures and working capital. The Group is entitled to 50% of the net profit of CCIT which is a 50%-owned jointly controlled entity of the Group. The remaining 30% and 20% equity interests of CCIT are owned by CITIC Group and China Huaxin Telecom respectively.

Taking into account of the current management and operation of CCIT, the Loan amount was determined based on the expected capital expenditure and working capital requirements of CCIT.

Pursuant to the JV Agreement and as stated in the circular of the Company dated 8 February 2005, the Group is under the obligation, among other matters, to assist CCIT to raise financing. Accordingly, it is the mutual understanding among the shareholders of CCIT that the Group assumes the role as a leader and financing partner for CCIT, including but not limited to, raising or arranging loans to CCIT from independent third parties and/or the Group. Having considered other available financing alternatives available to CCIT, the Directors consider that the provision of the Loan is the most effective and efficient financing method through which CCIT, the 50%-owned jointly controlled entity of the Group, can quickly obtain the required funding to develop its PIATS business. As such, the provision of the Loan by the Group to CCIT is in accordance with the spirit of the JV Agreement though it is not explicitly stated in it.

As mentioned in the Company's circular dated 23 December 2005, the Company issued Convertible Bonds principally for the capital expenditures and working capital of the PIATS business. And the provision of the Loan is financed by the proceeds from such issue of the Convertible Bonds. Therefore, the provision of the Loan to CCIT is in line with the use of the proceeds of the Convertible Bonds as previously announced.

As CCIT has received strong support from the PRC government and the existing policies of the PRC government in relation to product information are in favour of PIATS business, the Directors believe that there is great potential for PIATS and have confidence in the development of CCIT. In addition, the Group is the single largest shareholder of CCIT and CCIT is accounted for as a jointly-controlled entity of the Group. Therefore, although the Loan has no interest and unsecured, the Directors consider that the terms of the transaction are fair and reasonable and in the interests of the Shareholders as a whole.

LETTER FROM THE BOARD

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

INFORMATION ON THE GROUP AND CCIT

The Company is an investment holding company. CITIC 21CN Technology is principally engaged in telecom value added services. CITIC 21CN Telecom is principally engaged in system integration and software development. CCIT is principally engaged in the PIATS which includes authentication and tracking services for products sold in the PRC through the operation of PIATS, which in turn provides anti-forgery enhancement service, trans-shipment information service, market research, promotion service, customer care, logistic management, and other value added services.

FINANCIAL EFFECTS OF ENTERING INTO THE LOAN AGREEMENT

The provision of the Loan will both decrease the Group's cash and bank balance and increase the Group's non-current loan receivable by RMB10,000,000, being half of the Loan amount of RMB20,000,000, in the consolidated financial statements of the Group. CCIT is a 50%-owned jointly-controlled entity of the Group and the financial performance of CCIT is accounted for using the proportionate consolidation method under which the share of individual assets and liabilities, income and expenses and cash flows of CCIT attributable to the Group are included in the relevant components of the consolidated financial statements of the Group.

GENERAL

As CCIT is a non wholly-owned subsidiary and a connected person of the Company under Rule 14A.11(5) of the Listing Rules, the provision of the Loan by CITIC 21CN Technology to CCIT constitutes a connected transaction under Rule 14A.13(2)(a)(i) of 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 transaction, no Shareholder is required to abstain from voting on the proposed resolutions approving the Loan Agreement and the transactions contemplated thereunder.

In 2006, CITIC 21CN Telecom provided CCIT the CITIC 21CN Telecom Loan under the CITIC 21CN Telecom Loan Agreement and the Supplemental Loan Agreement. In 2008, the CITIC 21CN Telecom Loan was renewed for a term of three years under the Renewal Loan Agreement.

Taking into account of the provision of the Renewal Loan by CITIC 21CN Telecom which is a wholly-owned subsidiary of the Company to CCIT under the Renewal Loan Agreement which was entered into within a 12-month period of the Loan Agreement, the transactions under the Renewal Loan Agreement and the Loan Agreement are required to be aggregated pursuant to Rules 14.22 and 14A.25 of the Listing Rules. The Aggregate

LETTER FROM THE BOARD

Loan Amount, including the Loan and the Renewal Loan, will be approximately RMB75,531,200. As the Aggregate Loan Amount exceeds 5% but less than 25% of the relevant Percentage Ratios, the Loan constitutes a discloseable transaction for the Company under the Listing Rules.

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

Independent Board Committee

The Independent Board Committee has been appointed to advise the Independent Shareholders in respect of the Loan and the Loan Agreement. GF Capital (Hong Kong) Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

SGM

The provision of the Loan by CITIC 21CN Technology to CCIT constitutes a discloseable and connected transaction for the Company under the Listing Rules. Accordingly, pursuant to Rule 14A.11(5) of the Listing Rules, it is conditional on approval by the Independent Shareholders at the SGM. A notice convening the SGM to be held at Crown Room, 8th Floor, The Dynasty Club Limited, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong at 10:30 a.m. or immediately after holding of the annual general meeting as appropriate on Monday, 31 August 2009 is set out on pages 31 to 32 of this circular. A form of proxy for the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

Pursuant to the amendments to the Listing Rules, which came into force on 1 January 2009, any vote of Shareholders at a general meeting must be taken by poll. In compliance with the Listing Rules, the votes on the ordinary resolutions proposed to the Shareholders at the SGM will be taken by poll, and the results of which will be announced after the SGM in accordance with the requirement under the Listing Rules.

DIRECTORS' RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the issuer. 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 there are no other facts the omission of which would make any statement herein misleading.

LETTER FROM THE BOARD

RECOMMENDATION

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

FURTHER INFORMATION

Your attention is drawn to the letters from the Independent Board Committee and the Independent Financial Adviser which are respectively set out on page 13 and pages 14 to 24 of this circular. Additional information is also set out in the appendix to this circular for your information.

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

CITIC 21CN
中信 21世紀

CITIC 21CN COMPANY LIMITED

中信21世紀有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 241)

28 July 2009

To the Shareholders

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTION
LOAN TO A CONNECTED PERSON**

We have been appointed as members of the Independent Board Committee to advise you in connection with the Loan Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board contained in the circular to the Shareholders dated 28 July 2009 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same respective meanings when used herein unless the context otherwise requires.

Having considered the terms of the Loan Agreement and the transactions contemplated thereunder and the advice of the Independent Financial Adviser in relation thereto as set out on pages 14 to 24 of the Circular, we are of the opinion that the terms of the Loan Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Group and the Shareholders as a whole. Accordingly, we recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM approving the Loan Agreement and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee

Mr. Hui Ho Ming, Herbert, JP Mr. Chen Wuzhao Mr. Zhang Jian Ming

Independent non-executive Directors

* *For identification purpose only*

LETTER FROM GF CAPITAL

The following is the text of a letter of advice from GF Capital, which has been prepared for the purpose of incorporation into this circular, setting out its opinion to the Independent Board Committee and the Independent Shareholders in connection with the Loan Agreement.



Suites 2301-5 & 2313, COSCO Tower
183 Queen's Road Central
Hong Kong

28 July 2009

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION LOAN TO A CONNECTED PERSON

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the connected transaction in relation to the Loan Agreement, particulars of which are set out in the "Letter from the Board" (the "**Letter**") contained in the circular of the Company dated 28 July 2009 (the "**Circular**") of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

As disclosed in the announcement of the Company dated 21 July 2009, on 21 July 2009, CITIC 21CN Technology, a wholly-owned subsidiary of the Company, entered into the Loan Agreement with CCIT, a 50%-owned jointly-controlled entity of the Group, pursuant to which CITIC 21CN Technology conditionally agreed to advance the Loan to CCIT as its capital expenditures and general working capital on the terms and subject to the conditions therein contained.

Since CCIT is owned as to 50%, 30% and 20% by the Company, CITIC Group and China Huaxin Telecom respectively, and CITIC Group is a substantial shareholder of the Company, CCIT is a non-wholly-owned subsidiary and a connected person of the Company under Rule 14A.11(5) of the Listing Rules. The provision of the Loan by CITIC 21CN Technology to CCIT constitutes a connected transaction under Rule 14A.13(2)(a)(i) of the Listing Rules and is subject to the approval of the Independent Shareholders at the SGM under Chapter 14A of the Listing Rules.

LETTER FROM GF CAPITAL

In 2006, CITIC 21CN Telecom provided CCIT the CITIC 21CN Telecom Loan under the CITIC 21CN Telecom Loan Agreement and the Supplemental Loan Agreement. In 2008, the CITIC 21CN Telecom Loan was renewed for a term of three years under the Renewal Loan Agreement.

Taking into account of the Renewal Loan and the Renewal Loan Agreement which was entered into within a 12-month period of the Loan Agreement, the Renewal Loan Agreement and the Loan Agreement are required to be aggregated pursuant to Rules 14.22 and 14A.25 of the Listing Rules. The Aggregate Loan Amount, including the Loan and the Renewal Loan, will be approximately RMB75,531,200. As the Aggregate Loan Amount exceeds 5% but less than 25% of the relevant Percentage Ratios, the Loan constitutes a discloseable transaction for the Company under the Listing Rules.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Dr. Hui Ho Ming, Herbert, JP, Mr. Chen Wuzhao and Mr. Zhang Jian Ming, being all independent non-executive Directors, established for the purpose of advising the Independent Shareholders in connection with the Loan Agreement and the transactions contemplated thereunder.

We have been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Loan Agreement are fair and reasonable so far as the Shareholders are concerned and are on normal commercial terms and whether the entering into of the Loan Agreement is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, statements, opinions and representations provided to us by the Company, its representatives and the Directors for which they are solely and wholly responsible and we have assumed that all such information, statements, opinions and representations contained or referred to in the Circular were true, accurate and complete at the time they were made and continue to be true, accurate and complete at the date of the Circular. We have assumed that all statements of belief, opinion and intention made by the Company, its representative and the Directors as set out in the Circular were reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in the Circular. The Directors confirmed that they have provided us with all currently available information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy of such information and the information contained in the Circular to provide a reasonable basis of our opinions.

LETTER FROM GF CAPITAL

Our review and analyses were based upon the information provided by the Company which include, among others, (i) the Loan Agreement; (ii) the announcements of the Company dated 21 July 2009 in relation to the Loan Agreement; (iii) the annual reports of the Company for two years ended 31 March 2008 and the interim report of the Company for the period ended 30 September 2008; (iv) the audited financial statements of CCIT for the two years ended 31 December 2008; and (v) the circular of the Company dated 8 February 2005 relating to the JV Agreement. We consider that we have reviewed sufficient information which enables us to reach an informed view and to provide us with a reasonable basis for our opinion. We have no reason to suspect that any material facts or information which is known to the Company, its representatives and the Directors have been omitted or withheld from the information supplied or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information, facts, and representation provided, or the reasonableness of the opinions and representation expressed by the Company, its representatives and the Directors. We have not, however, carried out any independent verification on the information provided to us by the Company, its representatives and the Directors, nor have we conducted an independent in-depth investigation into the business affairs, financial condition and the prospects of the Group, CCIT or any of their associates.

Our opinion is necessarily based upon the financial, economic, market, regulatory and other conditions as they exist on, and the facts, information, representations and opinions made available to us as of, the Latest Practicable Date. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein, which may come or be brought to our attention after the close of business on the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Shareholders, we have considered the following principal factors and reasons:

1. Information on the Group

The Group is an integrated information and content service provider, emphasizing on innovation as well as seeking ways to apply the latest information technology to provide unique information service to the PRC governmental departments, manufacturers, the pharmaceutical industry and consumers. The Group's major clients are sizable and prestigious PRC manufacturers. The Group has received strong support from the PRC government.

LETTER FROM GF CAPITAL

Review of financial performance of the Group

Based on the information set out in the annual reports for 2007 and 2008 and the interim report for 2008 of the Company, the key financial figures of the Company are summarized as follows:

	For the year ended 31 March			Six months ended 30 September	
	2006	2007	2008	2007	2008
	(Audited) HK\$'000	(Audited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Turnover	403,545	286,057	233,374	114,373	128,325
Profit/(Loss) attributable to shareholders of the Company	9,153	(60,998)	(75,860)	(29,668)	(85,266)
Current assets	817,722	672,584	464,545	639,514	421,100
Including					
– Bank balances and cash	592,978	453,984	288,322	444,269	285,503
– debtors	153,135	108,965	76,724	82,092	74,560
Current liabilities	118,350	81,065	108,203	78,621	148,947
Current Ratio (current assets/current liabilities)	6.91	8.30	4.29	8.13	2.83
Shareholders' equity	337,765	318,240	607,506	629,993	534,467
Convertible bonds	547,420	543,765	84,653	219,308	88,660
Gearing ratio (bank loans and convertible bonds/shareholders' equity)	165.55%	174.75%	18.37%	38.82%	21.29%

Based on the financial information as stated above, we noted that as at 30 September 2008, the Group has bank and cash balances of approximately HK\$285.5 million and a current ratio of 2.83. As discussed with the management of the Company, save for the repayment of the outstanding balance of the Convertible Bonds in December 2008 (i.e. approximately HK\$88.7 as at 30 September 2008), the Group has not had any material cash outflow which could have caused material adverse effect on the liquidity of the Group since 30 September 2008 i.e. the date of the latest published consolidated balance sheet of the Company. Having considered the relatively low gearing ratio of 21.29% as at 30 September 2008 (which became lower subsequent to the repayment of the Convertible Bonds in December 2008), we consider that the Group had a satisfactory financial and liquidity position which enables the Group to advance the Loan which amounts to RMB20.0 million or approximately HK\$22.7 million (assuming HK\$1.0 = RMB0.88) to CCIT.

2. Information on CCIT

CCIT, a 50%-owned jointly controlled entity of the Group, is principally engaged in the provision of product quality supervision and enforcement information for the relevant PRC authorities through the operation of PIATS; the provision of product information to the manufacturers from the manufacturing to the distribution and sale of the product; the provision of a simple, convenient and efficient way for the consumers to enquire product information, and check whether the products are counterfeit products or products with poor quality or safety; and the provision of an interactive channel for the consumers to report counterfeit products or products with poor quality or safety.

According to the 2008 interim report of the Company, CCIT has established a leading position in the PRC information service sector by providing manufacturers and consumers with these information value-added services. In May 2008, PIATS helped to facilitate and to speed up the countrywide redistribution of anaesthetics to the disaster area during Sichuan Earthquake. Currently, certain well-known drug, seedling and fertilizer manufacturers in agricultural industry have shown to be successfully in using PIATS to protect their brand names, to reduce the counterfeit battling costs, to increase the customer confidence in using their products; and hence their market competitiveness and sales volume are enhanced. With the success in building up PIATS to become one of the largest platforms in the PRC information service sector, the management is exploring the use of PIATS in other different areas, fields or industries to develop other business models generating additional revenue and contribution to CCIT. Recently, the scope of PIATS business has already extended to drugs. Two kinds of government controlled drugs, anaesthetics and type I mental disorder drugs, have been using PIATS for tracking, which are now capable for swift product recall when necessary. Since the initial roll-out of PIATS, over 79,000 manufacturers and distributors across China have joined PIATS, representing an increase of more than 23.4% since 31 March 2008.

Since the launch of PIATS, CCIT has experienced positive response from both manufacturers and consumers. The management of the Company is now actively promoting PIATS to other industries and fields to enlarge its customer bases and, at the same time, the management is developing new business models for PIATS to diversify and to enlarge its business scope. The management of the Company has confidence that PIATS can reduce counterfeit products, improve product safety and foods and drug safety, and protect consumers, manufacturers and intellectual property rights. The Group will continue to sign up manufacturers, distributors and retailers to join PIATS to enhance the supervision and monitoring of product quality and food safety for products manufactured in the PRC. The Directors believe that there is a great potential for PIATS as there are no other companies that can provide a similar service as PIATS.

LETTER FROM GF CAPITAL

Based on the audited financial statements of CCIT for the two years ended 31 December 2008 prepared based on the PRC accounting standards, the key financial figures of CCIT are summarized as follows:

	For the year ended	
	31 December	
	2007	2008
	(Audited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	7,615.7	24,761.1
Net Loss	(26,901.1)	(13,870.4)
Current assets	4,025.8	9,778.4
– Including cash and cash equivalent	1,419.0	7,042.5
Current liabilities	(18,453.8)	(25,745.9)
Net current liabilities	(14,428.0)	(15,967.5)
Shareholders' deficit	(4,231.6)	(18,102.0)

The revenue of CCIT for the year ended 31 December 2008 increased by more than three times to approximately RMB24.8 million from approximately RMB7.6 million for the year ended 31 December 2007. Net loss substantially decreased from approximately RMB26.9 million for the year ended 31 December 2007 to approximately RMB13.9 million for the year ended 31 December 2008. As PIATS has been launched into the market for only a relatively short period of time and is on its development stage, CCIT has recorded losses for the previous couple of years and its financial positions are relatively weak. Therefore, financial support from the Company is important for CCIT to continue its operation and development. In view of the financial performance and financial position of CCIT, it is also considered that raising external financing would be very difficult and, if available, the financing costs incurred therefrom would hinder the development of CCIT.

According to the 2008 Annual Report of the Company, the Group's share of the turnover of CCIT for the year ended 31 March 2008 increased by 589.2% to HK\$6,279,000 from HK\$911,000 for the year ended 31 March 2007. In December 2007, the government issued a policy for all manufacturers of 69 product types in the PRC to mandatorily join PIATS. As a result of this policy, CCIT has experienced significant increase in turnover starting in March 2008 due to these types of manufacturers joining PIATS.

In addition, according to the 2008 Interim Report of the Company, the Group's share of the revenue of CCIT for the six months ended 30 September 2008 increased by 34.6% to HK\$3,591,000 from HK\$2,667,000 for the six months ended 30 September 2007. The increase in revenue was due to the increase in number of manufacturers joining and making use of the information services of PIATS during the period.

LETTER FROM GF CAPITAL

In view of the substantial growth of CCIT and the governmental policy support to PIATS, together with the wide array of applications of PIATS which offer it a lot of potential, it is considered that CCIT will enjoy further growth in the future and therefore the continued financial support to CCIT is commercially justifiable.

3. Terms of the Loan Agreement

Date

21 July 2009

Parties

Lender : CITIC 21CN Technology

Borrower : CCIT

Loan amount

RMB20,000,000

Loan period

Three years commencing from 1 April 2009 to 31 March 2012 and CCIT shall repay the Loan in full on the Repayment Day

Interest rate and security

Non-interest bearing and unsecured

Principal terms of the Loan

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

The Loan will be financed by the Group's internal resources.

Condition precedent

The grant of the Loan is subject to, among others, the Company having obtained the approval of the Independent Shareholders (other than those who are required to abstain from voting under the Listing Rules, if any) in respect of the grant of the Loan by CITIC 21CN Technology under the Loan Agreement and the performance of the transactions contemplated thereunder in accordance with all applicable laws, rules and regulations.

LETTER FROM GF CAPITAL

If the condition precedent sets out in the Loan Agreement is not fulfilled by the Long Stop Date, the Loan Agreement will be terminated automatically and have no further force and effect and no party shall have any liability under them save for any antecedent breach of any term thereof.

The Directors consider that the Loan Agreement was entered into after taking into accounts of the current operation and management of CCIT and the terms of the Loan Agreement are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Since the Loan is non-interest bearing and unsecured, we consider that the Loan Agreement is not on normal commercial terms. However, taking into consideration that (i) the Company is the single largest shareholder of CCIT and shall assume the role to arrange financing for CCIT according to the JV Agreement (Please refer to the paragraph headed "Reasons for Entering into of the Loan Agreement" below for details); (ii) the Loan will be financed by internal resources of the Group i.e. no external interest-bearing financing is required; (iii) the current bank saving rate which is closed to zero; (iv) the Group has issued zero-coupon convertible bonds of US\$70,000,000 of which the proceeds are planned for the capital expenditures and working capital of the PIATS business; and (v) the restriction imposed on CCIT for the use of the Loan as the capital expenditures and general working capital of CCIT only, we consider that the terms of the Loan Agreement are fair and reasonable.

4. Reasons for Entering into of the Loan Agreement

CCIT will make use of the Loan for its capital expenditures and working capital. The Group is entitled to 50% of the net profit of CCIT which is a 50%-owned jointly controlled entity of the Group. The remaining 30% and 20% equity interests of CCIT are owned by CITIC Group and China Huaxin Telecom respectively.

Pursuant to the JV Agreement and as stated in the circular of the Company dated 8 February 2005, the Group is under the obligation, among other matters, to assist CCIT to raise financing. Accordingly, it is the mutual understanding among the shareholders of CCIT that the Group assumes the role as a leader and financing partner for CCIT, including but not limited to, raising or arranging loans to CCIT from independent third parties and/or the Group. Having considered other available financing alternatives available to CCIT, the Directors consider that the provision of the Loan is the most effective and efficient financing method through which CCIT, the 50%-owned jointly controlled entity of the Group, can quickly obtain the required funding to develop its PIATS business. As such, the provision of the Loan by the Group to CCIT is in accordance with the spirit of the JV Agreement though it is not explicitly stated in it. In fact, pursuant to the Renewal Loan Agreement, the Group has granted to CCIT the Renewal Loan of US\$6,900,000 (approximately HK\$53.8 million) which is non-interest bearing and unsecured for a term of three years ending 23 March 2011.

LETTER FROM GF CAPITAL

In addition, as mentioned in the Company's circular dated 23 December 2005, the Company issued the Convertible Bonds principally for the capital expenditures and working capital of the PIATS business. The provision of the Loan is financed by the proceeds from such issue of the Convertible Bonds. Therefore, the provision of the Loan to CCIT is in line with the use of the proceeds of the Convertible Bonds as previously announced.

As CCIT has received strong support from the PRC government and the existing policies of the PRC government are in favour of PIATS business, the Directors believe that there is great potential for PIATS and have confidence in the development of CCIT. In addition, the Group is the single largest shareholder of CCIT and CCIT is accounted for as a jointly-controlled entity of the Group. Therefore, although the Loan has no interest and unsecured, the Directors consider that the terms of the transaction are fair and reasonable and in the interests of the Shareholders as a whole.

We are of the view that the Loan and the entering into of the Loan Agreement align with the overall business strategy of the Group to develop the PIATS and that the provision of the Loan is in line with the planned use of proceeds of the zero-coupon convertible bonds as previously announced.

5. Financial effects of the Loan

Set out below are the possible financial effects on the Group resulting from the entering into of the Loan Agreement:

Gearing

The provision of the Loan will be financed by the internal resources of the Group. Hence, no immediate material effect on the gearing ratio (being total borrowings to total equity) of the Group resulting from the provision of the Loan is expected.

Net asset value

No immediate material effect of the Loan Agreement on the net asset value of the Group is expected.

Earnings

Since the Loan is interest free and is financed by internal resources of the Group, save for the possible reduction of interest income arising from the relevant fund, no immediate material effect of the Loan Agreement on the earnings of the Group is expected.

Working Capital

As at 30 September 2008, the Group's cash and cash equivalents was approximately HK\$285.5 million. Since CCIT is a 50%-owned

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jointly-controlled entity of the Group and CCIT is accounted for using proportionate consolidation method, the cash position of the Group would be reduced by 50% of the amount of the Loan drawn from the internal resources of the Group, which is currently expected to be up to approximately RMB10.0 million or HK\$11.4 million, until full repayment of such amount of the Loan by CCIT.

Taking into account (i) that no immediate material effect on the gearing ratio, net asset value and earnings is expected; (ii) the working capital requirement of CCIT; and (iii) the prospects of the PIATS and the related industry, the Directors consider that the reduction in cash position of the Group until full repayment of the Loan by CCIT is acceptable.

CONCLUSIONS

In forming our opinion on the Loan Agreement, we have considered the principal factors and reasons discussed above, in particular, the following:

- (i) CCIT's leading position in the PRC information service sector and its substantial growth through PIATS;
- (ii) pursuant to the JV Agreement, the Group is under the obligation, among other matters, to assist CCIT to raise financing and it is the mutual understanding among the shareholders of CCIT that the Group assumes the role as a leader and financing partner for CCIT;
- (iii) the provision of the Loan to CCIT is in line with the use of proceeds of the Convertible Bonds as previously announced;
- (iv) the provision of financing which support the development of CCIT and its PIATS aligns with the development strategy of the Group; and
- (v) the grant of the Loan would not cause any immediate material financial effect on the Group.

Having considered the above, we are of the view that despite the entering into of the Loan Agreement is neither in the ordinary and usual course of business of the Company nor on normal commercial terms, the terms of the Loan Agreement are fair and reasonable and the entering into of the Loan Agreement is in the interests of the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution approving the entering into of the Loan Agreement and the transactions contemplated thereunder.

LETTER FROM GF CAPITAL

However, we would like to draw the attention of the Independent Shareholders to the fact that the ability of repayment of the Loan by CCIT relies on the continued success of PIATS which will in turn improve the liquidity position of CCIT. Although CCIT has been enjoying a substantial growth under the prevailing favorable government policy and business environment where no direct competitor exists, there is a possibility that the PIATS will not be as successful as expected by the management of CCIT and the Group and hence the Loan cannot be repaid by CCIT on or before the Repayment Day. In such circumstance, the Company's financial position may be adversely affected.

For and on behalf of
GF Capital (Hong Kong) Limited

Dino Ng

Managing Director and Co-Head of Corporate Finance

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. 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 that there are no other facts the omission of which would make any statement contained 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
	Share (Corporate interest)	Share options (Personal interest) ⁽²⁾	Aggregate interests	
Mr. Wang Jun	–	30,000,000	30,000,000	0.8069%
Ms. Chen				
Xiao Ying	784,937,030 ⁽¹⁾	90,000,000	874,937,030	23.5333%
Mr. Luo Ning	–	10,000,000	10,000,000	0.2690%
Mr. Sun Yalei	–	10,000,000	10,000,000	0.2690%
Mr. Zhang				
Lianyang	–	15,000,000	15,000,000	0.4035%
	<u>784,937,030</u>	<u>155,000,000</u>	<u>939,937,030</u>	<u>25.2817%</u>

Note:

- (1) The interest in these shares and underlying shares of the Company were held by Uni-Tech International Group Limited, a wholly owned subsidiary of 21CN Corporation, 21CN Corporation is owned as to 99.5% by Pollon Internet Corporation, a company wholly owned by Ms. Chen Xiao Ying.
- (2) Particulars of interests of the Directors in the share options of the Company are set out in the interim report of the Company dated 19 December 2008.

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

(ii) Substantial Shareholders

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

- Long position in Shares

Name	Nature of interest	Number of Shares held	Total interest in Shares/ underlying shares	Approximate percentage of the issued share capital as at the Latest practicable Date
Uni-Tech International Group Limited (Note (a))	Beneficial owner	784,937,030	784,937,030	21.1125%
21CN Corporation (Note (a))	Interest of controlled corporation	784,937,030	784,937,030	21.1125%
Pollon Internet Corporation (Note (a))	Interest of controlled corporation	784,937,030	784,937,030	21.1125%
CITIC Group (Note (b))	Interest of controlled corporation	807,998,000	807,998,000	21.7328%

Notes:

- (a) Uni-Tech International Group Limited is wholly-owned by 21CN Corporation. 21CN Corporation is owned as to 99.5% by Pollon Internet Corporation, which is wholly-owned by Ms. Chen Xiao Ying, Executive Vice Chairman of the Company.
- (b) Road Shine Developments Limited, Goldreward.com Ltd. and Perfect Deed Co. Ltd. holds 600,000,000 shares, 163,818,000 shares and 44,180,000 shares, respectively, all of which are controlled by CITIC Group.

- Long position in shares of other members of the Group

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

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

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

The Company received a claim from a former employee in the Hong Kong Labour Tribunal which was in turn transferred to the Hong Kong High Court for damages arising from the Company's non-recognition of titles to 8,000,000 share options to subscribe for shares in the share capital of the Company in accordance with the alleged share options granted to the former employee under the share option scheme adopted by the Company dated 28 May 1998. On 23 June 2009, the High Court of Hong Kong has dismissed the claim.

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

5. DIRECTORS' INTERESTS IN CONTRACTS AND COMPETING BUSINESS

- (a) No contracts of significance in relation to the Company's business to which the Company, any of its subsidiaries or its holding companies were a party and in which a Director had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date.
- (b) None of the Directors has any direct or indirect interest in any assets which have been, since the date to which the latest published interim report of the Company as at 30 September 2008 were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to the Company or any of its subsidiaries.
- (c) As at the Latest Practicable Date, none of the Directors and their respective associates had any beneficial interest in a business which compete or may compete with the business of the Group.

6. GENERAL

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

7. EXPERT

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

Name	Qualifications
GF Capital (Hong Kong) Limited	A licensed corporation under the SFO to carry out type 6 regulated activities

- (b) As at the Latest Practicable Date, GF Capital did not have any direct or indirect shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate any person to subscribe for securities in any member of the Group.
- (c) GF Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.
- (d) GF Capital was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2008, the date to which the latest published audited financial statements of the Company were made up.
- (e) The letter from GF Capital is given as of the date of this circular for incorporation herein.

8. MATERIAL ADVERSE CHANGE

Save as disclosed in this circular, as at the Latest Practicable Date, the Directors confirm there was no material adverse change in the financial or trading position of the Group since 31 March 2008, the date to which the latest published audited consolidated financial statements of the Company were made up.

9. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the memorandum of association and bye-laws of the Company;
- (b) the audited consolidated financial statements of the Company and its subsidiaries for the two financial years ended 31 March 2008;

- (c) the letter of consent referred to under the paragraph headed “Expert” in this appendix;
- (d) the Loan Agreement;
- (e) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 13 of this circular;
- (f) the letter of advice from GF Capital to the Independent Board Committee and the Independent Shareholders dated 28 July 2009, the text of which is set out on pages 14 to 24 of this circular;
- (g) the annual reports of the Company for the two years ended 31 March 2008 and the interim report for the six months ended 30 September 2008; and
- (h) this circular.

NOTICE OF SPECIAL GENERAL MEETING

CITIC 21CN
中信 21世紀

CITIC 21CN COMPANY LIMITED
中信21世紀有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 241)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of the Shareholders of CITIC 21CN Company Limited (the “**Company**”) will be held at 10:30 a.m. or immediately after holding of AGM as appropriate on Monday, 31 August 2009 at Crown Room, 8th Floor, The Dynasty Club Limited, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as ordinary resolutions:

ORDINARY RESOLUTIONS

“**THAT:**

- (a) the entering into of the conditional loan agreement dated 21 July 2009 (the “**Loan Agreement**”) between CITIC 21CN (China) Technology Co. Ltd* (中信21世紀(中國)科技有限公司) (“**CITIC 21CN Technology**”), a wholly-owned subsidiary of the Company, as lender and China Credit Information Technology Co. Ltd* (中信國檢信息技術有限公司) (“**CCIT**”) as borrower, a copy of which has been produced to the meeting marked “A” and initialed by the Chairman of the meeting for the purpose of identification, whereby CITIC 21CN Technology has conditionally agreed to advance a loan of RMB 20,000,000 to CCIT, upon the terms and subject to the conditions therein contained, be and is hereby approved, confirmed and ratified and the performance of the transactions contemplated under the Loan Agreement by CITIC 21CN Technology be and is hereby approved; and
- (b) any director of the Company be and is hereby authorised for and on behalf of the Company to do all acts and things and execute and deliver all documents whether under the common seal of the Company or otherwise as may be necessary, desirable or expedient to carry out or to give effect to any or all transactions contemplated under the Loan Agreement.”

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

Hong Kong, dated 28 July 2009

* *For identification purpose only*

NOTICE OF SPECIAL GENERAL MEETING

As at the date of this notice, the Board comprises nine directors, of which (i) six are executive directors, namely Mr. Wang Jun, Ms. Chen Xiao Ying, Mr. Luo Ning, Mr. Sun Yalei, Mr. Zhang Lianyang and Ms. Xia Guilan; and (ii) three are independent non-executive directors, namely Dr. Hui Ho Ming, Herbert, JP, Mr. Chen Wuzhao and Mr. Zhang Jian Ming.

Registered Office:

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

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 28 July 2009.
- (2) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorized to sign the same.
- (3) A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
- (4) In order to be valid, the proxy form completed in accordance with the instructions set out therein, together with the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of that power or authority), must be deposited at the principal place of business of the Company in Hong Kong at Units 614-616, Level 6, Core D, Cyberport 3, 100 Cyberport Road, Hong Kong not less than 48 hours before the time appointed for the meeting or any adjournment thereof.
- (5) Completion and return of the form of proxy will not preclude a member from attending and voting in person at the meeting convened or any adjournment thereof and in such event, the form of proxy will be deemed to be revoked.
- (6) Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.