



EXPLANATORY STATEMENT

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If you have sold all your shares in 21CN CYBERNET CORPORATION LIMITED, you should hand this document to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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Executive Directors:

Chen Xiao Ying (*Executive Chairman*)
Chen Changjuan (*Executive Vice Chairman*)
Chen Timothy Yung-chen
Koo Luen Bong

Principal Office:

6208 Central Plaza,
18 Harbour Road,
Wanchai,
Hong Kong

Independent Non-Executive Directors:

Tsui Yiu-wa, Alec
Chang Herbert Yu-pang

Registered Office:

Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

Non-Executive Director:

Cui Xun (*Honorary Chairman*)

30th July, 2001

To the Shareholders,

Dear Sir or Madam,

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

General Mandate to Issue Shares

At the 2001 annual general meeting (the “Annual General Meeting”) of 21CN CyberNet Corporation Limited (the “Company”) to be held on 30th August, 2001, an ordinary resolution will be proposed that the Directors be given a general and unconditional mandate to issue new shares representing up to 20% of the issued share capital of the

Company (shares of HK\$0.01 each of the Company hereinafter referred to as the “Shares”) as at the date the resolution is passed during the period up to the next annual general meeting of the Company or such earlier period as stated in the relevant resolution. In addition, an ordinary resolution will also be proposed to authorise an extension of such general mandate to be granted to the Directors to issue new shares by adding to the aggregate number of shares of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate the number of shares repurchased under the Repurchase Mandate, if granted.

Repurchase Mandate

An ordinary resolution will be proposed at the Annual General Meeting to give a general mandate (the “Repurchase Mandate”) to the Directors to exercise the powers of the Company to repurchase its own Shares at any time until the conclusion of the next annual general meeting of the Company or such earlier period as stated in the relevant resolution. Under such mandate, the Company may purchase its own Shares on the Stock Exchange up to 10% of the issued share capital at the date passing such resolution of the Company if approval is being sought from shareholders.

The following is the explanatory statement required to be sent to shareholders of the Company under the Listing Rules in connection with the proposed general mandate for repurchase of the Shares:

(i) Share Capital

It is proposed that up to 10% of each of the Shares in issue at the date of the passing of the resolution to approve the general mandate may be repurchased. At 24th July, 2001 (the “Latest Practicable Date”), 3,059,266,000 Shares were in issue. On the basis of such figure (and assuming no further Shares are issued or repurchased after the Latest Practicable Date and up to the date of passing such resolution), the Directors would be authorised to repurchase up to a limit of 305,926,600 fully-paid Shares.

(ii) Reasons for repurchases

The Directors believe that it may be to the benefit of the Company and its shareholders for the Company to repurchase its Shares in certain circumstances. For example, depending on market conditions and funding arrangements at the time, such repurchase may enhance the net assets and/or earnings per share. Therefore, the Directors are seeking the grant of a general mandate to repurchase Shares to give the Company the flexibility to do so if and when appropriate.

(iii) **Funding of repurchases**

It is envisaged that according to the Company's Bye-laws and Bermuda laws, the funds required for any repurchase would be derived from the capital paid up on the Shares being repurchased and from the distributable profits of the Company. It is not envisaged that any repurchase of Shares pursuant to the Repurchase Mandate (including repurchase of the maximum number of Shares under such mandate effected in full at any time during the period of the mandate) would have a material adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in its most recent published audited accounts for the year ended 31st March, 2001.

(iv) **Connected parties**

No connected persons of the Company (as defined in the Listing Rules) have notified the Company of a present intention to sell Shares to the Company and no such persons have undertaken not to sell any such Shares to the Company in the event that the Repurchase Mandate is approved by shareholders.

(v) **Share price**

The highest and lowest prices at which the Shares have traded on the Stock Exchange in each of the previous twelve months are as follows:

	Shares	
	Highest HK\$	Lowest HK\$
July 2000	1.560	1.080
August 2000	1.450	1.140
September 2000	1.550	0.940
October 2000	0.990	0.730
November 2000	1.160	0.760
December 2000	0.950	0.680
January 2001	0.980	0.680
February 2001	0.800	0.560
March 2001	0.560	0.380
April 2001	0.440	0.250
May 2001	0.690	0.400
June 2001	0.540	0.330

(vi) Share repurchases made by the Company

No purchases have been made by the Company of its Shares in the six months prior to the date of this document.

(vii) General

There are no Directors or (to the best of the knowledge of the Directors, having made all reasonable enquiries) any associates (as defined in the Listing Rules) of Directors who have a present intention, in the event that the general mandate is granted by shareholders, to sell any Shares to the Company.

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchase pursuant to the Repurchase Mandate in accordance with the Listing Rules, the applicable laws of Hong Kong and Bermuda and the By-laws of the Company.

If as the result of a repurchase of Shares a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for purposes of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). As a result, a shareholder, or group of shareholders acting in concert depending on the level of increase of shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. As at the Latest Practicable Date, according to the register of interests kept by the Company under section 16(1) of the Securities (Disclosure of Interests) Ordinance of Hong Kong, Uni-Tech International Group Limited ("Uni-Tech") and Touch Profit Limited ("Touch Profit") held 1,835,027,200 Shares and 405,965,700 Shares representing 59.98% and 13.27% respectively of the Shares of the Company. In the event that the Directors exercise in full the power to repurchase Shares pursuant to the Repurchase Proposal, then (if the present shareholdings remain the same), the shareholding of Uni-Tech and Touch Profit will be increased to approximately 66.64% and 14.74% respectively of the issued share capital of the Company. The Directors are not aware of any consequences which may arise under the Takeover Code as a result of any repurchase made pursuant to the Repurchase Mandate.

Annual General Meeting

Notice of the Annual General Meeting to be held on 30th August, 2001 is contained in the Annual Report of the Company for the year ended 31st March, 2001 which is being sent with this document. A form of proxy for use at the Annual General Meeting is enclosed. Whether or not you intend to be present at the Annual General Meeting, you are requested to complete the form of proxy and return it to the share registrars, Secretaries Limited, at 5/F, Wing On Centre, 111 Connaught Road Central, Hong Kong, in accordance with the instruction printed thereon not less than 48 hours before the time fixed for holding the Annual General Meeting.

Recommendation

The Directors believe that the ordinary resolutions for the Repurchase Mandate, Shares Issue Mandate and Extension Mandate are all in the best interest of the Company and its shareholders as a whole. Accordingly, the Directors recommend that all shareholders to vote in favour of all the resolutions to be proposed at the Annual General Meeting.

Yours faithfully,
For and on behalf of the Board
CHEN Xiao Ying
Executive Chairman