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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)



**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)



**ITC CORPORATION LIMITED**

德祥企業集團有限公司\*

(incorporated in Bermuda with limited liability)

(Stock Code: 372)

**CHANGE OF SHARE CONSOLIDATION BASIS,  
INCREASE IN AUTHORISED SHARE CAPITAL,  
CHANGE IN BOARD LOT SIZE,  
SUPPLEMENTAL AGREEMENT, AND  
PLACING AGREEMENT**

- Skynet proposes to change the basis of the Share Consolidation from 10 into 1 to 250 into 1.
- The authorised share capital of Skynet is proposed to be increased to HK\$500,000,000.
- The board lot for trading is proposed to be changed to 2,000 New Consolidated Shares upon the Capital Reorganisation becoming effective.
- Supplemental agreement for the Underwriting Agreement, the Acquisition Agreement (including the Facility Convertible Note) and the Hidden Agreement was entered into on 30th August, 2004 for amending the number and the issue price of the new shares to be issued so as to correspond with the change in the share consolidation basis.
- The Placing Agreement was entered into on 30th August, 2004 between Skynet and Tai Fook Securities Company Limited as placing agent for the placing of 141,530,000 New Consolidated Shares on a best effort basis so as to facilitate restoration of the public float of Skynet upon completion of the Restructuring Proposal.

Reference is made to the joint announcements made by Skynet, Paul Y and ITC dated 4th June, 2004 (“Announcement”), 25th June, 2004 and 13th August, 2004 in relation to, among other things, the Restructuring Proposal, the application for Whitewash Waiver and the extension of deadline for despatch of the circulars from 25th June, 2004 to 10th September, 2004. Unless otherwise defined, capitalised terms used herein shall have the meanings ascribed thereto in the Announcement.

**Change of Share Consolidation basis**

As set out in the Announcement, the Capital Reorganisation involves (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) consolidation of every 10 Reduced Shares of HK\$0.002 each into one Consolidated Share of HK\$0.02; and (v) 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.

Based on the share consolidation basis of 10 Reduced Shares of HK\$0.002 each consolidated into one Consolidated Share of HK\$0.02 each, the theoretical value of each Consolidated Share, calculated based on the last closing price (the “Last Closing Price”) of the Shares of HK\$0.01 each on 15th October, 2003, will be HK\$0.1. After reassessment of the situation and in order to allow for a more significant trading value for the shares of Skynet, the Board considers that it will be in the interest of the Shareholders to amend the share consolidation basis to 250 Reduced Shares of HK\$0.002 each to be consolidated into one new consolidated share of HK\$0.5 each (the “New Consolidated Share(s)”). Under the new share consolidation basis, the theoretical value of each New Consolidated Share, calculated based on the Last Closing Price, will be HK\$2.5.

The change in the basis of the share consolidation will not alter the underlying assets, business operations, management or financial position of Skynet or the interests of the Shareholders, save that any fractional New Consolidated Shares will not be issued to the Shareholders but will be aggregated and sold for the benefit of Skynet.

In order to facilitate the trading of odd lots of the New Consolidated Shares as a result of the Share Consolidation upon resumption in trading of the shares of Skynet, Skynet will appoint an agent to match, on a “best effort” basis, the sale and purchase of odd lots of the New Consolidated Shares arising from the Share Consolidation. Such arrangement is to facilitate Shareholders who wish to dispose of or top up their odd lots of New Consolidated Shares. Shareholders should note that the matching of the sale and purchase of odd lots of the New Consolidated Shares is not guaranteed. Further announcement will be made by Skynet upon resumption in trading in its shares on the trading and matching arrangements.

#### **Increase in authorised share capital**

In view of the New Consolidated Shares to be issued pursuant to the Restructuring Proposal and the potential placing of 141,530,000 New Consolidated Shares under the Placing Agreement as detailed below, the Board proposes to increase the existing authorised share capital of Skynet of HK\$140,000,000 to HK\$500,000,000 by the creation of an additional 720,000,000 New Consolidated Shares.

#### **Change in board lot size**

At present, the Shares are traded in board lots of 5,000. The Board proposes to change the board lot for trading from 5,000 Shares to 2,000 New Consolidated Shares upon the Capital Reorganisation becoming effective.

#### **Capital structure and board lots value**

The following table sets forth Skynet’s existing capital structure and board lot value and the capital structure and board lot value upon completion of the Capital Reorganisation based on the previous proposal set out in the Announcement (“Previous Proposal”) and the revised proposal as set out herein (“Revised Proposal”):

	<b>As at the date of this announcement</b>	<b>Previous Proposal 10 into 1 share consolidation</b>	<b>Revised Proposal 250 into 1 share consolidation</b>
Par value	HK\$0.02 each Share	HK\$0.02 each Consolidated Share	HK\$0.5 each New Consolidated Share
Authorised share capital	HK\$140,000,000 divided into 7,000,000,000 Shares	HK\$400,000,000 divided into 20,000,000,000 Consolidated Shares	HK\$500,000,000 divided into 1,000,000,000 New Consolidated Shares
Issued share capital	HK\$90,141,999.14 represented by 4,507,099,957 Shares	HK\$9,014,199.914 represented by 450,709,995.7 Consolidated Shares	HK\$9,014,199.914 represented by 18,028,399.828 New Consolidated Shares
Board lot size	5,000 Shares	20,000 Consolidated Shares	2,000 New Consolidated Shares
Board lot value	HK\$50, based on Last Closing Price	HK\$2,000, based on the Last Closing Price and adjusted for the 10 into 1 share consolidation	HK\$5,000, based on the Last Closing Price and adjusted for the 250 into 1 share consolidation

## Supplemental agreement dated 30th August, 2004

As a result of the proposed change in the share consolidation basis, Skynet and Paul Y have entered into a supplemental agreement dated 30th August, 2004 for the Underwriting Agreement, the Acquisition Agreement (including the Facility Convertible Note) and the Hidden Agreement to amend the number and the issue price of the new shares of Skynet to be issued as detailed below:

	Funds raised/ Consideration/ Principal amount	Terms based on 10 into 1 share consolidation	Revised terms based on 250 into 1 share consolidation
Open Offer/ Underwriting Agreement	About HK\$45.07 million	<i>Open Offer basis:</i> 5 offer shares for every 2 Consolidated Shares  <i>Number of Offer Shares:</i> 1,126,774,985 Consolidated Shares which are fully underwritten by Paul Y  <i>Subscription price:</i> HK\$0.04 per Offer Share	<i>Open Offer basis:</i> 5 offer shares for every 2 New Consolidated Shares  <i>Number of Offer Shares:</i> 45,070,995 New Consolidated Shares (the "Offer Shares") which are fully underwritten by Paul Y  <i>Subscription price:</i> HK\$1.0 per Offer Share
Acquisition Agreement	HK\$400 million	To be satisfied by Skynet issuing 10,000,000,000 Consolidated Shares at HK\$0.04 per Consolidated Share	To be satisfied by Skynet issuing 400,000,000 New Consolidated Shares (the "Consideration Shares") at HK\$1.0 per New Consolidated Share
Facility Convertible Note	HK\$100 million	<i>Initial conversion price:</i> HK\$0.04  <i>Number of Conversion Shares:</i> 2,500,000,000 Consolidated Shares	<i>Initial conversion price:</i> HK\$1.0  <i>Number of Conversion Shares:</i> 100,000,000 New Consolidated Shares (the "Conversion Shares")
Hidden Agreement	HK\$113.6 million	To be satisfied by Skynet issuing 2,840,000,000 Consolidated Shares at HK\$0.04 per Consolidated Share	To be satisfied by Skynet issuing 113,600,000 New Consolidated Shares (the "Hidden Consideration Shares") at HK\$1.0 per New Consolidated Share

The revised terms of the Open Offer, the Underwriting Agreement, the Acquisition Agreement, the Facility Convertible Note and the Hidden Agreement set out above correspond with the proposed change in the share consolidation basis. There will not be any changes in the monetary amounts or the principal terms of the Open Offer, the Underwriting Agreement, the Acquisition Agreement, the Facility Convertible Note or the Hidden Agreement.

The shareholding percentage interests in Skynet represented by the Offer Shares, the Consideration Shares, the Conversion Shares and the Hidden Consideration Shares will remain the same and the Shareholders will encounter the same level of shareholding dilution as disclosed in the Announcement (before taking into account the shareholding dilution which will result from the placing mentioned under the section headed "Placing Agreement" below).

### Placing Agreement

In order to facilitate the restoration of the public float of Skynet upon completion of the Restructuring Proposal, Skynet has on 30th August, 2004 entered into a placing agreement (the "Placing Agreement") with details as follows:

#### *Parties:*

Skynet (as issuer)

Tai Fook Securities Company Limited ("Tai Fook") (as placing agent). Tai Fook is not a connected person of Skynet or Paul Y or ITC as defined under the Listing Rules.

#### *Subject matter:*

Tai Fook shall place, on a best effort basis, 141,530,000 New Consolidated Shares (the "Placing Shares") at a price of HK\$1.0 per New Consolidated Share to not less than 6 independent third parties who and whose ultimate beneficial owners are independent of and not connected with Skynet or Paul Y or ITC or their respective connected persons (as defined in the Listing Rules).

The Placing Shares represent approximately 785% of the existing issued share capital of Skynet as adjusted for the Share Consolidation and represents approximately 19.7% of the issued share capital of Skynet (adjusted for the Share Consolidation) as enlarged by the New Consolidated Shares to be issued under Restructuring Proposal and the Placing. The issue price of HK\$1.0 per Placing Share represents:

- (i) a discount of 60.0% to the theoretical closing price of HK\$2.5 for each New 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; and
- (ii) a discount of 60.0% to the average theoretical closing price of HK\$2.5 for each New Consolidated Share for the 10 trading days ended on the Last Trading Day.

The issue price of HK\$1.0 per Placing Share is the same as the issue price of the Offer Shares, the Consideration Shares and the Hidden Consideration Shares and the conversion price of the Conversion Shares. On this basis, the Directors consider the issue price of HK\$1.0 per Placing Share to be fair and reasonable.

*Commission:*

2% of the amount equal to the placing price of HK\$1.0 multiplied by the number of the Placing Shares subscribed for. After deducting the commission, the net issue price of the Placing Shares is HK\$0.98 per Placing Share.

*Use of proceeds:*

The proceeds from the placing, which amount to a maximum of HK\$141,530,000 (before expenses) will be used as working capital for the construction business of the Group. With the proceeds from the placing, Skynet will not draw down the Facility of a principal amount up to HK\$100 million to the extent of the net proceeds received.

*Conditions precedent:*

The Placing Agreement is subject to the following conditions being fulfilled:

- (i) the passing of a resolution by the Shareholders at a special general meeting of Skynet approving the Placing Agreement and the issue of the New Consolidated Shares thereunder;
- (ii) completion of the Acquisition Agreement and the Hidden Agreement having taken place;
- (iii) the Listing Committee of the Stock Exchange agreeing to grant the listing of, and permission to deal in, the Placing Shares; and
- (iv) the Stock Exchange indicating that it will grant the resumption of trading in the shares of Skynet upon completion of the Placing Agreement.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

*Completion:*

Completion of the Placing Agreement shall take place on the fifth business day after fulfilment of the conditions precedent or any other day as shall be agreed between the parties.

## Shareholding structure

Set out below is the shareholding structure of Skynet prepared based on the new share consolidation basis of 250 into 1 and assuming completion of the placing of all the Placing Shares to restore the public float:

	Shareholding as at the Latest Practicable Date		Upon completion of Capital Reorganisation		Upon completion of the Restructuring Proposal (before draw down of Facility) and assuming subscription by Shareholders of Offer Shares of				Upon completion of the Restructuring Proposal (before draw down of Facility) and Placing Agreement assuming subscription by Shareholders of Offer Shares of			
	Shares	(%)	New Consolidated Shares	(%)	0% of New Consolidated Shares	(%)	100% of New Consolidated Shares	(%)	0% of New Consolidated Shares	(%)	100% of New Consolidated Shares	(%)
Paul Y												
- Existing Shares held	85	-	-	-	0.0	0.0	0	0.0	-	-	-	-
- Offer Shares	-	-	-	-	45,070,995.0	7.8	0	0.0	45,070,995.0	6.3	-	-
- Consideration Shares	-	-	-	-	400,000,000.0	69.4	400,000,000.0	69.4	400,000,000.0	55.7	400,000,000.0	55.7
- Hidden Consideration Shares (Note 1)	-	-	-	-	93,600,000.0	16.2	93,600,000.0	16.2	93,600,000.0	13.0	93,600,000.0	13.0
Wellington (Note 1)	-	-	-	-	20,000,000.0	3.5	20,000,000.0	3.5	20,000,000.0	2.8	20,000,000.0	2.8
Sub-total	85	-	-	-	558,670,995.0	96.9	513,600,000.0	89.1	558,670,995.0	77.8	513,600,000.0	71.5
Pacific Century Premium Developments Limited ("PCPD") (previously known as "Dong Fang Gas Holdings Limited")	1,020,036,735	22.6	4,080,146.0	22.6	4,080,146.0	0.7	14,280,511.0	2.5	4,080,146.0	0.6	14,280,511.0	2.0
Other public Shareholders Places	3,487,063,137	77.4	13,948,253.8	77.4	13,948,253.8	2.4	48,818,883.8	8.4	13,948,253.8	1.9	48,818,883.8	6.8
	-	-	-	-	-	-	-	-	141,530,000.0	19.7	141,530,000.0	19.7
Total	4,507,099,957	100.0	18,028,399.8	100.0	576,699,394.8	100.0	576,699,394.8	100.0	718,229,394.8	100.0	718,229,394.8	100.0
Public float	3,487,063,137	77.4	13,948,253.8	77.4	38,028,399.8	6.6	83,099,394.8	14.4	179,558,399.8	25.0	224,629,394.8	31.3
					(Note 2)		(Note 2)		(Note 2)		(Note 2)	

### Notes:

- Pursuant to the Paul Y Hidden Agreement, Paul Y has agreed to transfer 20,000,000 New Consolidated Shares out of the Hidden Consideration Shares to Wellington upon completion of the Paul Y Hidden Agreement.
- Being the sum of the shareholding interests of Wellington, PCPD, other public Shareholders and the places.

### 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. 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. 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%.

### General

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 ten 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) three are independent non-executive directors, namely Mr. Lai, Dominic, Mr. Winston Calptor Chuck and Mr. Lee Kit Wah.

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**  
**Mui Ching Hung, Joanna**  
*Company Secretary*

By order of the board of  
**ITC Corporation  
Limited**  
**Law Hon Wa, William**  
*Company Secretary*

Hong Kong, 3rd September, 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 relating to the Group and ITC Group excluding the 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 relating to the Group and ITC Group excluding the Paul Y Group) have been arrived at after due and careful consideration and there are no other facts (other than those relating to the Group and ITC Group excluding the Paul Y Group) not contained in this announcement the omission of which would make any statements (other than those relating to Group and ITC Group excluding the 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 relating to the Group and the 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 relating to the Group and the Paul Y Group) have been arrived at after due and careful consideration and there are no other facts (other than those relating to the Group and the Paul Y Group) not contained in this announcement the omission of which would make any statements (other than those relating to the Group and the Paul Y Group) in this announcement misleading.*

\* for identification only

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