

## Chairman's Statement

CITIC 21CN COMPANY LIMITED ("CITIC 21CN" or the "Company") is one of the largest providers of telecommunications/information value-added services ("Telecom VAS") in China, offering governmental, entertainment, financial and commercial information services nationwide through multiple channels including short messages services ("SMS"), interactive voice response system ("IVRS"), call centres and internet. CITIC 21CN has been growing rapidly over the past two years and has obtained outstanding achievements.

In China, there are over 330 million mobile phone owners and 310 million fixed-line phone users. The penetration rate is, however, low compared with international telecom penetration rate. Therefore, in the foreseeable future, the telecom market in China will be enormous and filled with business potentials.

With tremendous support from the CITIC Group, CITIC 21CN's business has been growing steadily. CITIC 21CN is the pioneer to obtain full qualifications from both Hong Kong and Beijing to invest in and operate Telecom VAS in China nationwide under the Closer Economic Partnership Arrangement (CEPA). Through "HL95", "Dongfang Customs Technology" and "CITIC QSIT", CITIC 21CN has expanded its business coverage within two years from information platform for general public use to more dedicated telecom platforms for transactions and information flow involving governmental agencies and enterprises. It also enables people from all walks of life in China to improve their quality of life and business by utilizing telecommunications technology and information flow.

CITIC 21CN's management, with their exceptional business vision and intelligence, has been providing governmental, commercial, product authentication and entertainment services to the Chinese people through their use of leading edge technology and experience in Telecom VAS. Telecom VAS sector is just in its early stage of unfolding and will substantially change the way of how people live and entertain themselves in China. This is a business created for the benefit of our country and our people. Therefore, CITIC 21CN's businesses are not merely commercial, but also meaningful in benefiting our generation and the next generation, conforming to the corporate goal of CITIC 21CN – to strive for people's well-being and creating wealth for shareholders. I am confident that CITIC 21CN will succeed in the near future and our business will flourish, so that consumers and enterprises in China can benefit from the latest telecommunications technology.

On behalf of the directors of the Company (the "Directors"), I would like to take this opportunity to express my sincere gratitude to all our shareholders for their continuous support. I would also like to thank our management and staff for their continuing commitment and contribution to our development. Looking forward, we will seize every opportunity to strengthen our market position to create promising returns for our shareholders.

**Wang Jun**

*Chairman*

Hong Kong, 4th July 2005