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XIN NET CORP
Form PRER14C
March 29, 2004

SCHEDULE 14C INFORMATION

Information Statement Pursuant to Section 14(c) of the Securities
Exchange Act of 1934 (Amendment No. 2)

Check the appropriate box:

- Preliminary Information Statement
- Confidential, for Use of the Commission Only (as permitted by Rule
14c-5(d) (2))
- Definitive Information Statement

XIN NET CORP.

(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14c-5(g) and 0-11.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

Xin Net Corp.
#900-789 W. Pender St.

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Vancouver, B.C. Canada V6C 1H2

NOTICE OF ACTION TAKEN BY THE SHAREHOLDERS BY WRITTEN CONSENT OF A MAJORITY

FEBRUARY 25, 2004

To The Shareholders of Xin Net Corp.

Xiao-qing Du, Richco Investors, Inc., Zeth Zhang, Grace Ding, Jerry Wang, Susan Wen, and Jason Quan (collectively, the "Majority Shareholders") are the holders of a total of 25,319,500 shares or approximately 61.3% of the total issued and outstanding stock of Xin Net Corp., a Florida corporation (the "Company"). The Majority Shareholders have adopted the following resolutions by written consent in lieu of a meeting pursuant to the Business Corporation Act of the State of Florida, and subject to the Notice requirements of Section 14 of the Securities Exchange Act of 1934.

1. To change the Company's name to a name to be determined by the Board of Directors.
2. To authorize a reverse split of the Company's common stock on a one for five basis.

Xiao-qing Du, President

WE ARE NOT ASKING YOU FOR A CONSENT OR A PROXY AND YOU ARE
REQUESTED NOT TO SEND US A PROXY.

Xin Net Corp.
#900-789 W. Pender St.
Vancouver, B.C. Canada V6C 1H2

February 25, 2004

NOTICE OF SHAREHOLDERS' ACTION

The Majority Shareholders have submitted their consents to the actions described in this Information Statement on or about February 24, 2004, to be effective on or before _____, 2004. As of February 24, 2004, the Majority Shareholders held of record 25,319,500 shares of the Company's common stock, or approximately 61.3% of the total issued and outstanding common stock of the Company. The remaining outstanding shares of common stock are held by approximately four thousand other shareholders.

The Majority Shareholders consenting consist of Xiao-qing Du, Richco Investors, Inc., Zeth Zhang, Grace Ding, Jerry Wang, Susan Wen, and Jason Quan. See "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS."

Holders of the common stock of record as of February 24, 2004 are entitled to submit their consent to the shareholder resolutions described in this Information Statement, although no shareholder consents other than that of the

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Majority Shareholders are required to be submitted in order for the resolution to be adopted. The Company is NOT soliciting consents or proxies and shareholders have no obligation to submit either of them. Whether or not shareholders submit consents should not affect their rights as shareholders or the prospects of the proposed shareholder resolutions being adopted. The Majority Shareholders will consent to all of the shareholder resolutions described in this Information Statement. The affirmative vote of the holders of a majority of the outstanding common stock of the Company is required to adopt the resolutions described in this Information Statement. Florida law does not require that the proposed transaction be approved by a majority of the disinterested shareholders. A total of 41,360,010 shares of common stock will be entitled to vote on the Company's proposed transactions described in this Information Statement.

THE COMPANY

The Company has its executive offices at #900-789 W. Pender Street, Vancouver, B.C. Canada V6C 1H2, and its telephone number is (604) 632-9638. As described in the accompanying NOTICE OF ACTION TO BE TAKEN BY THE SHAREHOLDERS, the Company proposes to adopt certain amendments to the Articles of Incorporation by shareholder action as follows:

Proposal #1

AMENDMENT TO ARTICLES FOR CORPORATION NAME CHANGE

The majority shareholders have authorized a change in the name of this corporation to a name to be chosen by the Board in its discretion. This requires an amendment to the Articles of Incorporation.

Florida Statutes (FS 607.0202) provide that "the Articles need not set forth any of the corporate powers enumerated under the Act." The Florida Corporation Act (FS 602.0206) grants the Board of Directors, acting pursuant to Bylaws, broad discretion in their business judgment and in the exercise of their fiduciary responsibility to manage the business and regulate the affairs of the corporation, including all fiscal management.

The Bylaws of Xin Net govern the Board (among other things), and nothing contained therein prohibits the Board of the Company from carrying out ministerial acts to accomplish what has been approved by shareholders. In fact, Florida law (FS 607.1004) allows the Board to amend the Articles to change the corporate name in certain ways. For example, "Co." to "Company" or vice versa; "Inc." to "Incorporated" or vice versa, all without shareholder approval.

There is no case law in Florida prohibiting pre-approval by shareholders of an event involving Articles of Amendment, that involves some Board discretion so long as there is no substantive change to shareholder rights. The change of name by Amendment to Articles is not an event which would trigger dissenters' rights under Florida Statutes, since it does not change any shareholder rights.

The name has not been determined, because the Company is reviewing potential names in the context of 1) availability in Florida, 2) trademark infringement, 3) domain name availability or infringement on other's domain names, 4) translation into Chinese and idiomatic/cultural considerations. Only after careful study does the Company wish to commit to a name.

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The Board believes the name change in our Articles of Incorporation is in the best interest of the corporation, to create a new market image for the Company, because in the past members of the public have indicated they thought the current trading symbol "XNET" represented an adult web site business, and the Board believes this is a detrimental image to the Company and its stock. A new name will allow the assignment of a new symbol, and the Company believes this will allow the Company to avoid an inadvertent adult web site association. The Company has no association whatsoever with adult web sites.

PROPOSAL 2

REVERSE SPLIT OF COMMON STOCK ISSUED AND OUTSTANDING

To Authorize a reverse split of the common stock on a one for five basis, by which each five shares shall become one share;

Our shareholders have approved a pro-rata reverse split of our common stock, by which each five shares would become one share. The effective date of the reverse split will be 45 days following the date of the mailing of this Notice.

The shareholders entitled to fractional shares as a result of the reverse split will have the fractional shares rounded up to the nearest whole share, because the cost of administering fractional share to the Company and the confusion, inconvenience, and administrative time at the transfer agent and for "street name" shareholders. The Board has determined that it is more cost effective and better business practice on a cost/benefit analysis to handle fractional shares this way than to attempt to administer them as fractional shares or to pay cash or scrip for them. At the most, the Company estimates, this rounding up to the nearest whole share would result in the issuance of fractional shares on a post-reverse split basis which at current price is \$720 at \$.18 per share.

There will be no change in the number of record holders as a result of the reverse split.

We believe that reverse split will be advantageous to us and to all shareholders, because it may provide the opportunity for higher share prices based upon fewer shares. It is also a factor that most brokerage houses do not permit or favor lower-priced stocks to be used as collateral for margin accounts. Certain policies and practices of the securities industry may tend to discourage individual brokers within those firms from dealing in lower-priced stocks. Some of those policies and practices involve time-consuming procedures that make the handling of lower priced stocks economically unattractive. The brokerage commissions on the purchase or sale of lower priced stocks may also represent a higher percentage of the price than the brokerage commission on higher priced stocks.

As a general rule, potential investors who might consider making investments in our company will refuse to do so when the company has a large number of shares issued and outstanding with no equity. In other words, the "dilution" which new investors would suffer would discourage them from investing, as general rule of experience. A reduction in the total outstanding shares may, without any assurance, make our capitalization structure more attractive.

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The Company does not now qualify for a listing on any exchange, AMEX, NASDAQ, NYSE, or any smaller exchange. The Company does not meet any exchange qualifications at this time except that it is an SEC registered company. There is no assurance whatsoever that the Company will ever meet most of any exchange listing criteria.

There is no assurance that any effect TO the price of our stock will result, or that the market price for our common stock, immediately or shortly after the proposed changes will rise, or that any rise which may occur will be sustained. Market conditions are not predictable and may be influenced by changes in investor attitudes and external economic conditions. We are proposing the steps we deem best calculated to meet the market attractively. We cannot control the market's reaction.

Dissenting shareholders have no appraisal rights under Florida law or pursuant to our constituent documents of incorporation or bylaws, in connection with the reverse split.

Additional information regarding the Company, its business, its stock, and its financial condition are included in the Company's Form 10-KSB annual reports and its Form 10-QSB quarterly reports. Copies of the Company's Form 10-KSB for its fiscal year ending December 31, 2002 and its quarterly report on the Form 10-QSB for the quarter ending September 30, 2003 are available upon request to: Xiao-qing Du, #900-789 W. Pender Street, Vancouver, B.C. Canada V6C 1H2.

SECURITY OWNERSHIP OF DIRECTORS AND OFFICERS AND CERTAIN BENEFICIAL OWNERS

The following table sets forth certain information known to the Company with respect to the beneficial ownership of the Company's common stock as of March 26, 2004 by (i) each person who is known by the Company to own beneficially more than 5% of the Company's common stock, (ii) each of the Company's directors and executive officers, and (iii) all officers and directors of the Company as a group. Except as otherwise listed below, the address of each person is c/o Xin Net Corp., #900-789 W. Pender Street, Vancouver, B.C. Canada V6C 1H2.

Name and Address of Beneficial Owner	Amount and nature of Beneficial Ownership (1)	Percentage of Class
Xiao-qing Du (2) #2754 Adanac Street Vancouver, BC V5K 2M9	2,760,000	6.7%
Ernest Cheung(1) (2) 789 W. Pender St., #900 Vancouver, BC Canada V6C 1H2	2,559,500	6.2%
Maurice Tsakok (1) (2) 789 W. Pender St., #900	2,559,500	6.2%

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Richco Investors, Inc. 789 W. Pender St., #900 Vancouver, BC Canada V6C 1H2	2,559,500	6.2%
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All Officers and Directors as a Group	5,319,500	12.8%
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Total Shares Issued and Outstanding	41,360,010	100%
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Zeth Zhang 14-F Hutchison House 10 Harcourt Road, Hong Kong	4,000,000	9.7%
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Grace Ding 14-143 Dahongmen Street Fengtai District, Beijing, China	4,000,000	9.7%
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Jerry Wang 17-2-101 New Zhongxili East District, Beijing, China	4,000,000	9.7%
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Susan Wen 502-16 No. 3 Street Zhongguancun, Haidian District Beijing, China	4,000,000	9.7%
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Jason Quan 301-4-4 Railway Street West District, Beijing, China	4,000,000	9.7%
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(1) Through Richco Investors, Inc. of which Ernest Cheung and Maurice Tsakok are officers, directors, and shareholders.

(2) Officer and/or Director of Xin Net Corp.

Notes to the table:

Unless otherwise indicated, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.

MANAGEMENT

The following table lists the names and ages of the executive officers and directors of the Company. The directors were appointed in _____, 2004 and will continue to serve until the next annual shareholders meeting or until their successors are appointed and qualified. All officers serve at the discretion of the Board of Directors.

NAME ----	AGE ---	POSITION WITH THE COMPANY -----
Xiao-qing Du	33	President, Director

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Ernest Cheung	53	Secretary, Director
Maurice Tsakok	52	Director

XIAO-QING (ANGELA) DU, President and Director, age 33, was Director of our company from 1996 to date. She received a Bachelor of Science in International Finance in 1992 from East China Normal University. She received a Master of Science in Finance and Management Science in 1996 from the University of Saskatchewan in Canada. She has been Business Manager of China Machinery & Equipment I/E Corp. (CMEC) from 1992 to 1994. She is also President of InforNet Investment CORP., our wholly owned subsidiary in Canada, and remains a director of our Company.

ERNEST CHEUNG, Secretary and Director, age 53, has been Secretary of our company since May 1998. He received a B.A. in Math in 1973 from University of Waterloo, Ontario. He received an MBA in Finance and Marketing from Queen's University, Ontario in 1975. From 1991 to 1993 he was Vice President of Midland Walwyn Capital, Inc. of Toronto, Canada, later known as Merrill Lynch Canada. From 1992 until 1995 he served as Vice President and Director of Tele Pacific International Communications Corp. He has also served as President for Richco Investors, Inc. since 1995. He has been a director of our Company since 1996. He is currently a Director of Agro International Holdings, Inc. since 1997, Richco Investors, Inc. since 1995.

MAURICE TSAKOK, Director (since 1997), age 52, was employed from 1994 to 1996 by Sagit Mutual Funds, a mutual fund company, who as a vice-president was responsible for computer operations and research on global technology companies. From 1997 to present, he acted as a consultant on the high-tech industry and provides technical analysis on high-tech companies. He holds a Mechanical Engineering degree (1974 University of Minnesota) as well as an MBA specializing in Management Information Systems (MIS) (1976 Hofstra University). In 2000, he became a Director of China NetTV Holdings, Inc.

Under the Florida Business Corporation Act and the Company's Articles of Incorporation, as amended, the Company's directors will have no personal liability to the Company or its stockholders for monetary damages incurred as the result of the breach or alleged breach by a director of his "duty of care". This provision does not apply to the directors' (i) acts or omissions that

involve intentional misconduct or a knowing and culpable violation of law, (ii) acts or omissions that a director believes to be contrary to the best interests of the corporation or its shareholders or that involve the absence of good faith on the part of the director, (iii) approval of any transaction from which a director derives an improper personal benefit, (iv) acts or omissions that show a reckless disregard for the director's duty to the corporation or its shareholders in circumstances in which the director was aware, or should have been aware, in the ordinary course of performing a director's duties, of a risk of serious injury to the corporation or its shareholders, (v) acts or omissions that constituted an unexcused pattern of inattention that amounts to an abdication of the director's duty to the corporation or its shareholders, or (vi) approval of an unlawful dividend, distribution, stock repurchase or redemption. This provision would generally absolve directors of personal liability for negligence in the performance of duties, including gross negligence.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the Company pursuant to the foregoing provisions, the Company has been informed that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Act and is therefore unenforceable.

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BOARD COMMITTEES

The Board of Directors currently serves as an Audit Committee and Compensation Committee. During the fiscal year ended December 31, 2003, the Board of Directors held occasional meetings.

COMPENSATION OF DIRECTORS

Directors receive no cash compensation for their services to the Company as directors, but are reimbursed for expenses actually incurred in connection with attending meetings of the Board of Directors.

SUMMARY COMPENSATION TABLE OF EXECUTIVES

	Cash Compensation				Security Grants			
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Name and Principal Compensation Position	Year	Salary	Bonus	Annual Compensation /Other(\$)	Restricted Stock Awards	Securities Underlying Options/ SARs (#) (SHARES)	Long Term Compensation/ Options	LTIP Payment
Xiao-qing Du President	2000 2001 2002	30,000 32,084 4,809	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0
		(CDN)						
Ernest Cheung Secretary	2000 2001 2002	0 0 0	0 0 0	24,000 24,000 24,000	0 0 0	0 0 0	0 0 0	0 0 0
				(CDN)				
Officers as A Group	2000 2001 2002	30,000 32,084 4,809	0 0 0	24,000 24,000 24,000	0 0 0	0 0 0	0 0 0	0 0 0
		(CDN)		(CDN)				

(b) Directors' Compensation

Directors who are also officers of Xin Net Corp. receive no cash compensation for services as a director. However, the directors will be reimbursed for out-of-pocket expenses incurred in connection with attendance at board and committee meetings. The Company has granted options to directors under its Stock Incentive Plan subsequently adopted.

SUMMARY COMPENSATION TABLE OF DIRECTORS

(To December 31, 2002)

Cash Compensation	Security Grants
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Name and Principal Position	Year	Annual retainer Fees (\$)	Meeting Fees (\$)	Consulting Fees/Other Fees (\$)	Number of Shares (#)	Securities Underlying Options/SARs (#) (SHARES)	LTIP Payments	AL Co
Xiao-qing Du, Director	2000	0	0	0	0	0	0	
	2001	0	0	0	0	0	0	
	2002	0	0	0	0	0	0	
Marc Hung Director (resigned)	2000	0	0	29,500	0	0	0	
	2001	0	0	60,000	0	0	0	
	2002	0	0	30,000 CDN	0	0	0	
Ernest Cheung, Director	2000	0	0	0	0	0	0	
	2001	0	0	0	0	0	0	
	2002	0	0	0	0	0	0	
Maurice Tsakok Director	2000	0	0	24,000 CDN	0	0	0	
	2001	0	0	24,000 CDN	0	0	0	
	2002	0	0	24,000 CDN	0	0	0	
Directors as a group	2000	0	0	53,500 CDN	0	0	0	
	2001	0	0	84,000 CDN	0	0	0	
	2002	0	0	54,000 CDN	0	0	0	

There have been no Option/SAR grants or exercises in the last fiscal year reportable under Reg. S-B, 402(c) or (d).

(c) Termination of Employment and Change of Control Arrangements. None.

(d) Stock purchase options:

On February 26, 1999, stock options for a total of 480,000 shares at \$.40 per share were granted to officers and employees (or persons who became officers) that had contributed to the success of the company in the past: Marc Hung (150,000 shares) and Xin Wei (330,000 shares) (Note: Mr. Wei is not an officer of the Company, but an employee of InforNet Investment Corp., a subsidiary of Xin Net Corp.) All share options were exercised as of April 6, 1999.

On November 12, 1999 the Company granted 2,136,000 options to purchase shares at \$1.30 per share to entities/persons who contributed to the successful results achieved by the Company in 1999, as follows:

a. 262,000 options to Gemsco Management Ltd. (owned beneficially by director Maurice Tsakok) for designing and implementing the Company's corporate website, advising on technological matters, researching the technology sector and for services as a director.

b. 262,000 options to Farmind Link Corp. for their role as advisor on strategic issues, technology market trends, and financial and capital market issues.

c. 262,000 options to Sinhoj Management Ltd. (owned beneficially by officer and director Marc Hung) for their contributions to the general management of the Company, investor relations, technological matters and for services as a director.

d. 212,000 options to Lancaster Pacific Investment, Ltd. for their

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contributions in the areas of regulatory matters, Chinese market conditions and strategies aimed at penetrating the market.

e. 50,000 options to Ernest Cheung for services rendered as secretary and director of the Company.

f. 20,000 options to Yonderiche International Consultants Ltd. for services rendered in matters regarding Chinese government policies and regulations.

g. 1,068,000 options to Weststar Holdings Limited (owned beneficially by Xiao-qing Du, a director and president of Infornet Investment Corp., and Xin Wei, a director and secretary of Infornet Investment Corp. and president of XIN HAI) and employees of Xin Hai Technology Development Ltd., as a group, for the successful continued development of the business in China and achieving excellent operational results during the year. The breakdown of the 1,068,000 options is to be determined at a later date.

The average closing price for the five trading days ended on November 12, 1999 was \$1.28 per share. The closing price on November 12, 1999 was \$1.187 per share.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On February 26, 1999, Marc Hung, who was neither an officer nor director but since has become President and Director, was granted and exercised (in March, 1999) an option to purchase 150,000 shares of common stock at \$.40 per share. The option to purchase shares was granted to him for services rendered since July 1998 as advisor to the Company in matters relating to management, technology and strategies.

On February 26, 1999, Kun Wei, a shareholder, was granted and exercised (in March) an option to purchase 330,000 shares of common stock at \$.40 per share. The option to purchase shares was granted to him for contributing to the success of the joint venture, in particular with regards to technology development and implementation. Kun Wei is Vice President of Xin Hai Technology Development, Ltd. and the brother of Xin Wei.

On February 26, 1999, Xin Wei, a shareholder, who is President of Xin Hai Technology Development, Ltd., the Company's joint venture Partner, was granted and exercised (in March 1999) an option to purchase 330,000 shares of common at \$.40 per share. The option to purchase shares was granted to him for contributing to the success of the joint venture, in particular with regards to general management of Xin Hai Technology Development Ltd., business development and governmental relations.

In May 1999, Marc Hung, President and Director of the Company, purchased 80,000 units of the private placement at the \$1.00 offering price. Richco Investors, Inc., a public company of which both Messrs. Ernest Cheung and Maurice Tsakok are directors, officers and shareholders, purchased 700,000 units in the private placement at \$1.00 per unit in May 1999.

On September 17, 1999 385,000 units were issued to Richco Investors, Inc. as a consulting fee for services rendered in structuring the unit placement.

The units consisted of one share and a warrant ("A" Warrant) to purchase an additional unit at \$2.00 per unit, such additional unit consisting of one share and a warrant ("B" Warrant) to purchase an additional share at \$5.00 per share. On March 15, 2001 the Company amended both the Series "A" and Series "B" warrants as follows:

- The exercise price of the Series "A" warrants is adjusted to \$1.00 each and their term is extended to the earlier of (a) March 31, 2004 and (b) the 90th day

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after the day on which the weighted average trading price of Xin Net Corp.'s shares exceeds \$1.25 per share for ten consecutive days;

- Upon exercise of one Series "A" warrant at \$1.00, the holder will receive one Xin Net Corp. common share and one Series "B" warrant;

- The exercise price of the Series "B" warrants is adjusted to \$1.50 each and their term is extended to the earlier of (a) March 31, 2004 and (b) one year after the 90th day occurrence described above.

On November 12, 1999 the Company granted 2,136,000 options to purchase shares at \$1.30 per share to entities/persons who contributed to the successful results achieved by the Company in 1999, as described above under "Stock Purchase Options."

The Company has made loans to the joint venture since the year 1999. These loans bear 0% interest and are payable on demand. At December 31, 2002 the cumulative amount of the loans was \$3,152,184.

On June 22, 2001 the Company, through its Chinese joint venture partner Xin Hai Technology Development Ltd, signed an agreement to transfer ISP assets to Beijing Sino Soft Intel Information Technology Ltd. for USD 700,000 equivalent in Renminbi, plus other considerations.

On February 26, 2004 the Company signed an agreement to sell 100% ownership of Xin Net Telecom Corp., its domain name Registration business to Sino-i.com Limited.

INDEPENDENT AUDITORS

The Board of Directors has authorized the firm of Clancy & Co., C.P.A., independent certified public accountants, to serve as independent auditors for the fiscal year ended December 31, 2003.

SHAREHOLDER PROPOSALS AND NOMINATING PROCEDURES

Any proposal that a shareholder intends to present at the Company's 2004 Annual Meeting should have been received at the Company's principal executive office not later than April 30, 2004. Any such proposal must comply with Rule 14a-8 of Regulation 14A of the proxy rules of the Securities and Exchange Commission. Shareholder proposals should be addressed to the Secretary of the Company.

Nominations for directors to be elected at the 2004 Annual Meeting, other than those made by the Board of Directors, should be submitted to the Secretary of the Company no later than April 30, 2004. The nomination should include the full name of the nominee and a description of the nominee's background in compliance with Regulation S-K of the reporting rules of the Securities and Exchange Commission.

OTHER MATTERS

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The Board of Directors of the Company is not aware that any matter other than those described in this Information Statement is to be presented for the consent of the shareholders.

UPON WRITTEN REQUEST BY ANY SHAREHOLDER TO ERNEST CHEUNG, SECRETARY OF THE COMPANY, AT XIN NET CORP, #900-789 W. PENDER STREET, VANCOUVER, B.C. CANADA V6C 1H2 TELEPHONE (604) 632-9638, A COPY OF THE COMPANY'S ANNUAL REPORT ON FORM 10-KSB AND INTERIM REPORTS ON FORM 10QSB WILL BE PROVIDED WITHOUT CHARGE.