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**SKYNET (INTERNATIONAL GROUP)
HOLDINGS LIMITED**

天網(國際集團)有限公司*

(incorporated in Bermuda with limited liability)
(Stock Code: 577)

- (1) CAPITAL REORGANISATION;
- (2) OPEN OFFER;
- (3) MAJOR TRANSACTION; AND
- (4) ISSUE OF FACILITY CONVERTIBLE NOTE



**PAUL Y. - ITC CONSTRUCTION
HOLDINGS LIMITED**

保華德祥建築集團有限公司*

(incorporated in Bermuda with limited liability)
(Stock Code: 498)

- (1) DISCLOSEABLE TRANSACTION; AND
- (2) APPLICATION FOR WHITEWASH WAIVER



ITC CORPORATION LIMITED

德祥企業集團有限公司*

(incorporated in Bermuda with limited liability)
(Stock Code: 372)

DISCLOSEABLE TRANSACTION

The boards of Skynet, Paul Y and ITC announce the Restructuring Proposal of Skynet which will involve the following elements:

Capital Reorganisation

The Capital Reorganisation will involve (i) the cancellation of HK\$0.018 of the paid-up capital from each issued Share and reduction in the nominal value of each issued Share from HK\$0.02 to HK\$0.002; (ii) the cancellation of the entire amount standing to the credit of the share premium account of Skynet; (iii) the subdivision of each authorised but unissued Share into 10 Reduced Shares of HK\$0.002 each; (iv) the consolidation of every 10 Reduced Shares of HK\$0.002 each into one Consolidated Share of HK\$0.02; and (v) the increase in the authorised share capital of Skynet from HK\$140,000,000 to HK\$400,000,000 by the creation of an additional 13,000,000,000 Consolidated Shares.

Open Offer

To allow the Shareholders to participate in the restructuring of the Group, Skynet will make the Open Offer whereby Qualifying Shareholders will be offered five Offer Shares for every two Consolidated Shares on an assured basis held on the Record Date at HK\$0.04 per Offer Share. Paul Y has entered into the Underwriting Agreement with Skynet to underwrite all the Offer Shares.

Acquisition Agreement

Skynet has conditionally agreed to acquire from Paul Y the entire issued share capital of, and shareholder's loans to, Paul Y Construction at a total consideration of HK\$400,000,000, to be satisfied by the issue of the Consideration Shares at HK\$0.04 per Consolidated Share.

Pursuant to the Acquisition Agreement, Paul Y and Skynet will at Completion enter into an agreement for the provision of the Facility by Paul Y to Skynet for the general working capital needs of the Paul Y Construction Group. The Facility, when drawn, will be in the form of the Facility Convertible Note which can be converted into new Consolidated Shares at the initial conversion price of HK\$0.04 per Consolidated Share.

Hidden Agreement

On 27th March, 2004, a wholly-owned subsidiary of Hidden agreed to acquire from Lombard all the rights arising from the Preferred Shares (including the Lombard Claim). On the same date, the Paul Y Hidden Agreement was entered into pursuant to which a wholly-owned subsidiary of Paul Y conditionally agreed to acquire the Hidden Interest from Wellington for a total consideration of HK\$30,000,000, of which HK\$10,000,000 will be paid in cash and the remaining HK\$20,000,000 will be satisfied by the issue of 500,000,000 Consolidated Shares out of the Hidden Consideration Shares. To retire the Group's obligation in relation to the Lombard Claim and to retire the Group's outstanding obligations under the Hidden Prior Agreements, Skynet agreed to acquire from Paul Y the Hidden Interest at HK\$113.6 million which will be settled by the issue of the Hidden Consideration Shares at HK\$0.04 per Consolidated Share to Paul Y (or as it may direct).

The Acquisition Agreement and the Hidden Agreement together constitute a major transaction of Skynet. The disposal of Paul Y Construction, the Underwriting Agreement, the provision of the Facility, the Hidden Agreement (which together lead to an acquisition of interest in Skynet) and the Paul Y Hidden Agreement together constitute a discloseable transaction for each of Paul Y and ITC (through its interest in Paul Y).

Shareholders who are interested in or involved in the Acquisition Agreement, the Underwriting Agreement, the Hidden Agreement and the Facility Convertible Note, including Paul Y and its associates, will have to abstain from voting on the resolutions approving the Acquisition Agreement, the Open Offer, the Hidden Agreement, the issue of the Facility Convertible Note and the Whitewash Waiver.

A circular of Skynet containing details of the Restructuring Proposal, the letters of advice from the independent board committee and the independent financial adviser together with the notice of the SGM will be despatched to the Shareholders as soon as practicable. A circular of each of Paul Y and ITC giving details of, among others, the disposal of Paul Y Construction, the Underwriting Agreement, the provision of Facility, the Hidden Agreement (which together lead to an acquisition of interest in Skynet) and the Paul Y Hidden Agreement will be despatched to the shareholders of Paul Y and ITC, respectively, as soon as practicable.

Shareholders of Skynet, Paul Y and ITC and potential investors should note that the Underwriting Agreement, the Acquisition Agreement and the Hidden Agreement are inter-conditional and are subject to a number of conditions including the Capital Reorganisation having become unconditional. It is one of the conditions precedent of each of the Underwriting Agreement, the Acquisition Agreement and the Hidden Agreement that the Whitewash Waiver be obtained. If the Whitewash Waiver is not obtained for any reason or waived, the Underwriting Agreement, the Acquisition Agreement and the Hidden Agreement will not become unconditional and the Restructuring Proposal will not proceed. Accordingly, it is important to note that the release of this announcement does not in any way indicate that the Restructuring Proposal will be successfully implemented and completed.

Dismissal of petition filed by Lombard

Following the entering into of, and pursuant to the terms of, a conditional agreement for the acquisition by a wholly-owned subsidiary of Hidden from Lombard of all of Lombard's rights arising from the Preferred Shares, the winding up petition filed by Lombard against Skynet was dismissed by the court on 29th March, 2004.

Suspension

Trading in the Shares on the Stock Exchange has been suspended at the request of Skynet with effect from 9:30 a.m. on 16th October, 2003 as Skynet is unable to comply with the requirements under the Listing Rules which require listed issuers to carry out a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated to warrant the continued listing of the Shares. Trading in the Shares on the Stock Exchange will remain suspended pending (i) Skynet being able to demonstrate to the Stock Exchange that the Group has a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated to warrant the continued listing of the Shares; and (ii) restoration of the public float of Skynet to not less than 25%.

CAPITAL REORGANISATION

The Board proposes the Capital Reorganisation which will involve the Capital and Share Premium Reduction, the Subdivision, the Share Consolidation and the increase in authorised share capital of Skynet:

Capital and Share Premium Reduction and Subdivision

The Capital and Share Premium Reduction will involve (i) the cancellation of HK\$0.018 of the paid-up capital from each issued Share and reduction in the nominal value of each issued Share from HK\$0.02 to HK\$0.002; and (ii) the cancellation of the entire amount standing to the credit of the share premium account of Skynet immediately before the Capital and Share Premium Reduction becoming effective. The Subdivision will involve the subdivision of each authorised but unissued Share into ten Reduced Shares.

As at the date of this announcement, the authorised share capital of Skynet is HK\$140,000,000 divided into 7,000,000,000 Shares of HK\$0.02 each, of which 4,507,099,957 Shares are in issue and fully paid or credited as fully paid. On the assumption that no further Shares will be issued after the release of this announcement and up to the effective date of the Capital Reorganisation, a credit of approximately HK\$81,127,799 will arise in the books of Skynet as a result of the cancellation of the paid-up capital of HK\$0.018 on each issued Share. Based on the audited financial statements of Skynet for the year ended 31st March, 2003, a credit of approximately HK\$488,643,000 will arise as a result of the cancellation of the entire amount standing to the credit of the share premium account of Skynet. A total credit of approximately HK\$569,770,799 will arise from the Capital and Share Premium Reduction and will be transferred to the contributed surplus account of Skynet. Skynet had an audited contributed surplus of approximately HK\$180,801,000 as at 31st March, 2003, which amount will be increased to approximately HK\$750,571,799 upon completion of the Capital and Share Premium Reduction. Such contributed surplus will then be set off against the accumulated deficit of Skynet, which amounted to approximately HK\$854,643,000 as at 31st March, 2003, reducing it to approximately HK\$104,071,201.

Share Consolidation

Immediately following the Capital and Share Premium Reduction and the Subdivision, the Share Consolidation will be implemented to consolidate every 10 Reduced Shares of HK\$0.002 each into one Consolidated Share of HK\$0.02. Fractional Consolidated Shares will not be issued to individual Shareholders but will be aggregated and, if a premium (net of expenses) can be obtained, sold for the benefit of Skynet.

Increase in authorised share capital

The existing authorised share capital of Skynet is HK\$140,000,000 divided into 7,000,000,000 Shares. The Board proposes to increase the authorised share capital of Skynet from HK\$140,000,000 to HK\$400,000,000 by the creation of an additional 13,000,000,000 Consolidated Shares.

Upon completion of the Capital Reorganisation, the authorised share capital of Skynet will be HK\$400,000,000 divided into 20,000,000,000 Consolidated Shares.

Effect of the Capital Reorganisation

Based on Skynet's existing authorised share capital of HK\$140,000,000, divided into 7,000,000,000 Shares, and issued share capital of HK\$90,141,999.14, represented by 4,507,099,957 Shares, upon the Capital Reorganisation becoming effective, the authorised share capital of Skynet will be increased to HK\$400,000,000, divided into 20,000,000,000 Consolidated Shares, and the issued share capital will be HK\$9,014,199.914, represented by 450,709,995.7 Consolidated Shares.

The Consolidated Shares will rank *pari passu* in all respects with each other. Other than the expenses incurred in relation to the Capital Reorganisation, its implementation will not alter the underlying assets, business operations, management or financial position of Skynet or the interests or rights of the Shareholders, save that any fractional Consolidated Shares will not be issued to individual Shareholders but will be aggregated and, if a premium (net of expenses) can be obtained, sold for the benefit of Skynet. The Capital Reorganisation itself will not have any material adverse effect on the financial position of the Group.

Save for the allotment and issue of the Consideration Shares under the Acquisition Agreement, the Offer Shares under the Open Offer, the Hidden Consideration Shares under the Hidden Agreement and the possible placing of further new Consolidated Shares to restore the public float of Skynet as detailed below, Skynet has no immediate intention to issue any further Consolidated Shares.

Conditions of the Capital Reorganisation

The Capital Reorganisation will be conditional upon:

- (i) the passing of the necessary resolution(s) by the Shareholders to approve the Capital Reorganisation at a general meeting of Skynet;
- (ii) compliance with the relevant legal procedures and requirements under Bermuda laws to effect the Capital Reorganisation; and
- (iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares arising from the Capital Reorganisation.

An application will be made by Skynet to the Stock Exchange for the granting of the listing of, and permission to deal in, the Consolidated Shares arising from the Capital Reorganisation. All necessary arrangements will be made for the Consolidated Shares to be admitted into the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited.

Change in board lot size

The Board proposes to change the board lot size from 5,000 Shares to 20,000 Consolidated Shares upon the Capital Reorganisation becoming effective. Based on the last closing price of the Shares of HK\$0.01, the new board lot value would amount to HK\$2,000.

Reasons for the Capital Reorganisation

According to the audited financial statements of Skynet for the year ended 31st March, 2003, Skynet had an accumulated deficit of approximately HK\$854.6 million as at 31st March, 2003. The Board believes that it is unlikely that Skynet will generate sufficient profits in the immediate future to eliminate such accumulated deficit and that it would be inappropriate for Skynet to pay dividends while the accumulated deficit remains. The Capital and Share Premium Reduction will allow Skynet to reduce the accumulated deficit substantially. As the paid up capital of Skynet is no longer represented by assets, the Board considers it appropriate to effect the Capital and Share Premium Reduction. The increase in the authorised share capital of Skynet will facilitate the issue of the new Consolidated Shares pursuant to the Restructuring Proposal.

The Share Consolidation and the increase in board lot size will create a more cost effective board lot value in reducing the transaction costs for dealing in the Shares, including charges by reference to the number of share certificates issued.

The expected timetable in relation to the implementation of the Capital Reorganisation together with the relevant trading arrangements including matching services and exchange of share certificates will be announced and included in the circular of Skynet to be despatched to the Shareholders in due course.

OPEN OFFER

Issue statistics

Number of Shares in issue	– 4,507,099,957 Shares
Number of Consolidated Shares after completion of the Capital Reorganisation	– 450,709,995.7 Consolidated Shares
Basis of Open Offer	– Five Offer Shares for every two Consolidated Shares held by Qualifying Shareholders on the Record Date
Number of Offer Shares	– 1,126,774,985 Offer Shares
Enlarged issued share capital upon completion of the Capital Reorganisation and the Open Offer	– HK\$31,549,699.614 comprising 1,577,484,980.7 Consolidated Shares

As at the date of this announcement, Skynet has no share options or other convertible securities outstanding.

Qualifying Shareholders

Skynet will send the Prospectus Documents to the Qualifying Shareholders only.

To qualify for the Open Offer, Shareholders must at the close of business on the Record Date:

- (i) be registered members of Skynet; and

- (ii) have addresses in Hong Kong on the register of members of Skynet or, in the case of Shareholders having addresses outside Hong Kong, only if the Board has obtained legal advice to the effect that the offer to those Shareholders of the Offer Shares under the Open Offer would not contravene any legal restriction under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place.

Subscription price

HK\$0.04 per Offer Share, which is payable in full when a Qualifying Shareholder accepts the provisional allotment of Offer Shares.

Provisional allotments

The provisional allotments under the Open Offer on an assured basis are not transferable nor are they capable of renunciation. No listing will be sought for the provisional allotment.

Status of the Offer Shares

When fully paid, the Offer Shares will rank pari passu in all respects with the then existing Consolidated Shares. Holders of the fully-paid Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of issue and allotment of the fully-paid Offer Shares.

Share certificates

Subject to fulfillment of the conditions of the Open Offer, share certificates for all fully-paid Offer Shares are expected to be posted to those entitled thereto at their own risk.

Rights of Overseas Shareholders

If at the close of business on the Record Date, a Shareholder's address on Skynet's register of members is in a place outside Hong Kong, that Shareholder may not be eligible to take part in the Open Offer. The Prospectus Documents will not be registered and/or filed under the applicable securities legislation of any jurisdiction other than Hong Kong and/or Bermuda. The Board is making enquiries as to whether the issue of Offer Shares to the Overseas Shareholders may contravene the applicable securities legislation of the place of residence of such Overseas Shareholders. If, after making such enquiry, the Board is of the opinion that it would be necessary or expedient to do so, such Overseas Shareholders will not have any provisional allotment of Offer Shares on an assured basis and will not be allotted any Offer Shares. Accordingly, the Open Offer will not be extended to the Excluded Shareholders. Skynet will send the prospectus relating to the Open Offer to the Excluded Shareholders for their information only and will not send Application Forms to the Excluded Shareholders. The relevant Offer Shares are underwritten pursuant to the Underwriting Agreement.

Application for listing

Skynet will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares.

Dealings in the Offer Shares will be subject to the payment of stamp duty in Hong Kong.

Underwriting Agreement

Date: 29th March, 2004

Underwriter: Paul Y, which principal activities are set out under the section headed "Information on Paul Y".

Paul Y, through its wholly-owned subsidiary, Nation Cheer Investment Limited, is interested in 85 Shares, representing less than 0.0001% of the issued share capital of Skynet as at the date of this announcement. Dr. Chan Kwok Keung, Charles, a director and substantial shareholder of both Paul Y and ITC, is deemed to be interested in the said 85 Shares by virtue of his shareholdings in ITC and Paul Y. Save for the aforesaid, no connected person (as defined under the Listing Rules) of Paul Y or ITC is interested in any Shares.

Number of Underwritten Shares: The Open Offer is fully underwritten. All the 1,126,774,985 Offer Shares are fully underwritten.

Commission: 2% of the aggregate subscription price of the actual number of Offer Shares underwritten by the Underwriter, which will be HK\$901,420.

The 2% commission is in line with the market practice. The respective directors of Skynet, Paul Y and ITC consider that the commission is reasonable.

Undertaking to subscribe

As at the date of this announcement, no person has undertaken to or indicated that he will not subscribe for his entitlement under the Open Offer.

Underwriting

Subject to the fulfillment of the conditions contained in the Underwriting Agreement, the Underwriter has agreed to underwrite all the Underwritten Shares.

Termination of the Underwriting Agreement

The Underwriter may, by notice in writing, terminate its obligations under the Underwriting Agreement on the occurrence of certain events at any time on or before 4:00 p.m. on the second Business Day after the Acceptance Date, if in the reasonable opinion of the Underwriter:

- (a) the success of the Open Offer would be affected by:
 - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national and international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes inexpedient or inadvisable to proceed with the Open Offer; or
 - (iii) any material adverse change in the financial position of the Group as a whole; or
 - (iv) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic or threatened epidemic, terrorism, strike or lock-out; or
- (b) any material adverse change in market conditions (including without limitation, a change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or restriction of trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially and adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (c) save for the matters disclosed to the Underwriter under or pursuant to the Acquisition Agreement, the SGM circular or the prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date thereof been publicly announced or published by Skynet and which may in the reasonable opinion of the Underwriter be material to the Group as a whole and is likely to affect the success of the Open Offer.

Upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine and no party thereto shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement.

Conditions of the Underwriting Agreement

The Underwriting Agreement is subject to the following conditions being fulfilled/waived:

- (i) the approval by resolution of the Independent Shareholders of the Open Offer at the SGM;
- (ii) the Whitewash Waiver being approved by the Independent Shareholders by way of a poll at the SGM;
- (iii) the Whitewash Waiver being granted by the Executive;
- (iv) the signing by or on behalf of all of the Directors on or before the Posting Date of two copies of each of the Prospectus Documents;
- (v) the delivery on or before the Posting Date of one such signed copy of each of the Prospectus Documents to the Underwriter;

- (vi) if required under the Companies Ordinance, the delivery to the Stock Exchange and the registration with the Registrar of Companies in Hong Kong respectively on or prior to the Posting Date of one copy of each of the Prospectus Documents each duly certified by the Directors in compliance with section 342C(1) of the Companies Ordinance and otherwise complying with the requirements of the Companies Act, Companies Ordinance and the Listing Rules;
- (vii) the posting on the Posting Date of copies of the Prospectus Documents to the Qualifying Shareholders;
- (viii) compliance by Skynet with all its obligations under the Underwriting Agreement;
- (ix) the Listing Committee of the Stock Exchange (a) agreeing to grant listing of, and permission to deal in, the Offer Shares either unconditionally or subject to conditions which Skynet and the Underwriter accept and the satisfaction of such conditions (if any) by no later than the Posting Date; and (b) not having withdrawn or revoked such listings and permission on or before 4:00 p.m. on the Settlement Date;
- (x) the Capital Reorganisation becoming unconditional;
- (xi) each of the Hidden Agreement and the Acquisition Agreement becoming unconditional in all respects (save as the condition requiring any or all of the aforesaid agreements becoming unconditional and/or the obligations of the Underwriter under the Underwriting Agreement not being terminated);
- (xii) compliance with the requirements under the applicable laws and regulations of Hong Kong and Bermuda; and
- (xiii) the obligations of the Underwriter under the Underwriting Agreement relating to the Open Offer not being terminated in accordance with the terms thereof.

Conditions (ii), (iii), (viii) and (xi) can be waived by Paul Y. Paul Y has agreed not to waive conditions (ii) and (iii) unless it shall have demonstrated to the satisfaction of its financial adviser that it has sufficient financial resources to fulfil its general offer obligation under Rule 26 of the Takeovers Code if it waives conditions (ii) and (iii). If the above conditions have not been satisfied or in the event that conditions (ii), (iii), (viii) and (xi) have not been satisfied and/or waived in whole or in part by the Underwriter on or before the time and dates as specified in the Underwriting Agreement (or such other date as Skynet and the Underwriter may mutually agree) or if the Underwriting Agreement shall be terminated as described above, all obligations and liabilities of the parties thereto shall cease and determine and the Restructuring Proposal, including the Open Offer, will not proceed.

Expected timetable

The expected timetable for the Open Offer including the book closure period for the register of members, the Record Date, the Posting Date and the Acceptance Date will be announced and included in the circular of Skynet to be despatched to the Shareholders in due course.

Use of proceeds

The net proceeds from the Open Offer of approximately HK\$44 million are intended to be applied as to approximately HK\$20 million to assist the Group in revitalising its business of trading and installation of granite and marble products, and as to approximately HK\$24 million for the Group's general working capital for its existing business.

Skynet has not implemented any equity fund raising exercise in the 12 months' period prior to the date of the Underwriting Agreement.

THE ACQUISITION AGREEMENT

Date

29th March, 2004

Parties

Paul Y (as the vendor of the Sale Shares and Sale Loan)

Skynet (as the purchaser of the Sale Shares and Sale Loan)

Subject matter of sale and purchase

The Sale Shares, representing the entire issued share capital of Paul Y Construction, and the Sale Loan, representing the shareholder loans owing by Paul Y Construction to Paul Y as at the date of Completion. The Sale Loan amounted to approximately HK\$177 million as at 31st December, 2003. It is non-interest bearing, has no fixed term of repayment and is repayable at any time upon demand.

Prior to Completion, the Paul Y Construction Group will undergo an internal group reorganisation so that two existing direct subsidiaries of Paul Y Construction, namely, Paul Y. – ITC Management Limited and Paul Y. – ITC Investments Group Limited and their respective subsidiaries (except for Paul Y. Management Limited (formerly known as Paul Y. – ITC Services Limited)) which are not primarily engaged in the construction business, will be transferred to Paul Y.

Paul Y has warranted to Skynet that as at the date of Completion, the sum of (i) the unaudited combined net asset value of Paul Y Construction Group; and (ii) the Sale Loan shall be no less than HK\$250,000,000 and the amount of the combined intangible assets shall be no more than HK\$15,000,000; and the Sale Shares and the Sale Loan shall be free from any mortgage, lien, pledge, charge, encumbrance or other security. In the event that the sum of the combined net assets of Paul Y Construction Group together with the Sale Loan fall short of the warranted amount as revealed by the audit conducted by the auditor appointed by Skynet within three months from the date of the delivery of the completion accounts of the Paul Y Construction Group (which completion accounts shall be delivered within two months from the date of Completion), Skynet is entitled to demand Paul Y for the shortfall on a dollar for dollar basis in cash. The intangible assets of Paul Y Construction mainly represent the goodwill arising from acquisition of subsidiaries. The Acquisition Agreement does not specify a mechanism for circumstances where the combined intangible assets exceed HK\$15,000,000. If there is a breach of the warranty, Skynet is entitled to claim for damages on losses suffered as a result of the combined intangible assets exceeding the agreed figure. Since the value of the combined intangible assets will be taken into account in the net asset value calculation, if the combined intangible assets are less than HK\$15,000,000, the combined tangible assets have to be increased in order to meet the warranty.

Consideration

The consideration for the sale and purchase of the Sale Shares and the Sale Loan is HK\$400,000,000, which will be satisfied by the issue and allotment of the Consideration Shares at an issue price of HK\$0.04 per Consolidated Share (credited as fully paid) by Skynet to Paul Y (or as it may direct). The Consideration Shares represent approximately 69.4% of the issued share capital of Skynet upon completion of the Restructuring Proposal (but before conversion of the Facility Convertible Note). The Consideration Shares shall rank pari passu among themselves and with all Consolidated Shares in issue on Completion, save for entitlement to the Offer Shares. The consideration was determined after arm's length negotiations between the parties taking into consideration the warranted value of HK\$250,000,000 as at Completion for the aggregate sum of (i) the combined net asset value of the Paul Y Construction; and (ii) the Sale Loan by Paul Y under the Acquisition Agreement, plus a premium of HK\$150,000,000 to reflect the market standing, technical expertise and track record of Paul Y Construction Group, including the various construction licences held by certain members of Paul Y Construction Group, its specialised skills and track records in civil engineering and infrastructure works, its reputation in the local construction industry with an established client base, its management team which possesses extensive experience in the construction of industrial, commercial and residential buildings, and its good relationship with clients, sub-contractors and suppliers. Paul Y is of the view that it is market practice for the consideration on the transfer of a construction company to be determined by reference to the underlying assets value of the construction company together with a premium to reflect its unrecorded goodwill, market standing, valuable licenses, technical expertise and track record.

Conditions

Completion is subject to the following conditions being fulfilled/waived:

- (i) the passing of resolutions by the Shareholders at the SGM approving the Capital Reorganisation and the Capital Reorganisation becoming unconditional;
- (ii) approval by the Independent Shareholders of: (a) the acquisition of the Sale Shares and the Sale Loan; (b) the issue and allotment of the Consideration Shares to Paul Y; (c) the entering into of the agreement for the provision of the Facility by Paul Y and the issue of the Facility Convertible Note; (d) the issue of the Conversion Shares upon exercise of the conversion rights attaching to the Facility Convertible Note; and (e) all other transactions contemplated under the Acquisition Agreement at the SGM;
- (iii) the passing of an ordinary resolution by the Independent Shareholders approving the Whitewash Waiver, and the Executive granting the Whitewash Waiver and such a waiver not having been revoked or amended;
- (iv) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares to be issued pursuant to the Restructuring Proposal;

- (v) the compliance with any other requirements of the Stock Exchange in relation to transactions contemplated under the Restructuring Proposal;
- (vi) (where required) the Bermuda Monetary Authority granting its permission to the increase in the authorised share capital and the issue and allotment of the Consolidated Shares to be issued pursuant to the Restructuring Proposal;
- (vii) the compliance of announcement and shareholders' approval requirements under the Listing Rules or otherwise of the Stock Exchange in relation to present and future transactions contemplated as at the date of the Acquisition Agreement which will constitute continuing connected transactions of Skynet, Paul Y and ITC (as the case may be) following Completion and in respect of any waivers relating thereto (if required under the Listing Rules), and the granting by the Stock Exchange of such waivers (if required under the Listing Rules) relating to those connected transactions on such terms as may be reasonably acceptable to Skynet, Paul Y and ITC (as the case may be);
- (viii) the obtaining of all Consents from any relevant persons which are necessary or desirable in connection with the transfer of the Sale Shares and such Consents remaining in full force and effect at Completion;
- (ix) the obtaining of all Consents from government or regulatory authorities or other third parties which are necessary or desirable in connection with the execution and performance of the Acquisition Agreement and any of the transactions contemplated thereunder and such Consents remaining in full force and effect at Completion;
- (x) Paul Y having obtained a legal opinion from a firm of Bermuda lawyers acceptable to it covering such issues and matters of laws and requirements in Bermuda in respect of Skynet and the Restructuring Proposal in such form and substance reasonably satisfactory to Paul Y;
- (xi) completion of legal and financial due diligence on the Group to the reasonable satisfaction of Paul Y;
- (xii) completion of legal and financial due diligence on the Paul Y Construction Group to the reasonable satisfaction of Skynet;
- (xiii) all the Paul Y's warranties being true and correct in all material respect as at the date of Completion;
- (xiv) all the Skynet's warranties being true and correct in all material respect as at the date of Completion;
- (xv) the Underwriting Agreement and the Hidden Agreement becoming unconditional in all respects (save as the condition requiring any of the aforesaid agreements and the Acquisition Agreement to become unconditional); and
- (xvi) the Shares or the Consolidated Shares (as the case may be) remaining listed on the Stock Exchange at all times from the date of the Acquisition Agreement and up to the date of fulfilment or waiver (the "Fulfilment Date") of the last in time to be fulfilled of the conditions precedent and no indication being received on or before the Fulfilment Date from the SFC and/or Stock Exchange to the effect that the listing of the Shares or the Consolidated Shares (as the case may be) on the Stock Exchange will or may be withdrawn or objected to (save for the indication given by the Stock Exchange that Skynet has been placed into the delisting procedures) notwithstanding Completion.

Skynet may at any time waive in writing any of the conditions (xii) and/or (xiii). Paul Y may at any time waive in writing any of the conditions (iii), (x) (xi), (xiv) and/or (xvi). Paul Y has agreed not to waive condition (iii) unless it shall have demonstrated to the satisfaction of its financial adviser that it has sufficient financial resources to fulfil its general offer obligation under Rule 26 of the Takeovers Code if it waives condition (iii). Paul Y and Skynet may at any time jointly waive in writing condition (viii), (ix) and/or (xv) if it is agreed that the Consents which have not been obtained are not material to the business of the Group or the Paul Y Construction Group taken as a whole.

Completion

Completion is to take place on the fifth Business Day after all the conditions precedent have either been fulfilled or waived. If any of the conditions precedent to Completion has not been fulfilled (or waived by the relevant parties) by 30th June, 2004 (or such other date as the parties to the Acquisition Agreement may agree), the Acquisition Agreement shall lapse and be terminated and thereafter all rights, obligations and liabilities of all parties shall cease and determine except for antecedent breaches.

INFORMATION ON PAUL Y CONSTRUCTION

Paul Y Construction is wholly owned by Paul Y. It commenced business in Hong Kong in 1949 and has grown to become one of the leading construction and engineering groups in Hong Kong and China undertaking civil engineering, building construction and specialist works as well as pre-cast concrete product manufacturing. Further information on Paul Y Construction, including an accountants' report on its results for the three years ended 31st March, 2004 will be contained in the circular to be despatched to the Shareholders.

THE FACILITY AND THE FACILITY CONVERTIBLE NOTE

Under the Acquisition Agreement, Paul Y and Skynet will at Completion enter into an agreement for the provision of the Facility by Paul Y to Skynet for the general working capital needs of the Paul Y Construction Group. The principal terms of the Facility are summarised as follows:

Principal amount Up to HK\$100,000,000
Availability Within 3 years from the date of Completion

Maturity date

Unless previously converted, the outstanding principal amount of the Facility Convertible Note (together with all unpaid and accrued interest) will be repaid by Skynet upon its maturity on the third anniversary of the date of the agreement for the provision of the Facility. The Facility Convertible Note will not be redeemable before the maturity date unless an event of default occurs.

Coupon

The Facility Convertible Note will bear a coupon from its date of issue at the rate of 1% above 6 month HIBOR (Hong Kong Inter-bank Borrowing Rate) in Hong Kong dollars, which will be payable once every six months in arrears on the principal amount of the Facility Convertible Note outstanding from time to time.

Security None

Conversion rights

The outstanding principal amount of the Facility Convertible Note (in whole multiples of HK\$100,000 or, if less, the then outstanding principal amount) may be converted into Conversion Shares at any time from the date of issue and up to the maturity date at the relevant conversion price (which is initially HK\$0.04 per Conversion Share, subject to adjustment for the share subdivision, consolidation, bonus issues, rights issues and other dilutive events). No fraction of a Conversion Share will be issued on conversion but (except in cases where any such cash payment would amount to less than HK\$10) a cash payment will be made to the holder of the Facility Convertible Note in respect of such fraction. Assuming that the entire principal amount of the Facility Convertible Note is converted at the initial conversion price of HK\$0.04 per Conversion Share, a total of 2,500,000,000 Consolidated Shares will be issued. The 2,500,000,000 Conversion Shares represent approximately 17.3% of the issued share capital of Skynet immediately upon completion of the Restructuring Proposal (but before conversion of the Facility Convertible Note) and approximately 14.8% of the issued share capital of Skynet as enlarged by the conversion of the Facility Convertible Note in full.

Ranking of shares to be issued upon conversion

The Conversion Shares, when issued, will rank pari passu in all respects with all other Consolidated Shares in issue on the date of the conversion notice and will be entitled to all dividends, bonuses and other distributions the record date of which falls on a date on or after the date of the conversion notice. The Conversion Shares will not rank for the Open Offer.

Conversion price

The initial conversion price of HK\$0.04 per Conversion Share, subject to adjustment in accordance with the terms of the Facility Convertible Note, was determined after arm's length negotiations. The initial conversion price of HK\$0.04 per Conversion Share is the same as the subscription price per Offer Share and the issue price per Consideration Share and per Hidden Consideration Share.

Voting

The holder of the Facility Convertible Note will not be entitled to receive notice of, attend or vote at general meetings of Skynet by reason only of its being holder of the Facility Convertible Note.

Transferability

Any assignment and/or transfer of the Facility Convertible Note is subject to (i) the conditions, (if required) approvals, requirements and any other provisions of or under the Stock Exchange (and any other stock exchange on which the shares of the Company may be listed at the relevant time) or their rules and regulations and all applicable laws and regulations; and (ii) the approval of the independent Shareholders in a general meeting of Skynet if so required under the Listing Rules if such assignment and/or transfer is made to a connected person (as defined in the Listing Rules). The Company will notify the Stock Exchange if the Facility Convertible Note is to be transferred to any other connected persons (as defined in the Listing Rules) of the Company.

No application will be made for the listing of the Facility Convertible Note. An application will be made for the listing of, and permission to deal in, the Conversion Shares to be issued upon exercise of conversion rights under the Facility Convertible Note.

THE HIDDEN AGREEMENT**Date**

29th March, 2004

Parties

Paul Y (as the vendor of the Hidden Interest)

Skynet (as the purchaser of the Hidden Interest)

Subject matter of sale and purchase

The Hidden Interest, representing the entire issued share capital of Hidden and the shareholder's loans due by Hidden to Growing Success Limited, a wholly-owned subsidiary of Paul Y as at the date of completion of the Hidden Agreement. As at the date of the Hidden Agreement, the shareholder's loans due by Hidden to Wellington, its existing shareholder, was approximately HK\$72.8 million, which will be assigned by Wellington to Growing Success Limited upon completion of the Paul Y Hidden Agreement (as described below), and then assigned by Growing Success Limited to Skynet upon completion of the Hidden Agreement.

Consideration

HK\$113.6 million, which will be satisfied by the issue and allotment of the Hidden Consideration Shares at HK\$0.04 per Consolidated Share to Paul Y (or as it may direct). The Hidden Consideration Shares represent approximately 19.7% of the issued share capital of the Skynet upon completion of the Restructuring Proposal (but before conversion of the Facility Convertible Note). The consideration was determined after arm's length negotiations taken into consideration the amount of the Lombard Claim (as defined below) and the Group's outstanding obligations to Hidden under the Hidden Prior Agreements (as described below).

The issue price of the Hidden Consideration Shares of HK\$0.04 each is the same as the subscription price of the Offer Shares and the issue price of the Consideration Shares.

The Hidden Consideration Shares shall rank pari passu among themselves and with all Consolidated Shares in issue, save for the entitlement to the Open Offer.

Conditions

Completion of the Hidden Agreement is subject to the following conditions being fulfilled/waived:

- (i) the passing of resolutions by the Shareholders at the SGM approving the Capital Reorganisation and the Capital Reorganisation becoming unconditional;
- (ii) approval by the Independent Shareholders of (a) the acquisition by Skynet of the Hidden Interest; (b) the issue and allotment of the Hidden Consideration Shares to Paul Y (or as it may direct); and (c) all other transactions contemplated under the Hidden Agreement, at the SGM;
- (iii) the passing of an ordinary resolution by Independent Shareholders of the Whitewash Waiver, and the Executive granting the Whitewash Waiver and such a waiver not having been revoked or amended;
- (iv) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares to be issued pursuant to the Restructuring Proposal;

- (v) the compliance of announcement and shareholders' approval requirements under the Listing Rules or otherwise of the Stock Exchange in relation to present and future transactions contemplated as at the date of the Hidden Agreement which will constitute continuing connected transactions of Skynet, Paul Y and ITC (as the case may be) following completion and in respect of any waivers relating thereto (if required under the Listing Rules), and the granting by the Stock Exchange of such waivers (if required under the Listing Rules) relating to those connected transactions on such terms as may be reasonably acceptable to Skynet, Paul Y and ITC (as the case may be);
- (vi) the compliance with any other requirements of the Stock Exchange in relation to transactions contemplated under the Restructuring Proposal;
- (vii) (where required) the Bermuda Monetary Authority granting its permission to the increase in the authorised share capital of Skynet and the issue and allotment of the Consolidated Shares to be issued pursuant to the Restructuring Proposal;
- (viii) Paul Y having obtained a legal opinion from a firm of Bermuda lawyers acceptable to it covering such issues and matters of laws and requirements in Bermuda in respect of the Restructuring Proposal in such form and substance reasonably satisfactory to Paul Y;
- (ix) completion of legal and financial due diligence on the Group to the reasonable satisfaction of Paul Y;
- (x) completion of legal and financial due diligence on Hidden and its subsidiary to the reasonable satisfaction of Skynet;
- (xi) all the Paul Y's warranties being true and correct in all material respect as at the date of completion of the Hidden Agreement;
- (xii) all the Skynet's warranties being true and correct in all material respect as at the date of completion of the Hidden Agreement;
- (xiii) the Paul Y Hidden Agreement, the Underwriting Agreement and the Acquisition Agreement becoming unconditional in all respects (save as the condition requiring any of the aforesaid agreements and the Hidden Agreement to become unconditional); and
- (xiv) the Shares or the Consolidated Shares (as the case may be) remaining listed on the Stock Exchange at all times from the date of the Acquisition Agreement and up to the date of fulfilment or waiver (the "Fulfilment Date") of the last in time to be fulfilled of the conditions precedent and no indication being received on or before the Fulfilment Date from the SFC and/or the Stock Exchange to the effect that the listing of the Shares or the Consolidated Shares (as the case may be) on the Stock Exchange will or may be withdrawn or objected to.

Skynet may at any time waive in writing condition (x) and/or (xi) and Paul Y may at any time waive in writing any of the conditions (iii), (viii), (ix), (xii) and/or (xiv). Paul Y has agreed not to waive condition (iii) unless it shall have demonstrated to the satisfaction of its financial adviser that it has sufficient financial resources to fulfil its general offer obligations under Rule 26 of the Takeovers Code if it waives condition (iii). Paul Y and Skynet may at any time jointly waive in writing condition (xiii).

Completion

Completion is to take place on the fifth Business Day after all the conditions precedent have either been fulfilled or waived and shall take place immediately after completion of the Paul Y Hidden Agreement and simultaneously upon Completion (or such other date as may be agreed between the parties to the Hidden Agreement). If any of the conditions precedent to completion has not been fulfilled (or waived by the relevant parties) on or before 30th June, 2004 (or such other date as may be agreed between the parties to the Hidden Agreement), the Hidden Agreement shall lapse and be terminated and thereafter all rights, obligations and liabilities of all parties shall cease and determine except for antecedent breaches.

Background of the Group's liabilities against Lombard and Hidden

On 28th June, 2000, Lombard, Skynet and Skynet HK entered into an agreement for the subscription by Lombard of 671,651 three-year convertible cumulative redeemable participative preferred shares of Skynet HK (the "Preferred Shares"). The holder of the Preferred Shares was entitled to a fixed cumulative preference dividend at the rate of 0.5% per annum payable semi-annually in arrears. It was stipulated under the agreement that the Preferred Shares shall be redeemed on 17th July, 2003 at an amount which shall result in a 7% annual compounded yield over the subscription price of US\$7.2 million (equivalent to approximately HK\$56.2

million) including all dividends received. As described in the annual report of Skynet for the year ended 31st March 2003, it was claimed in the petition filed by Lombard on 24th October, 2002 (the “24/10 Petition”) that Skynet HK was in breach of the shareholders’ agreement relating to Skynet HK. As a result of such breach, Lombard would be entitled to demand the early redemption of the Preferred Shares for a sum of HK\$93,600,000. It was further claimed that Skynet, as the guarantor under the subscription agreement dated 28th June, 2000 entered into between Skynet, Skynet HK and Lombard, had failed to cause Skynet HK to pay the redemption amount of HK\$93,600,000 (the “Lombard Claim”). Lombard withdrew the 24/10 Petition and served another winding up petition (the “30/10 Petition”) claiming the same on Skynet.

Various agreements including, among others, (i) a subscription agreement dated 15th May, 2000 (as supplemented by a supplemental agreement dated 29th June, 2000) pursuant to which Hidden agreed to subscribe for shares of Skynet HK; (ii) a deed of undertaking dated 15th May, 2000 pursuant to which Skynet has given certain undertakings to Hidden that the return of Hidden’s investment in Skynet HK would not be less than US\$16 million (equivalent to approximately HK\$124.8 million); (iii) two shareholders’ agreement of Skynet HK between certain of its shareholders; and (iv) certain option deeds (together, the “Hidden Prior Agreements”) were entered into by Skynet and/or certain member(s) of the Group and/or shareholder(s) of Skynet HK with Hidden, details of which were set out in the joint announcement of Skynet dated 6th May, 2003. The deed of undertaking dated 15th May, 2000 regarding the return of Hidden’s investment in Skynet HK is still subsisting (the “Hidden Claim”).

On 27th March, 2004, a wholly-owned subsidiary of Hidden conditionally agreed to acquire from Lombard all the rights arising from the Preferred Shares (including the Lombard Claim). By this, the Lombard Claim and the Hidden Claim were consolidated into the Hidden Group. Following the entering into of such agreement, the 30/10 Petition filed by Lombard against Skynet was dismissed by the court on 29th March, 2004. On 27th March, 2004, the Paul Y Hidden Agreement (as detailed below) was entered into pursuant to which a wholly-owned subsidiary of Paul Y conditionally agreed to acquire the Hidden Interest at HK\$30,000,000. Paul Y and Wellington agreed that HK\$20,000,000 is the price payable for the rights under the Hidden Claim. Paul Y then conditionally agreed to sell the Hidden Interest to Skynet pursuant to the Hidden Agreement.

The Hidden Interest will be acquired by Skynet at HK\$113.6 million, which will be satisfied by the issue and allotment of the Hidden Consideration Shares at HK\$0.04 per Consolidated Share to Paul Y (or as it may direct). Paul Y, as a separate listed company and as a commercial matter taking an arms-length bargaining stance, has required that the full value of the Lombard Claim and the settlement amount of HK\$20,000,000 for the Hidden Claim be used in the calculation of the number of new Consolidated Shares to be issued if the entire consideration payable to Paul Y under the Hidden Agreement is to be settled in scrip form.

For Skynet, the Hidden Agreement is not in substance an acquisition but a debt restructuring. It serves as a means for the Lombard Claim to become intra-group liabilities and so be eliminated on consolidation and for the Hidden Claim not to be materialised. Given that the Hidden Agreement forms part and parcel of the Restructuring Proposal, which is the only proposal made available to Skynet prior to the hearing date of 29th March, 2004 for the winding up petition filed by Lombard against Skynet, and that it is highly likely that Skynet would have been put into liquidation should Skynet have refused to accept the Restructuring Proposal submitted by Paul Y, the Directors consider that the Restructuring Proposal will salvage value for Skynet and the Shareholders and will benefit Skynet and the Shareholders as a whole.

The Paul Y Hidden Agreement

On 27th March 2004, the same date as Hidden’s wholly owned subsidiary entered into the abovementioned conditional agreement with Lombard, Growing Success Limited, a wholly-owned subsidiary of Paul Y, entered into a conditional sale and purchase agreement with Wellington for the acquisition of the Hidden Interest for a total consideration of HK\$30,000,000, of which HK\$10,000,000 will be paid in cash and the remaining HK\$20,000,000 will be satisfied by the issue of 500,000,000 Consolidated Shares out of the Hidden Consideration Shares to Wellington. As at the date of the Paul Y Hidden Agreement, the shareholder’s loans due by Hidden to Wellington was approximately HK\$72.8 million, which will be assigned by Wellington to Growing Success Limited upon completion of the Paul Y Hidden Agreement, which is expected to take place on the fifth business day after all its conditions precedent have been fulfilled.

Completion of the Paul Y Hidden Agreement is conditional upon (i) the Restructuring Proposal (or any component thereof which (if completed) would result in Paul Y becoming a controlling shareholder of Skynet) becoming unconditional save for any pre-conditions attaching thereto requiring the Paul Y Hidden Agreement to become unconditional; and (ii) Bright Villa Limited (a wholly-owned subsidiary of Hidden) having acquired the Preferred Shares from Lombard.

Information on Lombard, Hidden and Wellington

Lombard is a limited duration company incorporated in the Cayman Islands and is a private equity investment fund managed by Lombard/APIC Management LDC with a principal objective of making direct, long term investments in established Asian companies.

Hidden, a company incorporated in the British Virgin Islands with limited liability, is beneficially wholly owned by Wellington. Hidden is an investment holding company and does not have any material assets save for the 1,091,545 ordinary shares in Skynet HK and the Preferred Shares acquired from Lombard. As at 31st March, 2003, Skynet HK had audited consolidated net liabilities of approximately HK\$63.3 million. Skynet HK was originally set up as an investment holding company for the purpose of holding investments in certain Internet related portals, which operations have been scaled down and/or suspended. Any value attaching to the securities in Skynet HK therefore rests solely on the undertakings given previously by Skynet as follow:

- (i) Skynet has guaranteed the performance of Skynet HK in redeeming the Preferred Shares owned by Lombard for a sum of HK\$93,600,000; and
- (ii) Skynet has given certain undertakings to Hidden that the return of Hidden's investment in Skynet HK would not be less than US\$16 million (equivalent to approximately HK\$124.8 million).

Wellington is an investment holding company incorporated in the Republic of Panama and is beneficially wholly owned by Mr. Lo Lin Shing, Simon.

Neither Lombard, Lombard/APIC Management LDC, Hidden, Wellington, Mr. Lo Lin Shing, Simon nor any of their respective associates are interested in any Shares, nor had any of them dealt in the Shares in the six month period immediately before the date of this announcement. Lombard and Hidden respectively held the Preferred Shares and 1,091,545 ordinary shares in Skynet HK immediately before the aforesaid transactions, representing approximately 3.18% and 5.16% of the issued share capital of Skynet HK (taking into account all the ordinary shares of Skynet HK and Preferred Shares in issue). None of Paul Y, ITC nor Dr. Chan Kwok Keung, Charles is a connected person (as defined under the Listing Rules) of Hidden or Wellington. None of Lombard, Lombard/APIC Management LDC, Hidden, Wellington, Mr. Lo Lin Shing, Simon or their respective associates is a connected person (as defined under the Listing Rules) of Skynet, Paul Y, ITC or Dr. Chan Kwok Keung, Charles.

COMPARISON OF THE ISSUE PRICE OF THE NEW CONSOLIDATED SHARES

All new Consolidated Shares to be issued pursuant to the Restructuring Proposal including the Offer Shares, the Consideration Shares and the Hidden Consideration Shares will be issued at HK\$0.04 per Consolidated Share. The initial conversion price for each Conversion Share will also be HK\$0.04.

The issue price of HK\$0.04 per Consolidated Share represents:

- (i) a discount of 60.0% to the theoretical closing price of HK\$0.10 for each Consolidated Share based on the closing price of HK\$0.01 per Share, being the minimum trading price allowable under the trading system of the Stock Exchange, on 15th October, 2003, being the last trading day (the "Last Trading Day") immediately before suspension in trading of the Shares on 16th October, 2003;
- (ii) a discount of 60.0% to the average theoretical closing price of HK\$0.10 for each Consolidated Share for the 10 trading days ended on the Last Trading Day; and
- (iii) a discount of approximately 30% to the theoretical ex-rights price of approximately HK\$0.057 per Consolidated Share, which is calculated on the basis of theoretical closing price of HK\$0.10 for each Consolidated Share based on the closing price of HK\$0.01 per Share on the Last Trading Day.

The issue price for the new Consolidated Shares to be issued pursuant to the Open Offer, the Acquisition Agreement and the Hidden Agreement has been determined after arm's length negotiations between Skynet and Paul Y. In agreeing to the issue price, Skynet and Paul Y have taken into consideration, among other things, the suspension in trading of the Shares on the Stock Exchange since 16th October, 2003, the audited consolidated net tangible liabilities of Skynet of approximately HK\$107.6 million as at 31st March, 2003, the large number of

new Consolidated Shares to be issued pursuant to the Restructuring Proposal and the fact that the last reported closing price of HK\$0.01 of the Shares may not truly reflect the fair market value of the Shares since the trading system of the Stock Exchange does not permit any share quotation below HK\$0.01. The substantial discount of the subscription price for the Offer Shares will also provide incentive for the Shareholders to subscribe for the Offer Shares.

INFORMATION ON SKYNET

The Group is principally engaged in the import and sale of marble and granite products, the provision of installation services for marble and granite products and the provision of information technology services. Due to the adverse financial position of the Group and its tight liquidity position, the Group's principal operation has been significantly scaled down.

The following table sets out a summary of the audited consolidated results of Skynet for the two years ended 31st March, 2003 and the unaudited consolidated results of Skynet for the six months ended 30th September, 2003:

	For the six months ended 30th September, 2003	For the year ended 31st March, 2003	2002
	(unaudited)	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	1,057	51,366	46,644
Loss before taxation	(4,069)	(115,015)	(219,053)
Loss after taxation and minority interests	(4,069)	(96,916)	(190,441)

The audited consolidated net tangible liabilities of Skynet were approximately HK\$107.6 million as at 31st March, 2003. The unaudited consolidated net tangible liabilities of Skynet were approximately HK\$111.6 million as at 30th September, 2003.

The audited consolidated net tangible liabilities per Share was approximately HK\$0.024 as at 31st March, 2003. The unaudited consolidated net tangible liabilities per Share was approximately HK\$0.025 as at 30th September, 2003.

REASONS FOR AND BENEFITS OF THE RESTRUCTURING PROPOSAL

Trading in the Shares on the Stock Exchange has been suspended since 16th October, 2003 as Skynet is unable to comply with the requirements under the Listing Rules which require listed issuers to carry out a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated to warrant the continued listing of the shares on the Stock Exchange. Skynet was placed into the "first stage" of the delisting procedure on 16th October, 2003 pursuant to the Listing Rules. According to the Listing Rules, the "first stage" lapsed and the "second stage" of the delisting procedure commenced on 15th April, 2004, being six months following the suspension of trading in the Shares. In view of the situation of Skynet, the Directors have discussed and negotiated with various investors regarding possible investments in Skynet with a view to providing working capital to the Group and revitalising its business. With new working capital, the Group will be in a position to acquire new stock of marble and granite products and employ additional sales and marketing staffs so as to solicit new businesses and revitalise the Group's marble and granite products trading and installation business and generate a sufficient level of operations to warrant continue listing of the Skynet's shares on the Stock Exchange. The Restructuring Proposal is considered by the Directors as the best available restructuring plan offered to Skynet.

The acquisition of Paul Y Construction pursuant to the Acquisition Agreement is in line with Skynet's traditional business in the supply of building materials. The Acquisition will enable Skynet to acquire one of the leading businesses in the construction and engineering sectors in Hong Kong. Paul Y Construction possesses a successful track record in large-scale projects for more than 50 years, a diversified technical skill set, an attractive client base and a strong portfolio of work-on-hand with value in excess of HK\$11,000 million. In addition, Paul Y Construction has established a sound and localised platform covering the China market. It is the intention of Skynet to leverage on the strength of Paul Y Construction to participate in the domestic market in China as well as the application of Chinese expertise and resources to the international markets. In this manner, Skynet will not only become a strong player in the construction and engineering sector, it will also provide a suitable long-term development platform for Paul Y Construction into the future. The Open Offer will raise additional funds for the Group's business of marble and granite products trading and installation and for its general working capital. The Restructuring Proposal will enable Skynet to satisfy most of its liabilities/obligation, restore its net asset base and working capital position and revive its

traditional business. The Board is of the view that the Restructuring Proposal is in the interest of Skynet and the Shareholders as a whole. Further information on the Restructuring Proposal, including the financial impact on the asset position of Skynet, will be included in the circular of Skynet to be despatched to Shareholders as soon as practicable.

SHAREHOLDING STRUCTURE OF SKYNET

Set out below is the shareholding table of Skynet showing the existing shareholding structure of Skynet and its shareholding structure immediately after completion of the Capital Reorganisation, the Acquisition Agreement, the Hidden Agreement and the Open Offer and before the conversion of the Facility Convertible Note:

	Existing shareholding as at the date of this announcement		Upon completion of Capital Reorganisation <i>Consolidated Shares</i>	Upon completion of Capital Reorganisation, Acquisition Agreement, Hidden Agreement, and Open Offer assuming subscription by Shareholders of Offer Shares of			
	<i>Shares</i>	<i>(%)</i>		0%		100%	
				<i>Consolidated Shares</i>	<i>(%)</i>	<i>Consolidated Shares</i>	<i>(%)</i>
Paul Y							
– Existing Shares held	85	–	8	8	–	28	–
– Offer Shares	–	–	–	1,126,774,985	7.8	–	–
– Consideration Shares	–	–	–	10,000,000,000	69.4	10,000,000,000	69.4
– Hidden Consideration Shares (<i>Note 1</i>)	–	–	–	2,340,000,000	16.2	2,340,000,000	16.2
Wellington (<i>Note 1</i>)	–	–	–	500,000,000	3.5	500,000,000	3.5
Sub-total	85	–	8	13,966,774,993	96.9	12,840,000,028	89.1
DFG	1,020,036,735	22.6	102,003,673	102,003,673	0.7	357,012,853	2.5
Other public Shareholders	3,487,063,137	77.4	348,706,314.7	348,706,314.7	2.4	1,220,472,099.7	8.4
Total	<u>4,507,099,957</u>	<u>100.0</u>	<u>450,709,995.7</u>	<u>14,417,484,980.7</u>	<u>100.0</u>	<u>14,417,484,980.7</u>	<u>100.0</u>
Public float	<u>3,487,063,137</u>	<u>77.4</u>	<u>348,706,314.7</u>	<u>950,709,987.7</u>	<u>6.6</u>	<u>2,077,484,952.7</u>	<u>14.4</u>
				<i>(Note 2)</i>		<i>(Note 2)</i>	

Notes:

1. Pursuant to the Paul Y Hidden Agreement, Paul Y has agreed to transfer 500,000,000 Consolidated Shares out of the Hidden Consideration Shares to Wellington upon completion of the Paul Y Hidden Agreement.
2. Being the sum of the shareholding interests of Wellington, DFG and other public Shareholders.

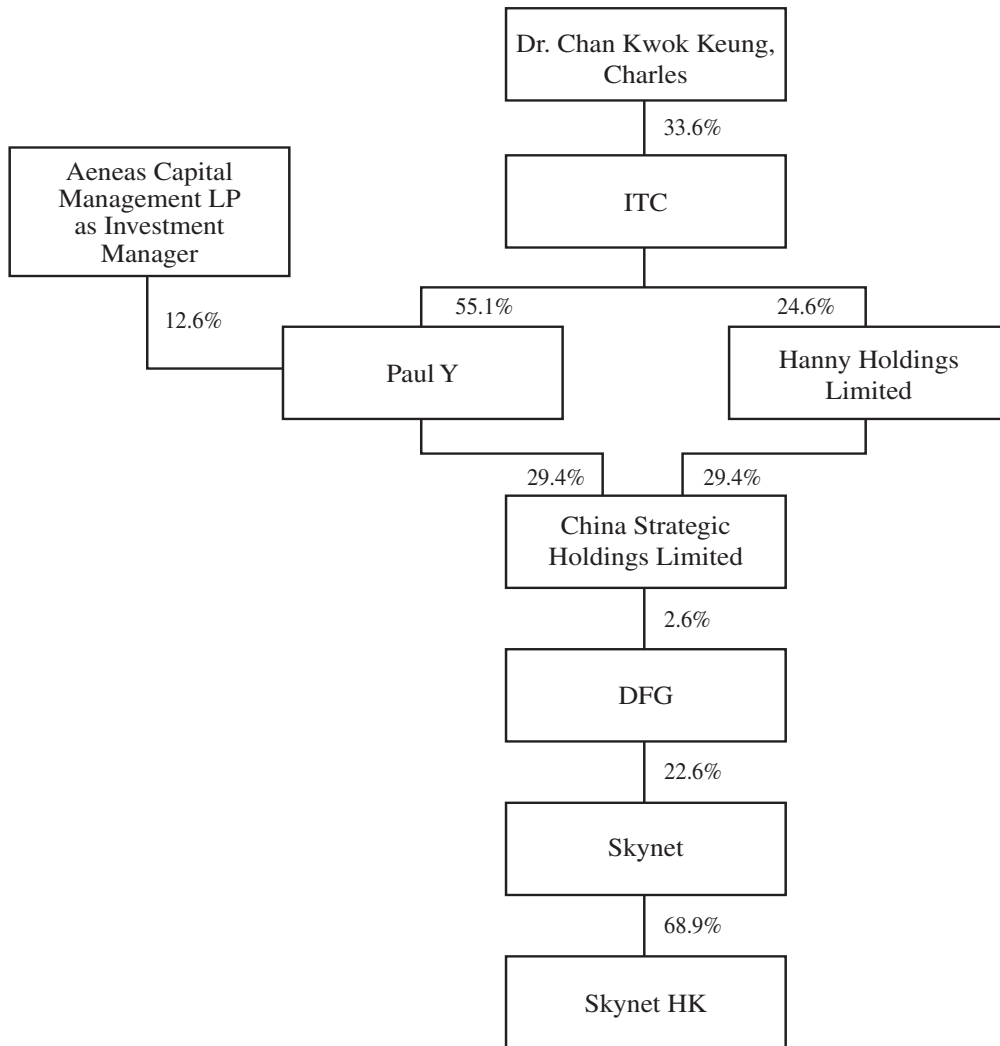
Set out below is the shareholding table of Skynet showing the shareholding structure of Skynet after completion of Capital Reorganisation, the Acquisition Agreement, the Hidden Agreement and the Open Offer (assuming none of the Offer Shares are subscribed by Shareholders), and upon full conversion of the Facility Convertible Note at the initial conversion price of HK\$0.04:

	Existing shareholding as at the date of this announcement		Upon completion of Capital Reorganisation Consolidated Shares	Upon completion of Capital Reorganisation, Acquisition Agreement, Hidden Agreement and Open Offer assuming no subscription by Shareholders of Offer Shares Consolidated		Upon full conversion of the Facility Convertible Note at initial conversion price of HK\$0.04 per Consolidated Share Consolidated	
	Shares	(%)		Shares	Shares	(%)	Shares
Paul Y							
- Existing Share held	85	-	8	8	-	8	-
- Offer Shares	-	-	-	1,126,774,985	7.8	1,126,774,985	6.7
- Consideration Shares	-	-	-	10,000,000,000	69.4	10,000,000,000	59.1
- Hidden Consideration Shares (Note 1)	-	-	-	2,340,000,000	16.2	2,340,000,000	13.8
- Conversion Shares Wellington (Note 1)	-	-	-	-	-	2,500,000,000	14.8
	-	-	-	500,000,000	3.5	500,000,000	2.9
Sub-total	85	-	8	13,966,774,993	96.9	16,466,774,993	97.3
DFG	1,020,036,735	22.6	102,003,673	102,003,673	0.7	102,003,673	0.6
Other public Shareholders	3,487,063,137	77.4	348,706,314.7	348,706,314.7	2.4	348,706,314.7	2.1
Total	<u>4,507,099,957</u>	<u>100.0</u>	<u>450,709,995.7</u>	<u>14,417,484,980.7</u>	<u>100.0</u>	<u>16,917,484,980.7</u>	<u>100.0</u>
Public float	<u>3,487,063,137</u>	<u>77.4</u>	<u>348,706,314.7</u>	<u>950,709,987.7</u>	<u>6.6</u>	<u>950,709,987.7</u>	<u>5.6</u>
				(Note 2)		(Note 2)	

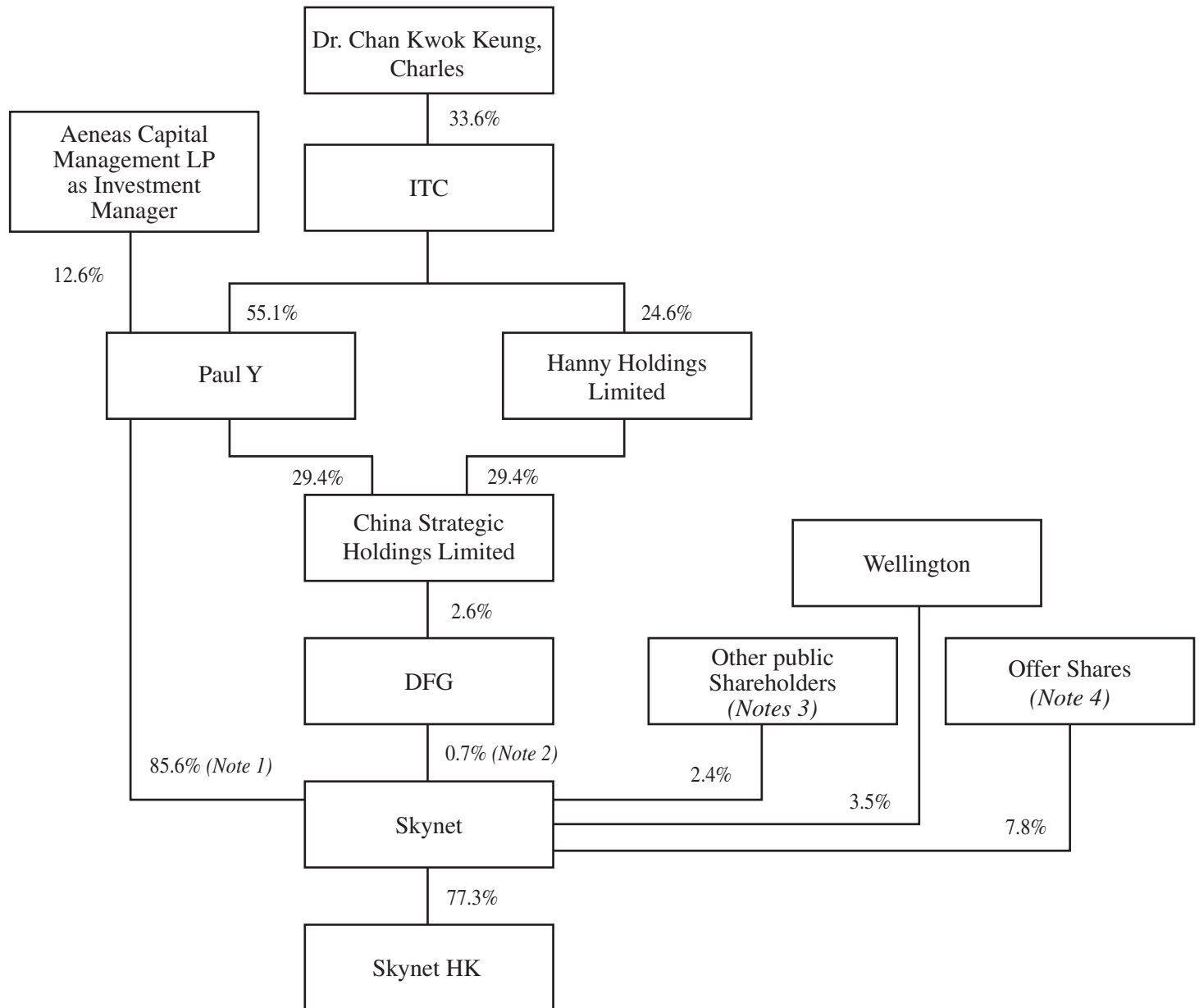
Notes:

1. Pursuant to the Paul Y Hidden Agreement, Paul Y has agreed to transfer 500,000,000 Consolidated Shares out of the Hidden Consideration Shares to Wellington upon completion of the Paul Y Hidden Agreement.
2. Being the sum of the shareholding interests of Wellington, DFG and other public Shareholders.

The following chart shows the shareholding structure of Skynet as at the date of this announcement:



The following chart shows the shareholding structure of Skynet immediately upon completion of the Restructuring Proposal but before the conversion of the Facility Convertible Note (assuming no other changes in the shareholding structure of Skynet since the date of this announcement):



Notes:

1. Being the total of approximately 16.2% represented by the Hidden Consideration Shares (excluding the 500,000,000 Consolidated Shares assigned to Wellington) and approximately 69.4% represented by the Consideration Shares.
2. Assuming DFG does not take up any of its entitlement under the Open Offer.
3. Such interest represents the diluted shareholding of the existing Shareholders (excluding DFG) before taking into account subscription under the Open Offer.
4. Only the existing Shares will rank for the Open Offer. Paul Y is the underwriter for the Open Offer. The above structure has not taken into account the Offer Shares allocation between the existing Shareholders and Paul Y as the underwriter.

TAKEOVERS CODE IMPLICATIONS OF THE RESTRUCTURING PROPOSAL

As set out in the shareholding table above, immediately after completion of the Restructuring Proposal (but before conversion of the Facility Convertible Note) assuming (i) Paul Y is required to take up all the Underwritten Shares; and (ii) there are no other changes in the shareholding structure of Skynet since the date of this announcement, Paul Y and its Concert Parties will be interested of 13,966,774,993 Consolidated Shares, representing approximately 96.9% of the then voting rights of Skynet. Assuming conversion in full of the Facility Convertible Note at the initial conversion price of HK\$0.04 per Consolidated Share, Paul Y and its Concert Parties will be interested in a maximum of 16,466,774,993 Consolidated Shares, representing approximately 97.3% of the then voting rights of Skynet. Accordingly, Paul Y and its Concert Parties will be obliged under the Takeovers Code to make a mandatory general offer to acquire all the issued securities of Skynet other than those already owned by Paul Y and its Concert Parties, unless the Whitewash Waiver is obtained.

It is one of the conditions precedent of each of the Underwriting Agreement, the Acquisition Agreement and the Hidden Agreement that the Whitewash Waiver be obtained. Application will be made to the Executive by Paul Y and its Concert Parties for the Whitewash Waiver pursuant to Note 1 of the Notes on dispensation from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted, will be subject to, among others, the approval of the Independent Shareholders by way of a poll. If the Whitewash Waiver is not obtained for any reason, the Underwriting Agreement, the Acquisition Agreement and the Hidden Agreement will not become unconditional, unless Paul Y agreed to waive the condition on the Whitewash Waiver. Paul Y has agreed not to waive the condition on the Whitewash Waiver unless it shall have demonstrated to the satisfaction of its financial adviser that it has sufficient financial resources to fulfill its general offer obligation under Rule 26 of the Takeovers Code. Paul Y has undertaken that it shall make an offer for all the securities of Skynet and shall comply with its obligations under the Takeovers Code if it waives the condition on the Whitewash Waiver.

None of Paul Y or any of its Concert Parties had dealt in the Shares in the six month period immediately before the date of this announcement.

MAINTENANCE OF THE LISTING STATUS OF SKYNET

Immediately upon completion of the Restructuring Proposal assuming Paul Y is required to take up all the Underwritten Shares but before taken into account the Conversion Shares, and assuming that there have been no other changes in the issued share capital of Skynet since the date of this announcement, Paul Y will be beneficially interested in 13,466,774,993 Consolidated Shares, representing approximately 93.4% of the then enlarged issued share capital of Skynet. Accordingly, in the absence of other changes in shareholding in Skynet since the date of this announcement, Skynet will then become a subsidiary of Paul Y.

It is the intention of Paul Y to maintain the listing status of Skynet on the Stock Exchange upon completion of the Restructuring Proposal. Skynet will continue its existing business of import and sale and installation of marble and granite products while diversifying into the construction business carried on by the Paul Y Construction Group.

In view of the shortfall in the public float of Skynet upon completion of the Restructuring Proposal, Paul Y and Skynet shall each undertake to the Stock Exchange to ensure that the public float of Skynet will not be less than 25%. It is currently intended that steps will be taken with a view to achieving the required public float, including effecting placing of new Consolidated Shares by Skynet or placing of the then issued Consolidated Shares by Paul Y or a combination of both means. Arrangements relating to the possible placing by Skynet and/or Paul Y may be entered into at any time after the date of this announcement. Further announcement(s) will be made by Skynet and Paul Y if and when the placing arrangements are finalised.

The Stock Exchange has stated that if, upon completion of the Restructuring Proposal, less than 25% of the Consolidated Shares are held by the public or if the Stock Exchange believes that:

- a false market exists or may exist in the trading in the Consolidated Shares; or
- there are too few Consolidated Shares in public hands to maintain an orderly market;

then it will consider exercising its discretion to suspend trading in the Consolidated Shares until a sufficient public float is attained. Pursuant to the Listing Rules in force as from 31st March, 2004, the Stock Exchange will normally require suspension of trading in an issuer's securities where the percentage of its public float falls below 15%. In this connection, it should be noted that upon completion of the Restructuring Proposal, there

will be insufficient public float for the Consolidated Shares and therefore trading in the Consolidated Shares will continue to be suspended until sufficient level of public float is attained.

If Skynet remains a listed company, the Stock Exchange will closely monitor all future acquisitions or disposals of assets by Skynet. The Stock Exchange has indicated that it has the discretion to require Skynet to issue an announcement and a circular to the Shareholders irrespective of the size of the proposed transactions. The Stock Exchange also has the power, pursuant to the Listing Rules, to aggregate a series of transactions of Skynet and any such transactions may result in Skynet being treated as if it were a new listing applicant pursuant to the Listing Rules.

APPOINTMENT OF NEW DIRECTORS TO THE BOARD

All existing executive Directors will resign upon Completion. The Acquisition Agreement provides that with effect immediately after Completion, Paul Y will be entitled to nominate not less than half of the directors to the Board and it is the intention of Paul Y to appoint the new directors to the Board immediately after Completion. All appointment of new Directors to Skynet will be made in compliance with the Listing Rules and the Takeovers Code in effect from time to time.

INFORMATION ON PAUL Y

The principal activities of the Paul Y Group include building construction, civil engineering, specialty works, property investment, and manufacturing and trading of construction materials. In addition, the Paul Y Group investment in major associates includes Downer EDI Limited and China Strategic Holdings Limited. It is not a principal activity of the Paul Y Group to act as underwriter.

Save for (i) the transactions contemplated under the Acquisition Agreement, the Underwriting Agreement and the Hidden Agreement; (ii) an approximately 29.4% owned associate of Paul Y, namely China Strategic Holdings Limited, is interested in approximately 2.6% of DFG which is interested in approximately 22.6% of Skynet; (iii) Mr. Cheung Hon Kit, a common director of both Skynet and Paul Y, holds 400 shares in Paul Y but does not have any shareholding interest in Skynet; and (iv) Paul Y holds 85 Shares through a wholly-owned subsidiary as at the date of this announcement, Paul Y and Skynet are independent from each other.

Paul Y is of the opinion that the Group's existing business of trading and installation of marble and granite products is viable in view of the gradual recovery of the property market and is complementary to the Paul Y Group's construction business. Upon completion of the Acquisition Agreement, the Hidden Agreement and the Open Offer, Paul Y will become the holding company of Skynet, and Skynet will become a subsidiary of Paul Y. The acquisition of interest in Skynet is of synergistic value to Paul Y and represents a vertical extension of the business of the Paul Y Group enabling it to provide a fuller range of construction materials and services to its clients.

The directors of Paul Y are of the opinion that the terms of the Underwriting Agreement, the Acquisition Agreement, the Facility Convertible Note, the Paul Y Hidden Agreement and the Hidden Agreement are fair and reasonable. Paul Y will finance the subscription under the Underwriting Agreement and the Facility (where relevant) from the Paul Y Group's internal resources and/or bank borrowings.

INFORMATION ON ITC

ITC is an investment holding company which directly and indirectly holds strategic investments in a number of listed companies. In addition to its interest in Paul Y, a non-wholly subsidiary, the ITC Group holds interests in associated companies including Hanny Holdings Limited, China Strategic Holdings Limited, Burcon NutraScience Corporation and Downer EDI Limited and other investments including M Channel Corporation Limited. Through the above associated companies, ITC has indirect interest in Wing On Travel (Holdings) Limited, China Enterprises Limited and MRI Holdings Limited. In addition to those businesses carried out through Paul Y, the principal activities of the ITC Group comprise investment holding, provision of finance, and trading of building materials and machinery.

ITC is beneficially interested in approximately 55.1% of the issued share capital of Paul Y. Save for (i) the transactions contemplated under the Acquisition Agreement, the Underwriting Agreement and the Hidden Agreement; (ii) an approximately 29.4% owned associate of Paul Y, namely China Strategic Holdings Limited, is interested in approximately 2.6% of DFG which is interested in approximately 22.6% of Skynet; (iii) Mr. Cheung Hon Kit is a common director of both Skynet and ITC; and (iv) Paul Y holds 85 Shares through a wholly-owned subsidiary as at the date of this announcement, ITC and Skynet are independent from each other.

The directors of ITC are of the opinion that the terms of the Underwriting Agreement, the Acquisition Agreement, the Facility Convertible Note, the Paul Y Hidden Agreement and the Hidden Agreement are fair and reasonable.

GENERAL

The Acquisition Agreement and the Hidden Agreement were entered into on 29th March, 2004 and together constitute a major transaction (but not a very substantial acquisition, as the assets to be purchased by Skynet are all listed assets) for Skynet under the Listing Rules in force before 31st March, 2004. The Restructuring Proposal including the Capital Reorganisation, the Open Offer, the Acquisition Agreement, the Hidden Agreement and the Facility Convertible Note is subject to the approval of the Shareholders. Shareholders who are interested in or involved in the Acquisition Agreement, the Underwriting Agreement, the Hidden Agreement and the Facility Convertible Note, including Paul Y and its associates, will have to abstain from voting on the resolutions approving the Acquisition Agreement, the Open Offer, the Hidden Agreement, the Facility Convertible Note and the Whitewash Waiver. An independent board committee of Skynet will be established to consider the Acquisition Agreement, the Open Offer, the Underwriting Agreement, the Hidden Agreement, the Facility Convertible Note and the Whitewash Waiver. An independent financial adviser will be appointed to advise the independent board committee in this respect. A circular of Skynet containing details of the Restructuring Proposal, the letters of advice from the independent board committee and the independent financial adviser together with the notice of the SGM will be despatched to the Shareholders as soon as practicable.

For Paul Y, the disposal of Paul Y Construction, the provision of the Facility, the Underwriting Agreement, the Hidden Agreement (which together lead to an acquisition of an interest in Skynet) and the Paul Y Hidden Agreement together constitute a discloseable transaction under the Listing Rules. Further information on the disposal of Paul Y Construction, the Underwriting Agreement, the provision of the Facility, the Hidden Agreement (which together lead to an acquisition of an interest in Skynet) and the Paul Y Hidden Agreement, including the audited financial results of Paul Y Construction, Skynet and Hidden for the past three financial years (where appropriate) and the financial effect of the Restructuring Proposal on the Paul Y Group will be included in a circular to be despatched to the shareholders of Paul Y as soon as practicable.

For ITC, the disposal of Paul Y Construction through Paul Y, the provision of the Facility, the Underwriting Agreement, the Hidden Agreement (which together lead to an acquisition of an interest in Skynet through Paul Y) and the Paul Y Hidden Agreement entered into by Paul Y together constitute a discloseable transaction under the Listing Rules. A circular of ITC giving details of, among others, the disposal of Paul Y Construction through Paul Y, the Underwriting Agreement, the provision of Facility. The Hidden Agreement (which together lead to an acquisition of an interest in Skynet through Paul Y) and the Paul Y Hidden Agreement will be despatched to the shareholders of ITC as soon as practicable.

Trading in the Shares on the Stock Exchange has been suspended at the request of Skynet with effect from 9:30 a.m. on 16th October, 2003 as Skynet is unable to comply with the requirements under the Listing Rules which require listed issuers to carry out a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated to warrant the continued listing of the Shares. Trading in the Shares on the Stock Exchange will remain suspended pending (i) Skynet being able to demonstrate to the Stock Exchange that the Group has a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated to warrant the continued listing of the Shares; and (ii) restoration of the public float of Skynet to not less than 25%.

The Restructuring Proposal, which is subject to a number of conditions precedent, may or may not be completed. In particular, it is subject to, among others, the Whitewash Waiver being obtained. No mandatory general offer will be made by Paul Y or its Concert Parties of the securities of Skynet, unless Paul Y agrees to waive the condition of the Whitewash Waiver being obtained. **Shareholders and potential investors of ITC, Paul Y and Skynet are reminded to exercise caution when dealing in the securities of these listed issuers.**

The board of directors of Skynet comprises six directors, of which (i) three are executive directors, namely Mr. Choi Wing Kin, Mr. Wu Wing Kin and Mr. To Chi; (ii) Mr. Lo Chi Ho, William is a non-executive director; and (iii) Mr. Cheung Hon Kit and Mr. Ng Wai Hung are independent non-executive directors.

The board of directors of Paul Y comprises ten directors, of which (i) eight are executive directors, namely Dr. Chan Kwok Keung, Charles, Mr. Tom Ko Yuen Lau, Mr. Chan Fut Yan, Mr. Wong Wing Hoo, Billy, Ms. Chau Mei Wah, Rosanna, Mr. Cheung Hon Kit, Mr. Law Man Wah, Conrad and Mr. Lee Hon Chiu; and (ii) two are independent non-executive directors, namely Mr. Cheung Ting Kau, Vincent and Mr. Kwok Shiu Keung, Ernest.

The board of directors of ITC comprises nine directors, of which (i) seven are executive directors, namely Dr. Chan Kwok Keung, Charles, Mr. Tom Ko Yuen Lau, Ms. Chau Mei Wah, Rosanna, Mr. Chan Kwok Hung, Mr. Chan Fut Yan, Mr. Wong Kun To and Mr. Cheung Hon Kit; and (ii) two are independent non-executive directors, namely Mr. Dominic Lai and Mr. Winston Calptor Chuck.

DEFINITIONS

“Acceptance Date”	a day falling 14 days from the Posting Date (or such other date as the Underwriter may agree in writing with Skynet) as the date for acceptance of, and payment for, the Offer Shares
“Acquisition”	the acquisition of Paul Y Construction by Skynet contemplated under the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement dated 29th March, 2004 between Skynet and Paul Y pursuant to which Skynet has conditionally agreed to acquire the Sale Shares and the Sale Loan from Paul Y for the issue of the Consideration Shares
“Affiliate(s)”	in respect of a company, means any subsidiaries or holding companies of such company or any subsidiaries of any of the holding companies of such company
“Application Forms”	the form of application of the Offer Shares
“Board”	the board of directors of Skynet
“Business Day”	a day on which banks are open for business in Hong Kong, other than a Saturday
“Capital and Share Premium Reduction”	the proposed cancellation of HK\$0.018 of the paid-up capital on each issued Share and reduction of the nominal value of each issued Share from HK\$0.02 to HK\$0.002 and the cancellation of the entire amount standing to the credit of the share premium account of Skynet immediately before the Capital and Share Premium Reduction becoming effective
“Capital Reorganisation”	the proposed capital reorganisation of Skynet involving the Capital and Share Premium Reduction, the Subdivision, the Share Consolidation and the increase in authorised share capital
“Completion”	completion of the Acquisition Agreement
“Concert Parties”	has the meaning ascribed thereto under the Takeovers Code
“Consents”	licences, consents, approvals, authorisations, permissions, waivers, orders or exemptions
“Consideration Shares”	10,000,000,000 new Consolidated Shares to be allotted and issued by Skynet credited as fully paid at HK\$0.04 per Consolidated Share to Paul Y (or as it may direct) to satisfy the consideration for the Sale Shares and the Sale Loan
“Consolidated Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of Skynet upon the Capital Reorganisation becoming effective
“Conversion Shares”	the Consolidated Shares to be issued upon conversion of the Facility Convertible Note
“DFG”	Dong Fang Gas Holdings Limited, a company incorporated in Bermuda whose shares are listed on the Stock Exchange
“Directors”	directors of Skynet

“Excluded Shareholders”	Overseas Shareholders whom the Directors consider their exclusion to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Executive”	the Executive Director of the Corporate Finance Division of the SFC and any delegate of the Executive Director
“Facility”	an unsecured loan facility of a principal amount of up to HK\$100,000,000 to be made available by Paul Y to Skynet at Completion, the terms of which will include a conversion of the outstanding principal amount thereof into shares of Skynet
“Facility Convertible Note”	the convertible note to be issued by Skynet upon draw down of the Facility entitling the holder thereof to convert the principal amount thereof into Consolidated Shares
“Group”	Skynet and its subsidiaries
“Hidden”	Hidden Advantage Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is beneficially wholly owned by Wellington which is not a connected person (as defined under the Listing Rules) of Skynet, Paul Y or ITC
“Hidden Agreement”	the conditional sale and purchase agreement dated 29th March, 2004 between Skynet and Paul Y pursuant to which Skynet has agreed to acquire the Hidden Interest from Paul Y for the issue of the Hidden Consideration Shares
“Hidden Consideration Shares”	2,840,000,000 new Consolidated Shares to be allotted and issued by Skynet credited as fully paid at HK\$0.04 per Consolidated Share to Paul Y (or as it may direct) to satisfy the consideration for the Hidden Interest
“Hidden Group”	Hidden and its subsidiary
“Hidden Interest”	the entire issued share capital of Hidden together with the outstanding shareholder’s loan
“Independent Shareholders”	Shareholders other than those who are interested in or involved in the Acquisition Agreement, the Underwriting Agreement, the Hidden Agreement and the Facility Convertible Note, including Paul Y and its associates
“ITC”	ITC Corporation Limited, a company incorporated in Bermuda with limited liability whose securities are listed on the Stock Exchange
“ITC Group”	ITC and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lombard”	Lombard Asian Private Investment Company LDC., a limited duration company incorporated in the Cayman Islands and is a private equity investment fund managed by Lombard/APIC Management LDC with a principal objective of making direct, long term investments in established Asian companies
“Offer Share(s)”	1,126,774,985 new Consolidated Share(s) to be issued under the Open Offer
“Open Offer”	the proposed offer by way of open offer of the Offer Shares to Qualifying Shareholders on the terms set out herein and in the Prospectus Documents

“Overseas Shareholders”	Shareholders who, at the close of business on the Record Date, do not have addresses in Hong Kong on the register of members of Skynet
“Paul Y” or “Underwriter”	Paul Y. - ITC Construction Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange
“Paul Y Construction”	Paul Y. - ITC Construction Holdings (B.V.I.) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Paul Y
“Paul Y Construction Group”	Paul Y Construction and its subsidiaries, excluding Paul Y. - ITC Management Limited and Paul Y. - ITC Investments Group Limited and their respective subsidiaries (except for Paul Y. Management Limited) which will be transferred to Paul Y pursuant to the restructuring to be implemented prior to Completion
“Paul Y Group”	Paul Y and its subsidiaries
“Paul Y Hidden Agreement”	the conditional sale and purchase agreement dated 27th March, 2004 entered into between Growing Success Limited, a wholly owned subsidiary of Paul Y, and Wellington, pursuant to which Growing Success Limited agreed to acquire the entire interest in Hidden and all shareholders’ loan due by Hidden to Wellington at a total consideration of HK\$30,000,000 of which HK\$10,000,000 is to be paid in cash and HK\$20,000,000 to be satisfied by the issue of 500,000,000 Consolidated Shares out of the Hidden Consideration Shares to Wellington
“Posting Date”	the day falling on the fifth Business Day from the Record Date (or such other date as the Underwriter may agree in writing with Skynet)
“Prospectus Documents”	the prospectus and the Application Forms to be issued by Skynet to the Qualifying Shareholders in relation to the Open Offer
“Qualifying Shareholders”	Shareholders other than the Excluded Shareholders
“Record Date”	the date by reference to which entitlement under the Open Offer will be determined
“Reduced Share(s)”	share(s) of HK\$0.002 each in the share capital of Skynet arising from the Capital and Share Premium Reduction and the Subdivision but prior to the implementation of the Share Consolidation
“Restructuring Proposal”	the restructuring proposal of Skynet involving the Capital Reorganisation, the Open Offer, the Acquisition Agreement, the Hidden Agreement and the issue of the Facility Convertible Note
“Sale Loan”	the shareholder loans owing by Paul Y Construction to Paul Y as at the date of Completion, which amounted to approximately HK\$177 million as at 31st December, 2003
“Sale Shares”	the entire issued share capital of Paul Y Construction
“Settlement Date”	the second Business Day following the Acceptance Date
“SFC”	Securities and Futures Commission
“SGM”	the special general meeting of Skynet to be held to consider and approve, among others, the Capital Reorganisation, the Open Offer, the Acquisition Agreement, the Hidden Agreement, and the Whitewash Waiver
“Shares”	existing shares of HK\$0.02 each in the capital of Skynet

“Share Consolidation”	the proposed consolidation of every ten Reduced Shares into one Consolidated Share
“Shareholder(s)”	holder(s) of the Shares
“Skynet”	Skynet (International Group) Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange
“Skynet HK”	Skynet Limited, an indirectly approximately 68.9% owned subsidiary of Skynet
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subdivision”	the subdivision of each authorised but unissued Share into ten Reduced Shares
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriting Agreement”	the underwriting agreement dated 29th March, 2004 between the Underwriter and Skynet in relation to the underwriting of the Underwritten Shares
“Underwritten Shares”	1,126,774,985 Offer Shares, being all the Offer Shares to be issued under the Open Offer (on the basis of the issued share capital of Skynet of 4,507,099,957 Shares as at the date of the Underwriting Agreement and adjusted for the effect of the Share Consolidation)
“Wellington”	Wellington Equities Inc., a company incorporated in the Republic of Panama and is beneficially wholly owned by Mr. Lo Lin Shing, Simon, who is not a connected person (as defined under the Listing Rules) of Skynet; none of Paul Y, ITC nor Dr. Chan Kwok Keung, Charles is a connected person (as defined under the Listing Rules) of Wellington
“Whitewash Waiver”	a waiver of the obligation of Paul Y and its Concert Parties to make a mandatory offer for all the issued securities of Skynet under Rule 26 of the Takeovers Code as a result of the issue of the Underwritten Shares, the Consideration Shares and/or the Hidden Consideration Shares to Paul Y (or as it may direct) pursuant to the Restructuring Proposal

By Order of the board of
**Skynet (International
Group) Holdings Limited**
To Chi
Executive Director

By Order of the board of
**Paul Y. - ITC Construction
Holdings Limited**
Tom Ko Yuen Lau
Deputy Chairman

By Order of the board of
**ITC Corporation
Limited**
Tom Ko Yuen Lau
Deputy Chairman

Hong Kong, 4th June, 2004

The directors of Skynet jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than those relating to the Paul Y Group and ITC Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those relating to the Paul Y Group and ITC Group) have been arrived at after due and careful consideration and there are no other facts (other than those relating to the Paul Y Group and ITC Group) not contained in this announcement the omission of which would make any statements (other than those relating to the Paul Y Group and ITC Group) in this announcement misleading.

The directors of Paul Y jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than those related to the Group and ITC Group excluding Paul Y Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those related to the Group and ITC Group excluding Paul Y Group) have been arrived at after due and careful consideration and there are no other facts (other than those related to the Group and ITC Group excluding Paul Y Group) not contained in this announcement the omission of which would make any statements (other than those related to the Group and ITC Group excluding Paul Y Group) in this announcement misleading.

The directors of ITC jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than those related to the Group and Paul Y Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those related to the Group and Paul Y Group) have been arrived at after due and careful consideration and there are no other facts (other than those related to the Group and Paul Y Group) not contained in this announcement the omission of which would make any statements (other than those related to the Group and Paul Y Group) in this announcement misleading.

** for identification only*

Please also refer to the published version of this announcement in The Standard.