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## IMPORTANT

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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 your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold** all your shares in 21CN CyberNet Corporation Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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## 21CN CYBERNET CORPORATION LIMITED

*(incorporated in Bermuda with limited liability)*

### SHARE AND CONNECTED TRANSACTIONS ACQUISITION OF 100% INTEREST IN JOY HEAVEN INC.

**Independent Financial Adviser to the Independent Board Committee**



**HANTEC CAPITAL LIMITED**

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A letter from the Independent Board Committee containing its recommendations in respect of the Acquisition and issue of Consideration Shares is set out on page 13 of this circular. A letter from Hantec, the Independent Financial Adviser, containing its advice to the Independent Board Committee is set out on pages 14 to 20 of this circular.

A notice convening a SGM of the Company to be held at Crown Room, 8/F, The Dynasty Club, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on 22 May, 2002 at 10:00 a.m. is set out on pages 24 and 25 of this circular. A form of proxy is also enclosed. Whether or not you are able to attend and vote at the SGM, you are requested to complete the enclosed proxy form and return it to the Company at the Company's branch share registers, Secretaries Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM. Completion and return of the proxy form will not preclude you from subsequently attending and voting at the SGM or any adjourned meetings should you so wish.

29 April, 2002

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# CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b>	
Introduction .....	4
The Acquisition Agreement .....	5
Information of Joy Heaven .....	8
Reasons for Entering into the Acquisition Agreement .....	10
Shareholding Structure .....	11
SGM .....	11
Recommendation .....	12
Further information .....	12
<b>Letter from the Independent Board Committee</b> .....	13
<b>Letter from Hantec</b> .....	14
<b>Appendix — General information</b> .....	21
<b>Notice of SGM</b> .....	24

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## DEFINITIONS

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

“Acquired Shares”	the entire issued share capital of Joy Heaven to be acquired by the Company from the Vendor pursuant to the Acquisition Agreement
“Acquisition”	the proposed acquisition of the Acquired Shares and the Loan
“Acquisition Agreement”	the agreement for the Acquisition entered into on 3 April, 2002 between the Vendor and the Company in relation to the Acquisition
“Acquisition Consideration”	HK\$17,000,000 for the Acquisition, the same of which will be satisfied by the issue of the Consideration Shares at an issue price of HK\$0.30 per Share and the payment of HK\$2,000,000 in cash
“Announcement”	the announcement made by the Company dated 8 April, 2002 in relation to the Acquisition and the issue of Consideration Shares
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Brightown”	Brightown (Hong Kong) Limited, a limited company incorporated under the laws of Hong Kong on 5 May, 2000 and wholly owned by Joy Heaven and is engaged in system integration business
“Cattsoft”	Cattsoft Technology Co., Ltd., a limited company incorporated under the laws of Hong Kong on 7 April, 2000 and 70% owned by Joy Heaven and is engaged in the software development business
“Company”	21CN CyberNet Corporation Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Consideration Shares”	50,000,000 new shares to be issued under the Acquisition Agreement as part of the consideration
“Directors”	the directors of the Company
“Grand Cycle”	Grand Cycle Int’l Ltd., a limited company incorporated under the laws of Hong Kong on 12 September, 1996 and wholly owned by Joy Heaven and is engaged in the investment holding and system integration business
“Group”	the Company, its subsidiaries and associated companies

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## DEFINITIONS

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“Guangdong Kai Tong”	Guangdong Kai Tong Software Development Company Limited 廣東凱通軟件開發有限公司, a limited company incorporated under the laws of the PRC on 26 April, 2000 engaging in the telecommunications software development business
“Guangdong Qi Xin”	Guangdong Qi Xin Technology Company Limited 廣東啟新科技有限公司, a limited company incorporated under the laws of the PRC on 7 December, 1999, the principal activity of which is the investment holding of Guangdong Kai Tong, as to 80% owned by Ms. Zhang Mei Ji and 20% owned by Mr. Wang Jia Jun. Both Ms. Zhang Mei Ji and Mr. Wang Jia Jun are trustees who hold the entire equity interest in Guangzhou on trust for Happy Moment
“Guangdong Tian Tu”	Guangdong Tian Tu Technology Company Limited 廣東天圖科技有限公司, a limited company incorporated under the laws of the PRC on 21 December, 1998 engaging in the system integration business, as to 90% owned by Ms. Zhang Mei Ji and 10% owned by Mr. Wang Jia Jun. Both Ms. Zhang Mei Ji and Mr. Wang Jia Jun are trustees who hold the entire equity interest in Guangdong Tian Tu on trust for Grand Cycle
“Happy Moment”	Happy Moment Inc., a limited company incorporated under the laws of British Virgin Islands on 18 June, 1997 and wholly owned by Joy Heaven and is an investment holding company
“Hantec”	Hantec Capital Limited, a registered dealer and an investment adviser registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	An independent board committee of directors comprising the independent non-executive directors namely, Mr. Tsui Yiu Wa, Alec and Mr. Zuo Wei Qi
“Independent Shareholders”	the shareholders of the Company, other than the Vendor and its associates which include Uni-Tech International Group Limited and its associates
“Joy Heaven”	Joy Heaven Incorporated, a company incorporated under the laws of British Virgin Islands on 29 April, 1997 and wholly owned by the Vendor

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## DEFINITIONS

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“Joy Heaven Group”	Joy Heaven and its subsidiaries, details of which are set out in the group chart as contained in this circular.
“Latest Practicable Date”	26 April, 2002, being the latest practicable date for ascertaining certain information in this document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the debt owed by Joy Heaven to the Vendor aggregating HK\$40,000,000
“PRC”	the People’s Republic of China
“SDI Ordinance”	the Securities (Disclosure of Interests) Ordinance, Chapter 396 of the Laws of Hong Kong
“SGM”	special general meeting of the Company to be convened for approving the Acquisition and the issue of the Consideration Shares
“Shareholder(s)”	holder(s) of Shares of the Company
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers
“Vendor”	Chen Wen Xin, a brother of Chen Xiao Ying, the ultimate controlling shareholder of the Company



**21CN CYBERNET CORPORATION LIMITED**

*(incorporated in Bermuda with limited liability)*

*Directors:*

Chen Xiao Ying (*Executive Chairman*)  
Chen Changjuan (*Executive Vice Chairman*)  
Cui Xun  
Tsui Yiu Wa, Alec  
Zuo Wei Qi

*Registered Office*

Cedar House  
41 Cedar Avenue  
Hamilton HM 12  
Bermuda

*Head office and principal  
place of business*

6208 Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

29 April, 2002

*To the Shareholders for information only*

Dear Sirs or Madams,

**SHARE AND CONNECTED TRANSACTIONS  
ACQUISITION OF 100% INTEREST IN JOY HEAVEN INC.**

**INTRODUCTION**

The Directors announced on 8 April, 2002 that on 3 April, 2002, the Vendor and the Company entered into the Acquisition Agreement, pursuant to which the Company would acquire the entire issued share capital of Joy Heaven, together with the Loan due by Joy Heaven to the Vendor, from the Vendor at an aggregate consideration of HK\$17,000,000. Upon completion of the Acquisition, Joy Heaven will become a wholly owned subsidiary of the Company.

The consideration under the Acquisition Agreement will be satisfied by the payment of HK\$2,000,000 in cash and the issue by the Company of Consideration Shares at an issue price of HK\$0.30 per Share.

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## LETTER FROM THE BOARD

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The Consideration Shares will represent 1.63% and 1.61% of the existing and enlarged share capital of the Company. The Consideration Shares will rank pari passu in all aspects with the then existing issued share capital of the Company. The Company will apply to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

The Vendor is a brother of Chen Xiao Ying, the ultimate controlling shareholder of the Company, who holds 77.5% equity interest in Uni-Tech International Group Limited which is the controlling shareholder of the Company. Accordingly, the Vendor is a connected person as defined under the Listing Rules and therefore the Acquisition constitutes a connected transaction for the Company under the Listing Rules and is therefore subject to the Independent Shareholders' approval at the SGM. The transaction also constitutes a share transaction for the Company under the Listing Rules.

The purpose of this circular is: (a) to give you further information on, among other matters, the terms of the Acquisition and the issue of the Consideration Shares; (b) to set out the recommendation of the Independent Board Committee in respect of the terms of the Acquisition and the issue of the Consideration Shares; (c) to set out the advice of Hantec to the Independent Board Committee in relation to matters as mentioned above; and (d) to give you notice of the SGM at which, among other resolutions will be proposed to seek your approval to the Acquisition and the issue of the Consideration Shares pursuant to the Acquisition Agreement.

Uni-Tech International Group Limited and its associates and the associates of the Vendor will abstain from voting in respect of the resolution to be proposed at the SGM to approve the Acquisition Agreement and the transactions contemplated thereunder including the allotment and issue of the Consideration Shares.

### THE ACQUISITION AGREEMENT

**Date:**

3 April, 2002

**Parties:**

Vendor:                   Chen Wen Xin

Purchaser:               21CN CyberNet Corporation Limited

**Asset to be acquired**

Pursuant to the Acquisition Agreement, the Company shall acquire from the Vendor the Acquired Shares and the Loan. The Acquired Shares shall be free from all liens, charges, mortgages, equity, adverse interest and encumbrances and from all other rights exercisable by third parties and together with all rights attaching thereto including all dividends and distributions declared, made or paid or

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## LETTER FROM THE BOARD

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agreed to be made or paid thereon or in respect thereof on or after the date of the Acquisition Agreement. The Loan shall be free from all liens, charges, mortgages, equity, adverse interest and encumbrances and from all other rights exercisable by third parties and together with all rights attaching thereto on or after the date of the Acquisition Agreement.

### Consideration

The Acquisition Consideration of HK\$17,000,000 was determined after arm's length negotiation between the Company and the Vendor with reference to the unaudited consolidated net tangible assets of Joy Heaven Group of HK\$18,340,000 as at 31 December, 2001 which were prepared in accordance with generally accepted accounting principles in Hong Kong, without taking into account the Loan of HK\$40,000,000 due to the Vendor. In addition, the Acquisition Consideration represents a price earnings multiple of approximately 4.5 times the unaudited consolidated profit after taxation and minority interest of Joy Heaven Group for the year ended 31 December, 2001.

The Acquisition Consideration will be satisfied by the payment of HK\$2,000,000 in cash (financed by internal resources of the Company) and the issue of the Consideration Shares by the Company to the Vendor on the date of completion of the Acquisition Agreement.

### Consideration Shares

The issue price of HK\$0.30 per Consideration Share represents:

- a discount of around 1.64% to the closing price of HK\$0.305 per Share as quoted on the Stock Exchange on 3 April, 2002 (the last trading day before suspension of the trading of Shares on 4 April, 2002);
- a discount of around 1% to the average closing price of HK\$0.303 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 18 March, 2002;
- a premium of around 7.14% to the average closing price of HK\$0.28 per share as quoted on the Stock Exchange for the last ten trading days up to and including the Latest Practicable Date; and
- a premium of around 445% to the unaudited consolidated net asset value of around HK\$0.055 per Share based on the Company's unaudited consolidated net asset value disclosed as at 30 September, 2001.

The Consideration Shares, when issued, will rank *pari passu* in all respects with the then existing Shares in issue. The Consideration Shares represent around 1.63% of the existing issued share capital of the Company and around 1.61% of its issued share capital as enlarged by the issue of the Consideration Shares.

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## LETTER FROM THE BOARD

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### Conditions precedent

1. no material adverse changes having occurred in the financial, business or trading conditions of the Joy Heaven Group from the date of signing of the Acquisition Agreement to and including the date of completion of the Acquisition;
2. the Independent Shareholders approving the Acquisition Agreement, the issue and allotment of the Consideration Shares and the transactions contemplated in the Acquisition Agreement in the SGM;
3. the Listing Committee of the Stock Exchange having approved the listing of and permission to deal in the Consideration Shares;
4. the representations and warranties given by the Vendor pursuant to the Acquisition Agreement remaining to be true, accurate and not misleading as of the date of the completion of the Acquisition Agreement;
5. (if required) the approval of the Bermuda Monetary Authority having been obtained in relation to the issue of the Consideration Shares pursuant to the Acquisition Agreement; and
6. all necessary consents, authorisation, licences and approvals for or in connection with the Acquisition and the issue of Consideration Shares being granted on the terms the Company may reasonably accept.

### Undertaking

The Vendor undertakes to procure the transfer in a mutually acceptable way by Guangdong Tian Tu and Guangdong Qi Xin of their businesses, assets and liabilities to a wholly foreign owned enterprise to be incorporated by the Company in the PRC (“Transfer”) at the cost of the Company. The Vendor undertakes to indemnify the Company from all losses and liabilities suffered by the Company and /or its members if the Transfer cannot be completed within one year from the date of completion of the Acquisition Agreement, including but not limited to any reduction in value of the assets or share capital of the Group. The Vendor further undertakes that prior to the Transfer, Ms. Zhang Mei Ji and Mr. Wang Jia Jun will remain holding Guangdong Tian Tu and Guangdong Qi Xin on trust for Grand Cycle and Happy Moment, respectively and all profits and benefits therefrom will be accountable to the said beneficiaries.

Ms. Zhang Mei Ji and Mr. Wang Jia Jun are friends of one of the senior management of Guangdong Tian Tu.

According to understandings of the Company from PRC lawyers and a letter issued by PRC lawyers to the Company, there are no legal hurdles under PRC laws and regulations for the Transfer, though existing trust arrangements may not be operative under the PRC laws and regulations. As

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## LETTER FROM THE BOARD

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advised by PRC lawyers to the Company, the Company would not be liable whatsoever as a result of the trust arrangements being in operative under PRC laws and regulations and the Transfer is legal, valid and enforceable. The existing arrangement and the Transfer are secured by the full indemnity provided by the Vendor.

### **Completion**

Completion of the Acquisition shall take place 30 days after all of the above conditions precedent have been fulfilled or such later date as the Vendor and the Company may agree in writing. Upon completion of the Acquisition, Joy Heaven will become a wholly owned subsidiary of the Company.

### **INFORMATION OF JOY HEAVEN**

Joy Heaven is currently owned as to 100% by the Vendor.

The principal activity of Joy Heaven is investment holding. The Joy Heaven Group are mainly engaged in telecommunications software development and system integration in the PRC market. The Joy Heaven Group has strong and stable clientele and expertise in the area of system integration in relation to telecommunications business.

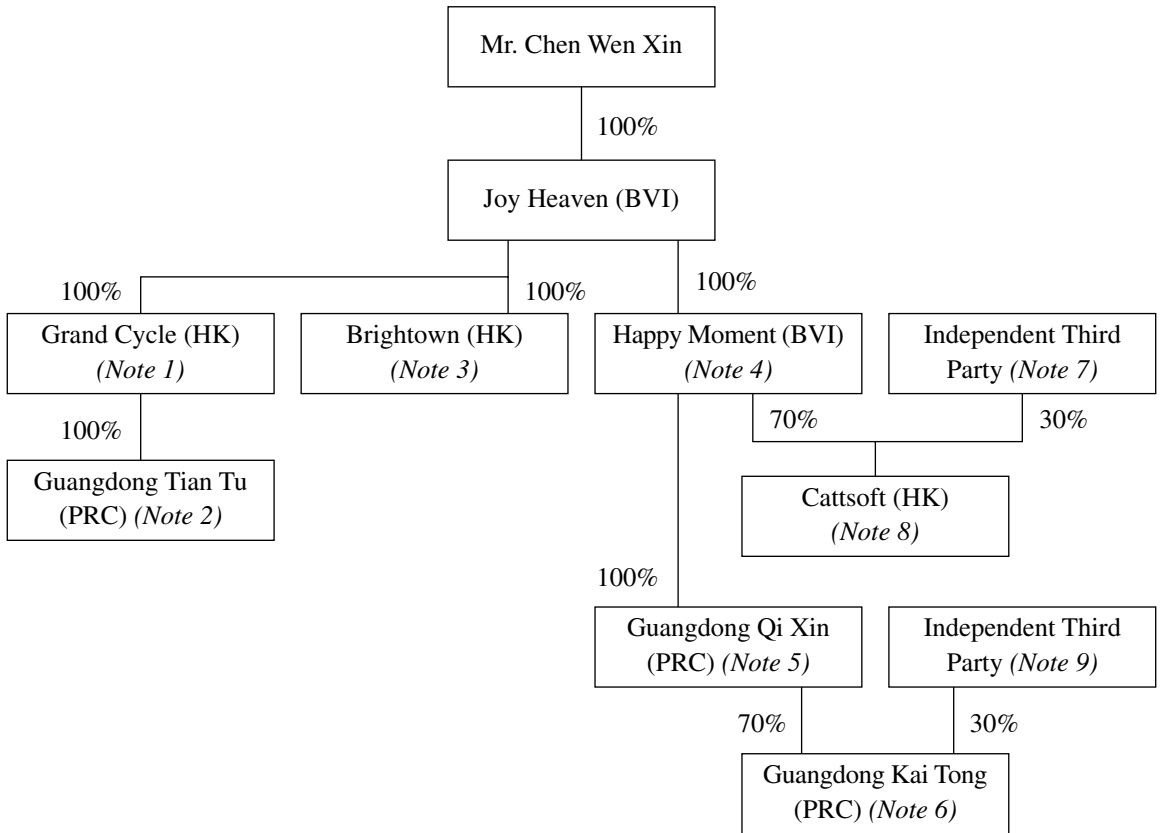
The clientele involves PRC government authorities and organizations with a majority engaged in post and telecommunication sector. The staff of the Joy Heaven Group amounts to around 170 persons, of which around 35% holding a master degree while around 50% holding a bachelor degree.

The assets of Joy Heaven Group comprises the entire issued share capital of (i) Brightown, (ii) Grand Cycle; and (iii) Happy Moment. Further, Grand Cycle owns the beneficial interest of the entire equity interest of Guangdong Tian Tu, which is now held by Ms. Zhang Mei Ji and Mr. Wang Jia Jun on trust for Grand Cycle in the ratio of 90% and 10%. Happy Moment owns 70% of the entire issued share capital of Cattsoft and also owns the beneficial interest of the entire equity interest of Guangdong Qi Xing which is now held by Ms. Zhang Mei Ji and Mr. Wang Jia Jun on trust for Happy Moment in the ratio of 80% and 20%. Guangdong Qi Xing in turn owns 70% of Guangdong Kai Tong. The trust arrangement is mainly due to the pending of the Transfer.

Joy Heaven was financed by the Loan, which was unsecured and interest-free, granted by Vendor to Joy Heaven on 20 June, 2001, to acquire the above mentioned companies.

# LETTER FROM THE BOARD

The group structure of the Joy Heaven Group is as follows:



## Notes

1. It is a limited company incorporated under the laws of Hong Kong and wholly owned by Joy Heaven. It is engaged in the investment holding and system integration business. The company commenced operation on 16 January, 1997.
2. It is a domestic limited company incorporated under the laws of the PRC engaging in the system integration business, as to 90% owned by Ms. Zhang Mei Ji and 10% owned by Mr. Wang Jia Jun. Both Ms. Zhang Mei Ji and Mr. Wang Jia Jun are trustees who hold the entire equity interest in Guangdong Tian Tu on trust for Grand Cycle. The company commenced operation on 21 December, 1998.
3. It is a limited company incorporated under the laws of Hong Kong and wholly owned by Joy Heaven. It is engaged in the system integration business. The company commenced operation on 30 June, 2000.
4. It is a limited liability company incorporated under the laws of British Virgin Islands and a wholly owned subsidiary Joy Heaven. Its principal activity is Investment Holding. The company commenced operation on 1 February, 2001.
5. It is a domestic limited company incorporated under the laws of the PRC, the principal activity of which is the investment holding of Guangdong Kai Tong, as to 80% owned by Ms. Zhang Mei Ji and 20% owned by Mr. Wang Jia Jun. Both Ms. Zhang Mei Ji and Mr. Wang Jia Jun are trustees who hold the entire equity interest in Guangdong Qi Xin on trust for Happy Moment. The company commenced operation on 7 December, 1999.

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## LETTER FROM THE BOARD

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6. It is a domestic limited company incorporated under the laws of the PRC engaging in the telecommunications software development business .The company commenced operation on 26 April, 2000.
7. Tam Po Ki, an independent third party, not connected to the directors, chief executive or substantial shareholders of the Company, or their respective subsidiaries or any of their respective associates, as defined in the Listing Rules.
8. It is a limited company incorporated under the laws of Hong Kong and 70% owned by Joy Heaven it is engaged in the software development business. The company commenced operation on 7 April, 2000.
9. Beijing Kai Tong Technology Services Company Limited, an independent third party, a company not connected to the directors, chief executive or substantial shareholders of the Company, or their respective subsidiaries or any of their respective associates, as defined in the Listing Rules.

Based on the unaudited consolidated financial statements of Joy Heaven Group, the consolidated net tangible asset of Joy Heaven Group as at 31 December, 2001 was approximately HK\$18,340,000 which were prepared in accordance with generally accepted accounting principles in Hong Kong, without taking into account the Loan of HK\$40,000,000 due to the Vendor. The unaudited consolidated results of Joy Heaven Group for the years ended 31 December, 2000 and 31 December, 2001 were as follow:

	<b>31 December, 2001</b>	<b>31 December, 2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	147,372	144,974
Profit before taxation and minority interest	5,115	5,618
Profit after taxation and minority interest	3,760	4,308

No significant change in the management of Joy Heaven Group is expected after the completion of the Acquisition.

### REASONS FOR ENTERING INTO THE ACQUISITION AGREEMENT

The Company is an investment holding company and the Group is principally engaged, among other businesses, in the telecommunications and related business in the PRC and Hong Kong. It was stated in the Company's 2001 annual report that the Group would (i) shift its business focus to participate in the telecommunications value added services business; and (ii) focus on developing the business of software and integrated solutions by acquiring and integrating promising research & development teams, products and technologies. Given its stated business intention, the Directors believe that the Acquisition will enable the Company to expand its core business with the strong and stable clientele and expertise of the Joy Heaven Group in this respect.

The Directors consider that the Acquisition is in the interests of both the Company and the Shareholders.

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## LETTER FROM THE BOARD

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### SHAREHOLDING STRUCTURE

Set out below is the existing shareholding structure of the Company and the structure assuming completion of the Acquisition before and after issue of the Consideration Shares.

	<b>Existing shareholding structure</b>		<b>Upon completion and issue of all the Consideration Shares</b>	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Uni-Tech International Group Ltd.	1,235,027,200	40.37	1,235,027,200	39.72
Touch Profit Limited	405,965,700	13.27	405,965,700	13.05
Road Shine Development Ltd.	600,000,000	19.61	600,000,000	19.30
Chen Wen Xin	NIL	NIL	50,000,000	1.61
Public Shareholders	<u>818,273,100</u>	<u>26.75</u>	<u>818,273,100</u>	<u>26.32</u>
Total:	<u>3,059,266,000</u>	<u>100.0</u>	<u>3,109,266,000</u>	<u>100.0</u>

No significant change in the management of the Company is expected after the completion of the Acquisition Agreement.

### SGM

The transaction contemplated under the Acquisition Agreement constitutes a share transaction for the Company under the Listing Rules. Application will be made to the Stock Exchange for listing of and permission to deal with the Consideration Shares. The Vendor is a brother of Chen Xiao Ying, the ultimate controlling shareholder of the Company, who holds 77.5% equity interest in Uni-Tech International Group Limited which is the controlling shareholder of the Company. Accordingly, the Vendor is a connected person as defined under the Listing Rules and therefore the Acquisition also constitutes a connected transaction for the Company under the Listing Rules and is therefore subject to approval by the Independent Shareholders. Uni-Tech International Group Limited and its associates and the associates of the Vendor will abstain from voting in respect of the resolution to be proposed at the SGM to approve the Acquisition Agreement and the issue of the Consideration Shares.

The Directors have resolved to convene the SGM to consider and, if thought fit by the Independent Shareholders, to approve the terms of the Acquisition and the issue of the Consideration Shares. Notice of the SGM is set out on pages 24 and 25 of this circular. Whether or not you are able to attend and vote at the SGM, you are requested to complete the enclosed proxy form and return it to the Company at the Company's branch share registers, Secretaries Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM. Completion and return of the proxy form will not preclude you from subsequently attending and voting at the SGM or any adjourned meetings should you so wish.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 13 of this circular which contains the recommendation from the Independent Board Committee to the Independent Shareholders concerning the Acquisition and the issue of the Consideration Shares; (ii) the letter from Hantec set out on pages 14 to 20 of this circular which contains the recommendation of Hantec to the Independent Board Committee in relation to the matters as mentioned above and the principal factors considered by Hantec in arriving at its recommendation.

Having taken into account the advice from Hantec and in particular the principal factors set out in the letter from Hantec, the Independent Board Committee considers that the terms of the Acquisition Agreement and the issue of the Consideration Shares are in the interest of the Company and the terms thereof are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends that the Independent Shareholders should vote in favour of the ordinary resolutions which will be proposed at the SGM to approve the Acquisition and the issue of the Consideration Shares.

### FURTHER INFORMATION

Your attention is drawn to the letter from the Independent Board Committee, the letter from Hantec, and the information set out in the appendices of this circular.

By Order of the Board  
**21CN CyberNet Corporation Limited**  
**Chen Xiao Ying**  
*Executive Chairman*



**21CN CYBERNET CORPORATION LIMITED**

*(incorporated in Bermuda with limited liability)*

29 April, 2002

*To the independent Shareholders for information only*

Dear Sirs or Madams,

**SHARE AND CONNECTED TRANSACTIONS  
ACQUISITION OF 100% INTEREST IN JOY HEAVEN INC.**

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Acquisition Agreement, details of which are set out in the letter from the Board in the circular dated 29 April, 2002 (the "Circular") to the Shareholders. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Your attention is drawn to the advice of Hantec in respect of the Acquisition Agreement as set out in the letter from Hantec in the Circular. Having taken into account the advice of Hantec, we consider the terms of the Acquisition Agreement to be fair and reasonable so far as the interests of the Independent shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution which will be proposed at the SGM to approve the Acquisition Agreement and the transactions contemplated thereunder including the allotment and issue of the Consideration Shares pursuant to the Acquisition Agreement.

Yours faithfully,

**Tsui Yiu Wa, Alec**

**Zuo Wei Qi**

*Independent Board Committee*



45th Floor, COSCO Tower  
183 Queen's Road Central  
Hong Kong

29 April, 2002

*To the Independent Board Committee of  
21CN CyberNet Corporation Limited*

Dear Sirs,

**SHARE AND CONNECTED TRANSACTIONS  
ACQUISITION OF 100% INTEREST IN JOY HEAVEN INC.**

We refer to our appointment as independent financial adviser to advise the Independent Board Committee in respect of the Acquisition Agreement dated 3 April, 2002 by and between the Company and the Vendor. Pursuant to the Acquisition Agreement, the Company will acquire the entire issued share capital of Joy Heaven as well as the rights to a shareholder's loan made by the Vendor to Joy Heaven. The total consideration payable by the Company to the Vendor for the equity acquisition and transfer of the shareholder's loan is HK\$17,000,000, including a cash payment of HK\$2,000,000 and the issue of the Consideration Shares of the Company at issue price of HK\$0.30 per share. Details of the Acquisition Agreement are set out in the letter from the Board (the "Board's Letter") contained in the circular of the Company dated 29 April, 2002 (the "Circular") of which this letter forms part. Terms used herein without definition shall have the meanings set forth in the Circular unless the context otherwise requires.

The Vendor is a brother of Ms. Chen Xiao Ying, who holds 77.5% equity interest in Uni-Tech International Group Limited which in turn holds 40.37% equity interest in the Company before the Acquisition and the issue of the Consideration Shares. Accordingly, the Vendor is a connected person as defined under the Listing Rules and therefore the Acquisition constitutes a connected transaction for the Company under the Listing Rules and is therefore subject to the Independent Shareholders' approval at the SGM. The transaction also constitutes a share transaction for the Company under the Listing Rules. Uni-Tech International Group Limited and its associates and the associates of the Vendor will abstain from voting in respect of the resolution to be proposed at the SGM to approve the Acquisition Agreement and the transactions contemplated thereunder including the allotment and issue of the Consideration Shares.

**BASIS OF OUR OPINION**

In arriving at our recommendation, we have relied on the information and facts including, but not limited to, the Acquisition Agreement, and have assumed that any representations made to us are true, accurate and complete. We have also relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions

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## LETTER FROM HANTEC

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which have been provided by the Directors and management of the Company for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and presentation provided to us by the Directors.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company or the Joy Heaven Group.

### PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion with regard to the Acquisition, we have taken into account the following principal factors and reasons into consideration:

#### (I) Background and reasons of the Acquisition

##### *Information about the Joy Heaven Group*

Joy Heaven is an investment holding company and the Joy Heaven Group is mainly engaged in the business of telecommunications software development and system integration. The unaudited consolidated net tangible asset value of Joy Heaven Group, prepared in accordance with generally accepted accounting principles in Hong Kong and without taking into account the Loan of HK\$40,000,000 due to the Vendor was approximately HK\$18,340,000 as at 31 December, 2001.

The clientele of the Joy Heaven Group involves PRC government authorities and organizations with a majority engaged in post and telecommunication sector. The staff of the Joy Heaven Group amounts to around 170 persons, of which around 35% holding a master degree while around 50% holding a bachelor degree.

As mentioned in the Board's Letter, the assets of Joy Heaven Group comprises the entire issued share capital of (i) Brightown; (ii) Grand Cycle; and (iii) Happy Moment. Furthermore, Grand Cycle owns the beneficial interest of the entire equity interest of Guangdong Tian Tu, which is now held by Ms. Zhang Mei Ji and Mr. Wang Jia Jun on trust for Grand Cycle in the ratio of 90% and 10%. Happy Moment owns 70% of the entire issued share capital of Cattsoft and also owns the beneficial interest of the entire equity interest of Guangdong Qi Xing which is now held by Ms. Zhang Mei Ji and Mr. Wang Jia Jun on trust for Happy Moment in the ratio of 80% and 20%. Guangdong Qi Xing in turn owns 70% of Guangdong Kai Tong. The trust arrangement is mainly due to the pending of the Transfer.

The acquisitions of the aforementioned companies by Joy Heaven were financed by the Loan which was unsecured and interest-free, granted by Vendor to Joy Heaven on 20 June, 2001. Further details related to the group structure of the Joy Heaven Group are shown in the Board's Letter to the Circular.

### *Reasons of the Acquisition*

The Company is an investment holding company and the Group is principally engaged, among other businesses, in the telecommunications and related business in the PRC and Hong Kong. It was stated in the Company's 2001 annual report that the Group would (i) shift its business focus to participate in the telecommunications value added services business; and (ii) focus on developing the business of software and integrated solutions by acquiring and integrating promising research & development teams, products and technologies. Given its stated business intention, the Directors believe that the Acquisition will enable the Company to expand its core business with the strong and stable clientele and expertise of the Joy Heaven Group in this respect. The Directors consider that the Acquisition is in the interests of both the Company and the Shareholders.

As mentioned above, both of the equity interests of Guangdong Tian Tu and Guangdong Kai Tong are held by Ms. Zhang Mei Ji and Mr. Wang Jia Jun on trust for Grand Cycle and for Happy Moment respectively. There is a risk that the beneficial interests in these two companies could not be transferred to the Group upon completion of the Acquisition. In this regard, the Vendor has agreed to indemnify the Company from all losses and liabilities suffered by the Company and/or its members if the Transfer cannot be completed within one year from the date of completion of the Acquisition Agreement, including but not limited to any reduction in value of the assets or share capital of the Group.

In view of: (i) according to understandings of the Company from PRC lawyers and a letter issued by PRC lawyers to the Company, there are no legal hurdles under PRC laws and regulations for the Transfer, though existing trust arrangements may not be operative under the PRC laws and regulations; (ii) the Company would not be liable whatsoever as a result of the trust arrangements being in-operative under the PRC laws and regulations and the Transfer is legal, valid and enforceable; and (iii) the existing arrangement and the Transfer are secured by the full indemnity provided by the Vendor and the Vendor undertakes to procure the transfer in a mutually acceptable way by Guangdong Tian Tu and Guangdong Qi Xin of their businesses, assets and liabilities to a wholly foreign owned enterprise to be incorporated by the Company in the PRC at the cost of the Company, we are of the opinion that the interests of the Group and the Independent Shareholders have been reasonably safeguarded. Further details in relation to the undertakings to be provided by the Vendor are stated under the paragraph headed "Undertakings" under the subsection headed "The Acquisition" in this Letter.

According to Software & Information Industry Association, China's IT manufacturing sector generated approximately US\$170 billion of gross output value in 2001, representing an increase of approximately 27% from 2000 and telecom revenue hit approximately RMB367 billion in 2001, representing an increase of approximately 24% from 2000.

In view of: (i) the Acquisition will enable the Company to benefit from the strong and stable clientele and expertise of the Joy Heaven Group in the telecommunications software development and system integration; (ii) the expected contributions as believed by the Directors from the Joy Heaven Group based on its historical records for the two consecutive years ended 31 December, 2001; and (iii) the positive telecommunications market development in the PRC during the last two years, we concur with the Directors' opinion that the Acquisition is in the interest of the Company and the Independent Shareholders as a whole.

**(II) The Acquisition**

***Asset to be acquired***

Pursuant to the Acquisition Agreement, the Company will acquire from the Vendor the Acquired Shares and the Loan for the Acquisition Consideration of HK\$17,000,000.

The Acquisition Consideration of HK\$17,000,000 was determined after arm's length negotiation between the Company and the Vendor with reference to the unaudited consolidated net tangible assets of the Joy Heaven Group of HK\$18,340,000 which were prepared in accordance with generally accepted accounting principles in Hong Kong, without taking into account the Loan of HK\$40,000,000 due to the Vendor as at 31 December, 2001. In addition, the Acquisition Consideration represents a price earnings multiple of approximately 4.5 times the unaudited consolidated profit after taxation and minority interest of the Joy Heaven Group for the year ended 31 December, 2001.

We have reviewed all listed issuers, the shares of which are listed on the the Stock Exchange and we have noted that the principal businesses of five listed issuer engaged in similar business in the PRC and/or Hong Kong (collectively referred to as the "Relevant Companies") are comparable to the Joy Heaven Group. The price earnings multiples of the Relevant Companies ranged from approximately 2.2 times to 11.7 times, with the mean and median of approximately 6.8 times and 8.3 times respectively as at the Latest Practicable Date. Given that the Joy Heaven is a private company in the PRC, we consider that a discount on price earnings multiple of the Joy Heaven Group is reasonable and the price earnings ratio of 4.5 times for the Acquisition which is lower than the mean and median of the Relevant Companies are considered fair and reasonable to the Company and the Independent Shareholders as a whole.

***Satisfaction of the Acquisition Consideration***

The Acquisition Consideration will be satisfied by the payment of HK\$2,000,000 in cash and the issue of the Consideration Shares (at the issue price of HK\$0.30 per Share) by the Company to the Vendor on the date of completion of the Acquisition Agreement.

***Cash***

The Company intends to fund the cash portion of HK\$2 million of the total consideration from its internal resources. As at 30 September, 2001, the Group has bank balances and cash of approximately HK\$28.3 million based on its interim result. The Directors confirmed that the Company has sufficient cash to fund the cash portion under the Acquisition.

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## LETTER FROM HANTEC

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In view of: (i) partial payment by cash instead of by borrowings will avoid the interest expenses of the Company; and (ii) the Group currently have sufficient working capital for its present requirements according to the Directors, we are of the opinion that it is prudent for the Company to satisfy the Acquisition Consideration partly by cash.

### *Consideration Shares*

The Company will issue the Consideration Shares to the Vendor for HK\$15,000,000 at issue price of HK\$0.30 per Consideration Share. The total Consideration Shares represent approximately 1.63% of the total existing issued share capital of the Company and approximately 1.61% of the enlarged total issued share capital of the Company upon completion of the Acquisition. The Consideration Shares will rank pari passu in all respects with the existing issued Shares. The issue price of HK\$0.30 per Consideration Share represents:

- (i) a discount of approximately 1.64% to the closing price of HK\$0.305 per Share as quoted on the Stock Exchange on 3 April, 2002 (the “Last Trading Day”);
- (ii) a discount of approximately 1% to the average closing price of HK\$0.303 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 445% to the unaudited consolidated net asset value of about HK\$0.055 per Share based on the Company’s unaudited consolidated net asset value disclosed as at 30 September, 2001;
- (iv) a premium of around 7.14% to the average closing price of HK\$0.28 per share as quoted on the Stock Exchange for the last ten trading days up to and including the Latest Practicable Date; and
- (v) a premium of approximately 11.1% to the closing price of HK\$0.27 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

In view of the fact that the issue price of the Consideration Shares represents a significant premium to the net asset value per Share of the Company, we consider that the issue price of HK\$0.30 per Share for the Consideration Shares is fair and reasonable to the Company and the Independent Shareholders as a whole.

### *Undertakings*

Independent Shareholders should note that the Vendor undertakes to procure the transfer in a mutually acceptable way by Guangdong Tian Tu and Guangdong Qi Xin of their businesses, assets and liabilities to a wholly foreign owned enterprise to be incorporated by the Company in the PRC at the cost of the Company. The Vendor undertakes to indemnify the Company from all losses and liabilities suffered by the Company and /or its members if the Transfer cannot be completed within one year from the

date of completion of the Acquisition Agreement, including but not limited to any reduction in value of the assets or share capital of the Group. The Vendor further undertakes that prior to the Transfer, Ms. Zhang Mei Ji and Mr. Wang Jia Jun will remain holding Guangdong Tian Tu and Guangdong Qi Xin on trust for Grand Cycle and Happy Moment, respectively and all profits and benefits therefrom will be accountable to the said beneficiaries.

### (III) Dilution effect

Upon completion of the Acquisition, the shareholding of the Independent Shareholders will be diluted from approximately 26.75% to 26.32% of the Company, while the shareholding of the Vendor will be increased from nil to approximately 1.61% of the Company. Given that the Group will benefit from the contributions in revenue, the strong and stable clientele base and internet related expertise as mentioned above after the completion of the Acquisition, we consider such dilution is reasonable.

### (IV) Financial effects on the Group

As Joy Heaven will become a wholly owned subsidiary of the Company after the completion of the Acquisition, the Loan owed by Joy Heaven to the Company (previously to the Vendor) will be eliminated on consolidation of the Group's financial statements. The Loan of HK\$40,000,000 is therefore not taken into account in the following analysis. We would like to draw to the attention of the Shareholders that, given the fact that the following analysis is based on the latest available unaudited consolidated financial information of both of the Group and the Joy Heaven Group, should there be any substantial changes or adjustments required after auditing, the overall financial position of the Group may be affected. The following analysis are based on the unaudited consolidated financial information of the Group for the six-months period ended 30 September, 2001:

#### *Net assets*

Upon completion of the Acquisition, the consolidated net asset of the Group will be improved from approximately HK\$167.9 million (based on the unaudited consolidated net assets of the Group as at 30 September, 2001) to approximately HK\$184.2 million, representing an increase of approximately 9.7%. The increase in the Group's net asset is mainly attributed to: (i) the issue of Consideration Shares to generate additional share capital and share premium of HK\$15,000,000 (based on 50,000,000 new Shares at the issue price of HK\$0.30 per Share) by the Company; and (ii) the negative goodwill of approximately HK\$1,340,000 (calculated based on the difference between unaudited net tangible asset of the Joy Heaven Group of approximately HK\$18.34 million without taking into account the Loan of HK\$40,000,000 due to the Vendor as at 31 December, 2001 and the Acquisition Consideration of HK\$17 million) as the full amount of which will be credited into the Company's capital reserve according to the Directors.

The net asset value per Share will be also increased from approximately HK\$0.0549 per Share (before the Acquisition and the issue of the Consideration Shares) to approximately HK\$0.0592 per Share (upon completion of the Acquisition and after the issue of Consideration Shares), represented an increase of approximately 7.8%.

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## LETTER FROM HANTEC

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### *Earnings*

For the financial year ended 31 March, 2001 and for the six months ended 30 September, 2001, the Group recorded losses of approximately HK\$64.8 million and HK\$25.9 million according to its annual and interim results respectively. Based on the unaudited consolidated results of the Joy Heaven Group for the two financial years ended 31 December, 2001, its profit after taxation and minority interest were at HK\$3.7 million and HK\$4.3 million respectively.

Following the Acquisition and taking into account the future earnings contribution to be derived from the Acquisition, the Directors are of the view that the earning base of the Group will be enhanced.

In view of: (i) the future contributions from Joy Heaven upon completion of the Acquisition; and (ii) the viable chance for the Company to expand its core business in telecommunications and internet-related activities in the PRC and/or other regions, we concur with the Directors' view that the Acquisition will enhance the earning base of the Company and is in the interests of the Company and the Independent Shareholders as a whole.

### RECOMMENDATION

Taking into consideration of the above principal factors and reasons of the Acquisition, we are of the view that the Acquisition is in the interests of the Company and the Independent Shareholders as a whole and the terms and conditions of the Acquisition Agreement are fair and reasonable so far as the Independent Shareholders are concerned. We therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM for the approval of the Acquisition Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Hantec Capital Limited**  
**Andrew Tang**                      **Thomas Lai**  
*Director*                                      *Director*

## 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 there are no other facts the omission of which would make any statement herein misleading.

## 2. DIRECTORS' INTERESTS

- (a) As at the Latest Practicable Date, the interests of the Directors in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which require notification to the Company and Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which is deemed or taken to have under section 31 of, or Part I of the Schedule to, the SDI Ordinance), or section 29 of the SDI Ordinance or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and Stock Exchange were as follows:

### Personal interests in share options granted by the Company

Name of Director	Number of options	Exercise price	Exercise period
Chen Xiao Ying	70,000,000	HK\$0.99	<i>Note 1</i>

*Note 1:* 70,000,000 options are exercisable as to 30% by 13 January 2001; 30% by 13 July 2001 and 40% by 13 July 2002.

The share options were granted pursuant to the executive share option scheme approved by the shareholders of the Company on 28 May, 1998. The share options entitle the holders thereof to subscribe in cash for new shares of HK\$0.01 each in the Company.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors had any interest in the share capital of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which require notification to the Company and Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which is deemed or taken to have under section 31 of, or Part I of the Schedule to, the SDI Ordinance), or section 29 of the SDI Ordinance or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be entered in the register referred to therein.

- (b) Save as disclosed herein:

- (i) none of the Directors has any direct or indirect interest in any assets which have been, since 31 March, 2001, the date to which the latest published audited accounts of the Group 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;

- (ii) none of the Directors is materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group; and
- (iii) none of the Directors has entered or is proposing to enter into a service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable within one year without payment of compensation other than statutory compensation) and none of the Directors have entered into or amended a service contract with the Company or any of its subsidiaries within six months before the Announcement.

### 3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register kept by the Company under section 16(1) of the SDI Ordinance and/or so far as was known to the Directors, the following persons were, 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 any member of the Group:

#### I. Parties interested in the share capital of the Company

Name	Number of ordinary shares held	Percentage of total number of Shares
Uni-Tech International Group Ltd.	1,235,027,200	40.37%
Touch Profit Limited	405,965,700	13.27%
Road Shine Development Ltd.	600,000,000	19.61%

Save as disclosed herein, no person has notified the Company that he/she has interests amounting to 10% or more of the issued share capital of the Company or any member of the Group at the date of this circular pursuant to Section 16(1) of the SDI Ordinance.

### 4. SHARE CAPITAL

The authorised and issued share capital of the Company immediately following Completion will be as follows:

<i>Authorised:</i>		<i>HK\$</i>
<u>10,000,000,000</u>	Shares	<u>100,000,000</u>
<i>Issued and fully paid or credited as fully paid:</i>		
3,059,266,000	Shares in issue as at the Latest Practicable Date	30,592,660
<u>50,000,000</u>	Consideration Shares	<u>500,000</u>
<u>3,109,266,000</u>	Shares in issue upon Completion	<u>31,092,660</u>

## 5. MATERIAL CHANGES

The Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 March, 2001, the date to which the latest published audited consolidated accounts of the Group have been made up.

## 6. EXPERTS

The following are the qualifications of the experts who have given opinions or advice which are contained in this circular:

Hantec                      an investment adviser registered under Securities Ordinance (Chapter 333 of the Laws of Hong Kong)

Hantec has given and has not withdrawn its written consent to issue of this circular with the inclusion of and reference to its name and letter in the form and context in which it appears.

Hantec does not have any shareholding in any member of the Group or any right option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Hantec does not have any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries since 31 March, 2001, the date to which the latest published audited consolidated accounts of the Group were made up.

## 7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours of the Company at the principal place of business of the Company at 6208 Central Plaza, 18 Harbour Road, Wanchai, Hong Kong up to and including 21 May, 2002:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the letter of recommendation from the Independent Board Committee to the independent Shareholders, the text of which is set out on page 13 of this circular;
- (c) the Acquisition Agreement;
- (d) the audited consolidated financial statements of the Company for each of the two financial years ended 31 March 2001 and 2000; and
- (e) the letter of advice from Hantec, the text of which is set out on pages 14 to 20 of this circular.



**21CN CYBERNET CORPORATION LIMITED**

*(incorporated in Bermuda with limited liability)*

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “SGM”) of the Company will be held at 10:00 a.m. on 22 May, 2002 at Crown Room, 8/F., The Dynasty Club, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions as ordinary resolutions of the Company:

**ORDINARY RESOLUTIONS**

**“THAT:**

- (a) the agreement dated 3 April, 2002 (the “Acquisition Agreement”) between (1) Chen Wen Xin (“the Vendor”) as vendor; and (2) the Company as purchaser in relation to the sale and purchase of the Acquired Shares and the Loan (as defined in the circular of the Company dated 29 April, 2002 (the “Circular”)), a copy of each of the Acquisition Agreement and the Circular has been produced to this meeting marked “A” and “B”, respectively and signed by the Chairman of the meeting for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved;
- (b) the allotment and issue of an aggregate of 50,000,000 shares of HK\$0.01 each of the Company (the “Consideration Shares”) credited as fully paid at HK\$0.30 per share to the Vendor pursuant to the Acquisition Agreement be and is hereby approved and that the Consideration Shares shall, when allotted and issued, rank *pari passu* in all respects with all other shares of HK\$0.01 each of the Company (the “Shares”) in issue at the date of such allotment and issue provided that the allotment and issue of the Consideration Shares shall be without prejudice to the authority conferred on the Directors to allot and issue Shares by the shareholders of the Company at the annual general meeting held on 30 August, 2001; and
- (c) the directors of the Company be and are hereby authorized to do all such things and acts and execute such documents and instruments which they consider necessary or expedient for the implementation of and giving effect to the Acquisition Agreement and the transactions contemplated thereunder including the allotment and issue of the Consideration Shares pursuant thereto.”

By Order of the Board  
**21CN CyberNet Corporation Limited**  
**Yee Foo Hei**  
*Company Secretary*

Hong Kong, 29 April, 2002

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## NOTICE OF SGM

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*Head Office and Principal Place of Business in Hong Kong:*

6208 Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

*Registered Office:*

Cedar House  
41 Cedar Avenue  
Hamilton HM12  
Bermuda

**Notes:**

1. A form of proxy for use at the SGM is enclosed herewith.
2. Any member of the Company entitled to attend and vote at the SGM is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead in accordance with the Company's bye-laws. A proxy need not be a member of the Company.
3. In the case of joint registered holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holdings, the first named being the senior.
4. To be valid, a form of proxy, together with the power of attorney (if any) or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority must be lodged with the branch share registrars of the Company in Hong Kong, Secretaries Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude members from attending and voting in person at the SGM or at any adjournment thereof should they so wish.