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ITC CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)
(Stock code: 372)

**RESTRUCTURING PROPOSAL OF
SKYNET (INTERNATIONAL GROUP) HOLDINGS LIMITED
INVOLVING, INTER ALIA,**

**(1) DISPOSAL BY PAUL Y. - ITC CONSTRUCTION HOLDINGS LIMITED
(A 55.1% OWNED SUBSIDIARY OF
ITC CORPORATION LIMITED UNTIL 20TH OCTOBER, 2004)
OF THE PAUL Y CONSTRUCTION GROUP AND
HIDDEN ADVANTAGE INVESTMENTS LIMITED; AND**

**(2) UNDERWRITING BY PAUL Y. - ITC CONSTRUCTION HOLDINGS
LIMITED OF OPEN OFFER OF SKYNET (INTERNATIONAL GROUP)
HOLDINGS LIMITED**

**RESULTING IN ACQUISITION OF INTERESTS IN
SKYNET (INTERNATIONAL GROUP) HOLDINGS LIMITED
BY PAUL Y. - ITC CONSTRUCTION HOLDINGS LIMITED**

DISCLOSEABLE TRANSACTION

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DEFINITIONS

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

“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 last date for acceptance of, and payment for, the Offer 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 Form(s)”	the form(s) of application of the Offer Shares
“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 Skynet Share and reduction of the nominal value of each issued Skynet 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 becomes 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 Disposal Agreement
“Concert Parties”	has the meaning ascribed thereto under the Takeovers Code
“Consents”	licences, consents, approvals, authorisations, permissions, waivers, orders or exemptions
“Consideration Shares”	400,000,000 new Consolidated Shares to be allotted and issued by Skynet credited as fully paid at HK\$1.0 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\$0.5 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
“Disposal”	the disposal of Paul Y Construction by Paul Y to Skynet contemplated under the Disposal Agreement
“Disposal Agreement”	the conditional sale and purchase agreement dated 29th March, 2004 entered into between Skynet and Paul Y as varied and supplemented by three supplemental agreements entered into between the same parties dated 25th June, 2004, 30th August, 2004 and 20th October, 2004 respectively, pursuant to which Paul Y has conditionally agreed to sell the Sale Shares and the Sale Loan to Skynet in consideration of the Consideration Shares
“Excluded Shareholders”	Overseas Shareholders whom the directors of Skynet 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

DEFINITIONS

“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 right to convert the outstanding principal amount thereof into Consolidated Shares by Paul Y
“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 up to HK\$100,000,000 into new Consolidated Shares at an initial conversion price of HK\$1.0 per Conversion Share, subject to adjustment
“Growing Success”	Growing Success Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Paul Y
“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 in turn beneficially wholly owned by Mr. Lo Lin Shing, Simon, all of whom are independent of and not connected with Paul Y or ITC or their respective connected persons
“Hidden Agreement”	the conditional sale and purchase agreement dated 29th March, 2004 entered into between Skynet and Paul Y as supplemented and varied by three supplemental agreements entered into between the same parties dated 25th June, 2004, 30th August, 2004 and 20th October, 2004 respectively, pursuant to which Paul Y has agreed to dispose of the Hidden Interest to Skynet at a consideration of HK\$113,600,000 to be satisfied by the issue of the Hidden Consideration Shares
“Hidden Consideration Shares”	113,600,000 new Consolidated Shares to be allotted and issued by Skynet credited as fully paid at HK\$1.0 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 due by Hidden to Wellington which, as at 30th June, 2004, was approximately HK\$72.1 million
“Independent Shareholders”	Skynet Shareholders other than those who are interested in or involved in the Disposal Agreement, the Underwriting Agreement, the Hidden Agreement and the Facility Convertible Note (including Paul Y and its associates)
“ITC” or “Company”	ITC Corporation Limited, a company incorporated in Bermuda with limited liability whose securities are listed on the Stock Exchange
“ITC Directors” or “Directors”	directors of ITC
“ITC Group”	ITC and its subsidiaries
“Latest Practicable Date”	26th November, 2004, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“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

DEFINITIONS

“Model Code”	Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules
“Offer Share(s)”	45,070,995 new Consolidated Share(s) to be issued under the Open Offer
“Open Offer”	the proposed offer by way of open offer of 5 Offer Shares for every 2 Consolidated Shares to Qualifying Shareholders of Skynet
“Overseas Shareholders”	Skynet 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 and a 55.1% owned subsidiary of ITC until 20th October, 2004 and an 49.6% associated company as at the Latest Practicable Date
“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 its subsidiaries which will be transferred to Paul Y pursuant to the restructuring to be implemented prior to Completion. Paul Y. Management Limited is a subsidiary of Paul Y. - ITC Management Limited but will not be transferred to Paul Y
“Paul Y Directors”	directors of Paul Y
“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 and Wellington as varied and supplemented by three supplemental agreements entered into between the same parties dated 29th March, 2004, 21st June, 2004 and 20th October, 2004 respectively, pursuant to which Growing Success agreed to acquire the Hidden Interest at a total consideration of HK\$30,000,000, of which HK\$10,000,000 will be satisfied in cash and HK\$20,000,000 by the issue of 20,000,000 Consolidated Shares to Wellington out of the Hidden Consideration Shares
“PCPD”	Pacific Century Premium Developments Limited (formerly known as Dong Fang Gas Holdings Limited), a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange. PCPD and its ultimate controlling shareholder is independent of and not connected with ITC and its connected persons
“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) being the date on which the Prospectus Documents will be sent
“Preferred Shares”	671,657 convertible cumulative redeemable participative preferred shares issued by Skynet HK
“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”	Skynet 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 resulting from the Capital and Share Premium Reduction and the Subdivision but prior to the implementation of the Share Consolidation
“Remaining Paul Y Group”	the Paul Y Group, excluding the Paul Y Construction Group and the Skynet Group upon Completion

DEFINITIONS

“Restructuring Proposal”	the restructuring proposal of Skynet involving the Capital Reorganisation, the Open Offer, the Disposal Agreement, the Hidden Agreement and the issue of the Facility Convertible Note
“Sale Loan”	the shareholder’s loan owing by Paul Y Construction to Paul Y as at the date of Completion, the principal of which amounted to approximately HK\$142.0 million as at 30th June, 2004
“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
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Consolidation”	the proposed consolidation of every 250 Reduced Shares into one Consolidated Share
“Skynet”	Skynet (International Group) Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange
“Skynet Board”	the board of directors of Skynet
“Skynet Group”	Skynet and its subsidiaries
“Skynet HK”	Skynet Limited, a subsidiary indirectly owned as to approximately 68.9% by Skynet
“Skynet SGM”	the special general meeting of Skynet to be held to consider and approve, among others, the Capital Reorganisation, the Open Offer, the Disposal Agreement, the Hidden Agreement, the Whitewash Waiver, the change of name and the continuing connected transactions of Skynet
“Skynet Share(s)”	existing share(s) of HK\$0.02 each in the capital of Skynet
“Skynet Shareholder(s)”	holder(s) of the Skynet Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subdivision”	the subdivision of each authorised but unissued Skynet Share into ten Reduced Shares
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriting Agreement”	the underwriting agreement dated 29th March, 2004 entered into between the Underwriter and Skynet in relation to the underwriting of the Underwritten Shares as varied and supplemented by three supplemental agreements entered into between the same parties dated 25th June, 2004, 30th August, 2004 and 20th October, 2004 respectively
“Underwritten Shares”	up to 45,070,995 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 Skynet 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 beneficially wholly owned by Mr. Lo Lin Shing, Simon who is not a connected person (as defined under the Listing Rules) of Paul Y or ITC
“Whitewash Waiver”	a waiver of the obligation of Paul Y and its Concert Parties to make a mandatory general 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, the Hidden Consideration Shares and the Conversion Shares to Paul Y (or as it may direct) pursuant to the Restructuring Proposal

LETTER FROM THE BOARD

The logo for ITC Corporation Limited, consisting of the letters "ITC" in a bold, white, sans-serif font, centered within a solid black square.

ITC CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 372)

Executive directors:

Chan Kwok Keung, Charles (*Chairman*)
Lau Ko Yuen, Tom (*Deputy Chairman*)
Chau Mei Wah, Rosanna (*Managing Director*)
Chan Kwok Hung
Chan Fut Yan
Cheung Hon Kit

Independent non-executive directors:

Chuck Winston Calptor
Lee Kit Wah
Wong Kam Cheong, Stanley

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Principal place of business
in Hong Kong:*

33rd Floor, Paul Y. Centre
51 Hung To Road
Kwun Tong
Kowloon
Hong Kong

30th November, 2004

*To holders of the ordinary shares of ITC and, for information only,
holders of the preference shares and the convertible notes
issued by ITC*

Dear Sir/Madam,

**RESTRUCTURING PROPOSAL OF SKYNET (INTERNATIONAL GROUP) HOLDINGS
LIMITED INVOLVING, INTER ALIA,**

(1) DISPOSAL BY PAUL Y. - ITC CONSTRUCTION HOLDINGS LIMITED

**(A 55.1% OWNED SUBSIDIARY OF
ITC CORPORATION LIMITED UNTIL 20TH OCTOBER, 2004)
OF THE PAUL Y CONSTRUCTION GROUP AND HIDDEN
ADVANTAGE INVESTMENTS LIMITED; AND**

**(2) UNDERWRITING BY PAUL Y. - ITC CONSTRUCTION HOLDINGS LIMITED
OF OPEN OFFER OF SKYNET (INTERNATIONAL GROUP)
HOLDINGS LIMITED**

**RESULTING IN ACQUISITION OF INTERESTS IN SKYNET
(INTERNATIONAL GROUP) HOLDINGS LIMITED
BY PAUL Y. - ITC CONSTRUCTION HOLDINGS LIMITED**

DISCLOSEABLE TRANSACTION

INTRODUCTION

On 27th March, 2004, a wholly-owned subsidiary of Hidden conditionally agreed to acquire from Lombard all rights arising from the Preferred Shares (including the Lombard Claim (as defined in the section headed "Background of Skynet's liabilities towards Lombard and Hidden" of this circular)). On the same date, the Paul Y Hidden Agreement was entered into pursuant to which Growing Success 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 satisfied in cash and the remaining HK\$20,000,000 by the issue of 20,000,000 Consolidated Shares out of the Hidden Consideration Shares.

On 29th March, 2004, Paul Y entered into the Disposal Agreement and the Hidden Agreement with Skynet in relation to the disposal of the Sale Shares together with the Sale Loan and the Hidden Interest by Paul Y to Skynet, which together will result in an acquisition by Paul Y of approximately 85.6% (excluding the 20,000,000 new Consolidated Shares out of the Hidden Consideration Shares to be issued to Wellington upon completion of the Paul Y Hidden Agreement and any Conversion Shares which may be issued under the Facility Convertible Note, and assuming Paul Y does not take up any Offer Shares) of

LETTER FROM THE BOARD

Skynet's issued share capital as enlarged by the issue of the Consideration Shares, the Hidden Consideration Shares and the Offer Shares. On the same day, Paul Y also entered into the Underwriting Agreement, under which Paul Y agreed conditionally to fully underwrite the Open Offer proposed to be conducted by Skynet. Assuming no Skynet Shareholders accept the Offer Shares, Paul Y will hold approximately 93.4% of Skynet's issued share capital. Under the Disposal Agreement, Paul Y and Skynet will at Completion enter into an agreement for the provision of the non-revolving Facility by Paul Y to Skynet for the general working capital needs of the Paul Y Construction Group. Skynet, Paul Y and ITC made a joint announcement dated 4th June, 2004 in relation to these proposals.

The purpose of this circular is to provide you with more information on these transactions.

THE DISPOSAL AGREEMENT

Date

29th March, 2004

Parties

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

Subject matter of sale and purchase

The subject matter of sale and purchase is the Sale Shares, representing the entire issued share capital of Paul Y Construction, and the Sale Loan, representing the shareholder's loan owing by Paul Y Construction to Paul Y as at the date of Completion. The Sale Loan amounted to approximately HK\$142.0 million as at 30th June, 2004. 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 an existing direct subsidiary of Paul Y Construction, namely, Paul Y. - ITC Management Limited and its subsidiaries (except Paul Y. Management Limited which will remain in the Paul Y Construction Group and will not be transferred to Paul Y), which are not primarily engaged in the construction business, will be transferred to Paul Y at its net asset value thereby resulting in no gain/loss to the ITC Group or the Paul Y Group. The principal businesses of Paul Y. - ITC Management Limited and its subsidiaries are the provision of management and financial services and investment holding of motor vehicles and vessels. Paul Y. Management Limited, whose principal business is the provision of management services, is the employer of the staff of the Paul Y Construction Group.

Paul Y has warranted to Skynet that as at the date of Completion, the sum of (i) the unaudited combined net asset value of the 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 included therein 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 the Paul Y Construction Group and the Sale Loan falls short of the warranted amount as revealed by the audit conducted on the balance sheet of the Paul Y Construction Group after the reorganisation as at the date of Completion by the auditors 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 that Paul Y pays for the shortfall on a dollar for dollar basis in cash. The audited combined net asset value of the Paul Y Construction Group as at 30th June, 2004 was HK\$8,156,000 (which is extracted from the accountants' report on the Paul Y Construction Group included in the circular of Skynet dated 30th November, 2004) and the Sale Loan was HK\$142,000,000 (which is extracted from the accountants' report on the Paul Y Construction Group included in the circular of Skynet dated 30th November, 2004). For illustrative purpose only, in the event that there is a shortfall at Completion, the amount of shortfall payable by Paul Y would be HK\$99,844,000 based on the combined net asset value of the Paul Y Construction Group as at 30th June, 2004, which is expected to be satisfied out of internal resources.

The intangible assets of Paul Y Construction mainly represent the goodwill arising from acquisition of subsidiaries which form part of the Paul Y Construction Group. The Disposal 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\$1.0 per Consolidated Share (credited as fully paid) by Skynet to Paul Y (or as it may direct).

LETTER FROM THE BOARD

The 400,000,000 Consideration Shares represent approximately 22.19 times Skynet's issued share capital (assuming the Share Consolidation has been effected) as at the Latest Practicable Date, approximately 95.7% of Skynet's issued share capital as enlarged by the issue of the Consideration Shares and approximately 69.4% of Skynet's issued share capital upon completion of the Restructuring Proposal (but before conversion of the Facility Convertible Note). The number of Skynet Shares in issue as at the date of the Disposal Agreement and as at the Latest Practicable Date was 4,507,099,957 (equivalent to 18,028,399.8 Consolidated Shares). 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 Group; and (ii) the Sale Loan by Paul Y under the Disposal Agreement, plus a premium of HK\$150,000,000 to reflect the market standing, technical expertise and track record of the Paul Y Construction Group, including the various construction licences held by certain members of the 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. Both the Company and Paul Y are 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 licences, technical expertise and track record.

The acquisition of interests in Skynet does not involve payment of cash by Paul Y. In return, Paul Y disposes of the Paul Y Construction Group to Skynet. The parties negotiated on this basis and commercially agreed that in the event that there is a shortfall on the warranted amount of the net asset value of the Paul Y Construction Group as described above, Skynet will be entitled to demand Paul Y to compensate it for the shortfall on a dollar for dollar basis. This is the commercial principle agreed by the parties in light of Skynet's financial position and the construction business to be disposed to Skynet.

Conditions

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

- (i) the passing of resolutions by the Skynet Shareholders at the Skynet SGM approving the Capital Reorganisation and the Capital Reorganisation becoming unconditional;
- (ii) approval by the Independent Shareholders at the Skynet SGM of: (a) the acquisition of the Sale Shares and the Sale Loan; (b) the issue and allotment of the Consideration Shares to Paul Y (or as it may direct); (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 Disposal Agreement;
- (iii) the passing of an ordinary resolution by the Independent Shareholders at the Skynet SGM approving the Whitewash Waiver, 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 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 potential present and future transactions (such as the provision of construction, maintenance and project management services by the Paul Y Construction Group to the Remaining Paul Y Group and the leasing of certain office premises by the Skynet Group from the Remaining Paul Y Group) contemplated as at the date of the Disposal 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);

LETTER FROM THE BOARD

- (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 Disposal 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 Skynet 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 respects as at the date of Completion;
- (xiv) all the Skynet's warranties being true and correct in all material respects as at the date of Completion;
- (xv) the Underwriting Agreement and the Hidden Agreement becoming unconditional in all respects (save for the condition requiring any of the aforesaid agreements and the Disposal 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 Disposal 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 Skynet Group or the Paul Y Construction Group taken as a whole. Further announcement will be made upon completion of the transactions. Such announcement will contain details of any conditions which have been waived or fulfilled. As at the Latest Practicable Date, condition (vi) has been fulfilled and none of the other conditions has been waived or fulfilled.

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 Disposal Agreement may agree), the Disposal Agreement shall lapse and be terminated and thereafter all rights, obligations and liabilities of all parties shall cease and determine except for antecedent breaches. The parties to the Disposal Agreement have agreed to extend the long stop date to 31st January, 2005 as announced by the Company, Skynet and Paul Y jointly on 25th June, 2004 and 20th October, 2004. Further announcement will be made if the long stop date is further extended.

INFORMATION ON THE PAUL Y CONSTRUCTION GROUP

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.

LETTER FROM THE BOARD

The Paul Y Construction Group is an integrated engineering and construction service provider which excels in civil engineering works, foundation works, building construction, project management and construction management. It has a diversified client base composed of governmental departments, quasi government departments, utility undertakers and blue chips property developers.

Since its establishment, the Paul Y Construction Group has undertaken and completed various notable construction projects in Hong Kong, the PRC and the South East Asian region including the Ting Kau Bridge, the Eastern Harbour Tunnel, the tunnels and terminals of Mass Transit Railway, major private residential and commercial property developments and public housing developments. It possesses all major operating licences in Hong Kong, the PRC and Macau to tender and secure construction contracts of unrestricted contract value. The total value of the contracts on hand is approximately HK\$9,000 million, with contract value of approximately HK\$6,000 million to be completed.

The Paul Y Construction Group possesses multi-discipline engineering and construction capabilities covering marine reclamation, site formation, foundation engineering, reinforced concrete and steel structure, electrical and mechanical works and interior decorating. Such versatile capabilities enable it to offer total management solutions and to participate in all phases of the construction projects. The Paul Y Construction Group is constantly invited to tender for construction works of various nature by reputable clients. The total value of tenders currently submitted by the Paul Y Construction Group is in excess of HK\$20,000 million. The total value of contracts on hand of approximately HK\$9,000 million and value of tenders in excess of HK\$20,000 million are all attributable to and undertaken by companies which form part of the Paul Y Construction Group to be disposed to Skynet.

The following is a summary of the audited financial information of the Paul Y Construction Group (which is extracted from the accountants' report on the Paul Y Construction Group included in the circular of Skynet dated 30th November, 2004):

	As at 30th June, 2004 (HK\$'000)	As at 31st March, 2004 (HK\$'000)	As at 31st March, 2003 (HK\$'000)
Non-current assets	243,808	207,839	526,482
Current assets	1,239,067	1,493,378	1,464,645
Total assets	1,482,875	1,701,217	1,991,127
Current liabilities	1,222,614	1,345,157	1,393,838
Non-current liabilities	241,662	340,541	514,987
Minority interests	10,443	10,448	15,560
Net assets	8,156	5,071	66,742
Intangible assets	13,254	13,831	16,136
Net tangible (liabilities) assets	(5,098)	(8,760)	50,606
Shareholder's loan	142,000	230,413	295,375
	Three months ended 30th June, 2004 (HK\$'000)	For the year ended 31 March, 2004 (HK\$'000)	2003 (HK\$'000)
Turnover	704,892	3,334,023	3,572,496
Profit (loss) before taxation	3,359	(69,293)	(264,414)
Taxation	(271)	6,883	10,113
Profit (loss) before minority interests	3,088	(62,410)	(254,301)
Minority interests	5	739	498
Profit (loss) for the period/year	3,093	(61,671)	(253,803)

LETTER FROM THE BOARD

THE FACILITY AND THE FACILITY CONVERTIBLE NOTE

Under the Disposal Agreement, Paul Y and Skynet will at Completion enter into an agreement for the provision of the non-revolving Facility by Paul Y (which is expected to be satisfied out of the Paul Y Group's internal resources) 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 pay a coupon from its date of issue at the rate of 1% above the 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
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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\$1.0 per Conversion Share, subject to common events giving rise to an adjustment, namely, share subdivision, consolidation, bonus issues, rights issues, share issue, capital distribution, issue of convertible securities, etc, which have common adjustment mechanisms). 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\$1.0 per Conversion Share, a total of 100,000,000 Consolidated Shares will be issued. The 100,000,000 Conversion Shares represent approximately 17.3% of the issued share capital of Skynet immediately upon completion of the Restructuring Proposal and approximately 14.8% of the issued share capital of Skynet as enlarged by the conversion of the Facility Convertible Note in full. The number of Skynet Shares in issue as at the Latest Practicable Date were 4,507,099,957 Skynet Shares (equivalent to 18,028,399.8 Consolidated Shares).

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\$1.0 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\$1.0 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 it being the holder of the Facility Convertible Note.

LETTER FROM THE BOARD

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 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). Skynet will notify the Stock Exchange if it becomes aware that the Facility Convertible Note is to be transferred to any other connected persons (as defined in the Listing Rules) of Skynet.

Listing

No application will be made for the listing of the Facility Convertible Note.

THE PAUL Y HIDDEN AGREEMENT

Background of Skynet's liabilities towards Lombard and Hidden

On 28th June, 2000, Lombard, Skynet and Skynet HK entered into an agreement for the subscription by Lombard of 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' agreements 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 Skynet 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"), and the amount of compensation payable by Skynet to Hidden calculated in accordance with the provisions thereof is approximately HK\$10.6 million.

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) at a cash consideration of HK\$10 million. By this, the Lombard Claim and the Hidden Claim were consolidated into the Hidden Group. Completion of the acquisition of the Lombard Claim and the Preferred Shares was subject to a number of conditions including, inter alia, the withdrawal of the 30/10 Petition by Lombard and the consent and waiver of the rights of certain other shareholders of Skynet HK to the sale of the Preferred Shares by Lombard. 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 7th May, 2004, upon satisfaction of all conditions, the acquisition was completed.

The Paul Y Hidden Agreement

On 27th March, 2004, Growing Success entered into a conditional sale and purchase agreement with Wellington for the acquisition of the Hidden Interest, being the entire issued share capital of Hidden together with all outstanding shareholder's loan, for a total consideration of HK\$30,000,000 of which HK\$10,000,000 will be satisfied by cash and the remaining HK\$20,000,000 by the issue of 20,000,000 Consolidated Shares to Wellington out of the Hidden Consideration Shares. Upon the signing of the Paul Y Hidden Agreement, Paul Y paid a deposit of HK\$10,000,000 in cash which was funded from its own internal sources.

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The total consideration of HK\$30,000,000 was determined taking into account the net liabilities of Hidden of approximately HK\$51,524,000 as at 31st March, 2004, the shareholder's loan of HK\$72,100,000 due by Hidden to Wellington as at 27th March, 2004 and the consideration for the Hidden Interest of HK\$113,600,000 (to be satisfied by the issue of the Hidden Consideration Shares). The consideration represents a premium of HK\$9,424,000 over the net asset value of the Hidden Group before shareholder's loan of HK\$20,576,000 and a discount of HK\$83,600,000 to the consideration of the Hidden Interest payable by Skynet to Paul Y by way of the Hidden Consideration Shares.

As at 30th June, 2004, the shareholder's loan due by Hidden to Wellington was approximately HK\$72.1 million, which will be assigned by Wellington to Growing Success 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 from Lombard the Preferred Shares owned by Lombard. As at the Latest Practicable Date, the acquisition of the Preferred Shares has already been completed with the consideration fully satisfied by Bright Villa Limited through funding from Hidden by way of shareholder's loan.

The following is a summary of the audited financial information of Hidden and the Hidden Group (which is extracted from the accountants' report on the Hidden Group included in the circular of Skynet dated 30th November, 2004):

	Hidden Group As at 30th June, 2004 HK\$	Hidden As at 31st December, 2003 HK\$	2002 HK\$
Total assets	20,576,000	10,576,000	10,576,000
Net liabilities	(51,524,170)	(51,512,380)	(51,508,090)
Intangible assets	—	—	—
Net tangible liabilities	(51,524,170)	(51,512,380)	(51,508,090)
Shareholder's loan	72,100,170 <i>(Note)</i>	62,088,380	62,084,090
	<u> </u>	<u> </u>	<u> </u>
	Hidden Group 6 months ended 30th June, 2004 HK\$	Hidden For the year ended 31st December, 2003 HK\$	2002 HK\$
Turnover	—	—	—
Loss before taxation	(11,790)	(4,290)	(4,290)
Taxation	—	—	—
Loss before minority interests	(11,790)	(4,290)	(4,290)
Minority interests	—	—	—
Loss for the period/year	(11,790)	(4,290)	(4,290)
	<u> </u>	<u> </u>	<u> </u>

Note: The amount included the shareholder's loan of HK\$10,000,000 advanced by Wellington to Hidden for payment of the consideration to Lombard under the agreement for acquisition of the Lombard Claim and the Preferred Shares dated 27th March, 2004.

Hidden is beneficially wholly owned by Wellington which in turn is wholly owned by Mr. Lo Lin Shing, Simon. It is an investment holding company and does not have any material assets save for 1,091,545 ordinary shares in Skynet HK (representing 5.2% of the issued share capital of Skynet HK) at the cost of HK\$62,070,000 financed by shareholder's loan and the Preferred Shares acquired from Lombard at the cost of HK\$10,000,000 financed by shareholder's loan. Both Wellington and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined under the Listing Rules). Hidden is an investment holding company whose principal assets are unlisted equity shares of Skynet HK of HK\$10,576,000 (which represents the carrying value of the investment). As at 31st March, 2004, it also held HK\$10,000,000 money in escrow for the acquisition of the Preferred Shares issued by Skynet HK to Lombard. As at the Latest Practicable Date, the acquisition of the Preferred Shares has been completed and the money held in escrow was released to Lombard for payment of the consideration of acquisition.

LETTER FROM THE BOARD

The significant net liabilities were due to impairment losses of HK\$51,496,000 recognised on the investment in 1,091,545 ordinary shares in Skynet HK. The losses for the two years ended 31st December, 2003 and six months ended 30th June, 2004 represented general administrative expenses.

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 subject matter of sale and purchase is the Hidden Interest, representing the entire issued share capital of Hidden and the shareholder's loan due by Hidden to Growing Success as at the date of completion of the Hidden Agreement. The shareholder's loan due by Hidden to Wellington, its existing shareholder, was approximately HK\$72.1 million as at 30th June, 2004, which will be assigned by Wellington to Growing Success upon completion of the Paul Y Hidden Agreement, and then assigned by Growing Success to Skynet upon completion of the Hidden Agreement.

Consideration

The consideration for the sale and purchase of the Hidden Interest is HK\$113.6 million, which represents a premium of HK\$93.0 million over the net asset value of the Hidden Group before shareholder's loan of HK\$20.6 million, will be satisfied by the issue and allotment of the Hidden Consideration Shares at HK\$1.0 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) and approximately 6.3 times of Skynet's existing issued share capital (assuming after the Share Consolidation) as at the Latest Practicable Date and approximately 86.3% of Skynet's issued share capital (assuming after the Share Consolidation) as enlarged by the issue of the Hidden Consideration Shares. The number of Skynet Shares in issue as at the date of the Hidden Agreement and as at the Latest Practicable Date was both 4,507,099,957 (equivalent to 18,028,399.8 Consolidated Shares).

The consideration was determined after arm's length negotiations having taking into account several claims by Lombard against Skynet and the Skynet Group's outstanding obligations to Hidden.

The issue price of the Hidden Consideration Shares of HK\$1.0 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 Skynet SGM approving the Capital Reorganisation and the Capital Reorganisation becoming unconditional;
- (ii) approval by the Independent Shareholders at the Skynet SGM 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;
- (iii) the passing of an ordinary resolution by the Independent Shareholders at the Skynet SGM approving the Whitewash Waiver, 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 created pursuant to the Restructuring Proposal;

LETTER FROM THE BOARD

- (v) the compliance of announcement and shareholders' approval requirements under the Listing Rules or otherwise of the Stock Exchange in relation to potential continuing connected transactions of Skynet, Paul Y and ITC (as the case may be) following completion of the Restructuring Proposal 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 created 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 Skynet 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 respects as at the date of completion of the Hidden Agreement;
- (xii) all the Skynet's warranties being true and correct in all material respects as at the date of completion of the Hidden Agreement;
- (xiii) the Paul Y Hidden Agreement, the Underwriting Agreement and the Disposal Agreement becoming unconditional in all respects (save for 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 Disposal 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). Further announcement will be made upon completion of the Hidden Agreement. Such announcement will contain details of any conditions which have been fulfilled or waived. As at the Latest Practicable Date, condition (vii) has been fulfilled.

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. The parties to the Hidden Agreement have agreed to extend the long stop date to 31st January, 2005 as announced in joint announcements dated 25th June, 2004 and 20th October 2004 issued by the Company, Skynet and Paul Y. Further announcement will be made if the long stop date is further extended.

LETTER FROM THE BOARD

CAPITAL REORGANISATION OF SKYNET

As part of the Restructuring Proposal, Skynet proposes to effect the Capital Reorganisation which will involve the Capital and Share Premium Reduction, the Subdivision, the Share Consolidation and the increase in authorised share capital.

It also proposes to conduct the Open Offer under which five Offer Shares will be offered to Qualifying Shareholders for every two Consolidated Shares. A total of 45,070,995 Offer Shares will be offered. Paul Y has agreed to underwrite the Offer Shares in the event that Skynet Shareholders do not take up their entitlements under the Open Offer.

UNDERWRITING AGREEMENT

Date: 29th March, 2004

Underwriter: Paul Y, whose principal activities are set out under the section headed "Information on Paul Y and reasons and benefits of the investment in Skynet".

Paul Y, through its wholly-owned subsidiary, Nation Cheer Investment Limited, is interested in 85 Skynet Shares, representing less than 0.0001% of the issued share capital of Skynet as at the Latest Practicable Date. 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 Skynet Shares by virtue of his 33.6% shareholdings in ITC which as at the Latest Practicable Date held approximately 49.6% interests in Paul Y. Save for the aforesaid, no connected person (as defined under the Listing Rules) of Paul Y or ITC is interested in any Skynet Shares.

Number of Underwritten Shares: All the 45,070,995 Offer Shares to be offered under the Open Offer are fully underwritten.

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

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

Undertaking to subscribe

As at the Latest Practicable Date, no person has undertaken to or indicated that he will not subscribe for his entitlement under the Open Offer.

Underwriting

Subject to the fulfilment of the conditions contained in the Underwriting Agreement, the Underwriter has agreed to underwrite all the Underwritten Shares. The amount payable by Paul Y to Skynet, if no Skynet Shareholder subscribes for any Offer Shares, is HK\$44,169,575 (after 2% commission on the subscription price), which will be satisfied out of internal resources.

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 Skynet Group as a whole or is materially adverse in the context of the Open Offer; or

LETTER FROM THE BOARD

- (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 Skynet 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 Skynet 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, or 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 Disposal Agreement, the Skynet SGM circular or the prospectus when published contain information (either as to business prospects or the condition of the Skynet 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 Skynet 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 Skynet SGM;
- (ii) the Whitewash Waiver being approved by the Independent Shareholders by way of a poll at the Skynet SGM;
- (iii) the Whitewash Waiver being granted by the Executive;
- (iv) the signing by or on behalf of all of the directors of Skynet 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 of Skynet 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;

LETTER FROM THE BOARD

- (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 Disposal 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. Further announcements will be made upon completion of the transaction. Such announcement will contain details of any conditions which have been fulfilled or waived. As at the Latest Practicable Date, none of the above conditions has been fulfilled or waived.

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\$1.00 per Consolidated Share. The initial conversion price for each Conversion Share will also be HK\$1.00.

The issue price of HK\$1.00 per Consolidated Share represents:

- (i) a discount of 60.0% to the theoretical closing price of HK\$2.50 for each Consolidated Share based on the closing price of HK\$0.01 per Skynet 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 Skynet Shares on 16th October, 2003;
- (ii) a discount of 60.0% to the average theoretical closing price of HK\$2.50 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-right price of approximately HK\$1.43 per Consolidated Share, which is calculated on the basis of the theoretical closing price of HK\$2.5 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 Disposal Agreement and the Hidden Agreement has been determined after arm's length negotiations between Skynet and Paul Y. In agreeing to the issue price of HK\$1.00 per Consolidated Share, Skynet and Paul Y have taken into consideration, among other things, the suspension in trading of the Skynet 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 Skynet Shares may not truly reflect the fair market value of the Skynet Shares since the trading system of the Stock Exchange does not permit any share quotation below HK\$0.01. The audited consolidated net liabilities of Skynet as at 31st March 2004 was HK\$119.1 million.

LETTER FROM THE BOARD

INFORMATION ON SKYNET

The Skynet 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 Skynet Group and its tight liquidity position, Skynet 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 three years ended 31st March, 2004:

	For the year ended 31st March,		
	2004	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	1,511	51,366	46,644
Loss before taxation	(11,140)	(115,015)	(219,053)
Loss after taxation and minority interests	(11,534)	(96,916)	(190,441)

The audited consolidated net liabilities of Skynet were approximately HK\$119.1 million as at 31st March, 2004. The audited consolidated net liabilities per Share was approximately HK\$0.026 as at 31st March, 2004. The assets and liabilities of the Skynet Group after completion of the Restructuring Proposal will be consolidated into the Paul Y Group which in turn is equity accounted for by the ITC Group.

For illustrative purpose only and by reference to the respective audited financial statements of the Paul Y Construction Group as at 30th June, 2004 (which is extracted from the accountants' report on the Paul Y Construction Group included in the circular of Skynet dated 30th November, 2004) and the Skynet Group as at 31st March, 2004 (which is extracted from the annual report of Skynet for the year ended 31st March, 2004) after taking into account the effect of the Restructuring Proposal, the unaudited pro forma adjusted net tangible assets of the Skynet Group on completion of the Restructuring Proposal will be HK\$250,252,000, which is calculated as follows:-

	As at 31st March, 2004		
	Audited	Adjustments	Pro forma
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Note)</i>	
Net (liabilities) tangible assets	<u>(119,094)</u>	<u>369,346</u>	<u>250,252</u>

Note:

Following the completion of the Restructuring Proposal, adjustments will be included as follows:

	<i>HK\$'000</i>
Estimated net proceeds from Open Offer	44,000
Acquisition of 100% equity interest in Paul Y Construction	(5,098)
Acquisition of 100% equity interest in Hidden	(51,524)
Reversal of provision for guarantee to repay redemption sum of a subsidiary's preferred shares	93,600
Estimated expenditure in connection with the Restructuring Proposal	(5,000)
Elimination of investment in Skynet HK and release of contingent liabilities	(20,576)
Elimination of amount due to ultimate holding company – Hidden Group	72,100
Elimination of loans from the Remaining Paul Y Group	142,000
Shortfall of warranted amount of HK\$250,000,000 as explained under the section headed "THE DISPOSAL AGREEMENT" on page 6 of this circular	99,844
	<u>369,346</u>

Shareholding Structure of Skynet

Upon completion of the Restructuring Proposal, Paul Y will hold an interest of more than 75% in Skynet and there will be less than 25% Consolidated Shares in the hands of the public. In order to restore the public float of Skynet, Skynet has on 30th August, 2004 entered into a placing agreement (the "Placing Agreement") with Tai Fook Securities Company Limited (as placing agent) in relation to a placing of 141,530,000 Consolidated Shares at a placing price of HK\$1.00 per Consolidated Share.

LETTER FROM THE BOARD

Paul Y has given an undertaking to the Stock Exchange to place out its shareholding interest in Skynet or to do or to procure Skynet to do any other acts (subject to compliance with the Listing Rules) which are considered appropriate to restore the public float of Skynet to not less than 25%. Paul Y has undertaken not to exercise the conversion rights under the Facility Convertible Note if there is a shortfall in the public float of 25% or to the extent such conversion will lead to the public float of Skynet falling below 25% unless arrangements have been made for the restoration of the public float of Skynet immediately after such conversion.

The Company will ensure compliance with the Listing Rules, if any, by the Company in the event that Paul Y is required to sell the Consolidated Shares or if Skynet is required to issue new Consolidated Shares which will result in deemed disposal of interest in subsidiaries by Paul Y.

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

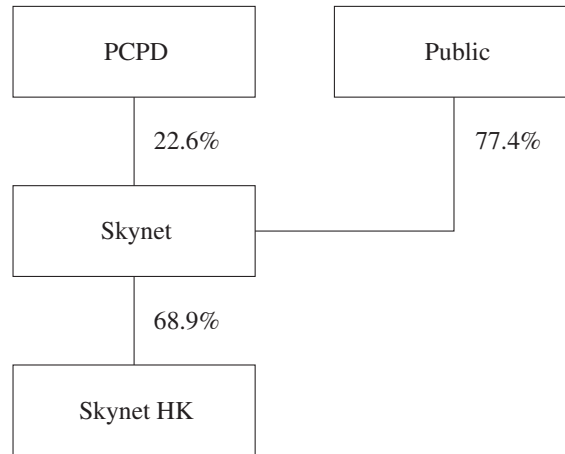
	Shareholding as at the Latest Practicable Date		Upon completion of Capital Reorganisation		Upon completion of the Restructuring Proposal (before draw down of Facility) and assuming subscription by Skynet Shareholders of Offer Shares of				Upon completion of the Restructuring Proposal (before draw down of Facility) and Placing Agreement (assuming all the 141,530,000 Consolidated Shares are placed out) assuming subscription by Skynet Shareholders of Offer Shares of				Upon full conversion of the Facility Convertible Note at initial conversion price of HK\$1.00 per Consolidated Share				
					0% of Consolidated Shares		100% of Consolidated Shares		0% of Consolidated Shares		100% of Consolidated Shares		0% of Consolidated Shares		100% of Consolidated Shares		
					Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)	Shares
Paul Y																	
- Existing Skynet Shares held	85	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Offer Shares	-	-	-	-	45,070,995.0	7.8	-	-	45,070,995.0	6.3	-	-	45,070,995.0	5.5	-	-	-
- 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	400,000,000.0	49.0	400,000,000.0	49.0	-
- 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	93,600,000.0	11.4	93,600,000.0	11.4	-
- Conversion Shares	-	-	-	-	-	-	-	-	-	-	-	-	100,000,000.0	12.2	100,000,000.0	12.2	-
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	20,000,000.0	2.4	20,000,000.0	2.4	-
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	658,670,995.0	80.5	613,600,000.0	75.0	-
PCPD	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	4,080,146.0	0.5	14,280,511.0	1.7	-
Other public shareholders	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	13,948,253.8	1.7	48,818,883.8	6.0	-
Placees	-	-	-	-	-	-	-	-	141,530,000.0	19.7	141,530,000.0	19.7	141,530,000.0	17.3	141,530,000.0	17.3	-
Total	<u>4,507,099,957</u>	<u>100.0</u>	<u>18,028,399.8</u>	<u>100.0</u>	<u>576,699,394.8</u>	<u>100.0</u>	<u>576,699,394.8</u>	<u>100.0</u>	<u>718,229,394.8</u>	<u>100.0</u>	<u>718,229,394.8</u>	<u>100.0</u>	<u>818,229,394.8</u>	<u>100.0</u>	<u>818,229,394.8</u>	<u>100.0</u>	<u>100.0</u>
Public float	<u>3,487,063,137</u>	<u>77.4</u>	<u>13,948,253.8</u>	<u>77.4</u>	<u>38,028,399.8</u>	<u>6.6</u>	<u>83,099,394.8</u>	<u>14.4</u>	<u>179,558,399.8</u>	<u>25.0</u>	<u>224,629,394.8</u>	<u>31.3</u>	<u>179,558,339.8</u>	<u>21.9</u>	<u>224,629,394.8</u>	<u>27.4</u>	<u>27.4</u>
						(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)

Notes:

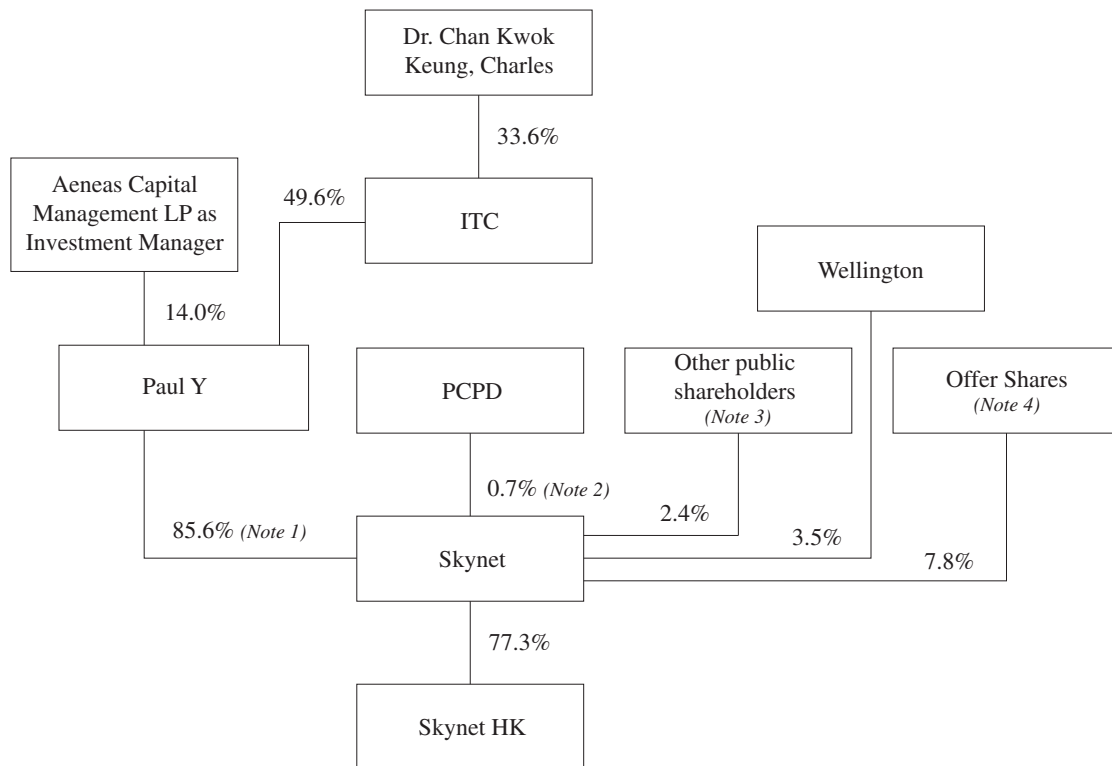
- Pursuant to the Paul Y Hidden Agreement, Paul Y has agreed to transfer 20,000,000 Consolidated Shares out of the Hidden Consideration Shares to Wellington upon completion of the Paul Y Hidden Agreement.
- Being the sum of the shareholding interests of Wellington, PCPD, other public shareholders and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

LETTER FROM THE BOARD

The following chart shows the shareholding structure of Skynet as at the Latest Practicable Date:



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 Latest Practicable Date):



Notes:

1. Being the total of approximately 16.2% represented by the Hidden Consideration Shares (excluding the 20,000,000 Consolidated Shares assigned to Wellington) and approximately 69.4% represented by the Consideration Shares.
2. Assuming PCPD does not take up any of its entitlement under the Open Offer.
3. Such interest represents the diluted shareholding of the existing shareholders (excluding PCPD) before taking into account any subscription under the Open Offer.
4. Only the existing Shares will rank for the Open Offer. Paul Y is the underwriter of 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.

LETTER FROM THE BOARD

Trading in the Skynet 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 rule 13.24 of 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 Skynet Shares. Skynet was placed into the “first stage” of the delisting procedure on 16th October, 2003 pursuant 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 Skynet Shares. Trading in the Skynet Shares on the Stock Exchange will remain suspended pending (i) Skynet being able to demonstrate to the Stock Exchange that the Skynet 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 Skynet Shares; and (ii) restoration of the public float of Skynet to not less than 25%.

INFORMATION ON PAUL Y AND REASONS AND BENEFITS OF THE INVESTMENT IN SKYNET

The principal activities of the Paul Y Group include building construction, civil engineering, specialist works, property development and investment, development and investment in infrastructure projects, and manufacturing and trading of construction materials. In addition, the Paul Y Group holds investments in major associates including Downer EDI Limited (“Downer”) and China Strategic Holdings Limited (“China Strategic”). It is not a principal activity of the Paul Y Group to act as underwriter.

Save (i) for the transactions contemplated under the Disposal Agreement, the Underwriting Agreement and the Hidden Agreement; (ii) that 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 (iii) that Paul Y holds 85 Skynet Shares through a wholly-owned subsidiary as at the Latest Practicable Date, Paul Y and Skynet are independent from each other.

Paul Y is of the opinion that the Skynet 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 Disposal 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. After injection of the Paul Y Construction Group into Skynet which will lead to an acquisition of interests in Skynet, Skynet’s principal business will continue its existing operations of marble and granite products trading and installation business while expand into the construction business. There is no current intention of Paul Y to dispose of its interests in Skynet in the short term save for any action necessary to restore the public float of Skynet.

The Paul Y Directors are of the opinion that the terms of the Underwriting Agreement, the Disposal 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 (excluding the Paul Y Construction Group) internal resources. Decisions will be made as to whether funding (whether in respect of subscription or shortfall on warranted amount of the Paul Y Construction Group) will be sourced from internal resources as and when the need arises. The consideration of the Paul Y Hidden Agreement has been satisfied by the HK\$10 million cash deposit paid and the issue of 20,000,000 Consolidated Shares to Wellington out of the Hidden Consideration Shares.

Immediately after completion of the Restructuring Proposal, the Paul Y Construction Group will remain as subsidiaries within the Paul Y Group through Paul Y’s interest in Skynet. Principal activities of the Remaining Paul Y Group are property development and investment, development and investment in infrastructure projects. Property investment includes the Paul Y. Centre which has a book value and market value (according to a valuation conducted by independent professional valuer) of approximately HK\$645 million and HK\$650 million respectively as at 31st March, 2004. Investment in infrastructure projects comprises the Paul Y Group’s 54% interest in Jiangsu Yangtong Investment and Development Co. Ltd. which is a sino-foreign equity joint venture company established to build and operate a bulk handling sea port at Yangkou Port. The aggregate investment and capital commitment of the Remaining Paul Y Group in this joint venture company amounts to approximately HK\$520 million so far. In addition, the Remaining Paul Y Group holds investments in major associates including Downer and China Strategic.

LETTER FROM THE BOARD

INFORMATION ON ITC

The Company is an investment holding company which directly or indirectly holds strategic investments in a number of listed companies. The Group holds interests in a number of listed associated companies, namely, Paul Y, Hanny Holdings Limited and Burcon NutraScience Corporation. Through the above listed associated companies, the Group has indirect interests in China Strategic Holdings Limited, Downer EDI Limited, Wing On Travel (Holdings) Limited, China Enterprises Limited and MRI Holdings Limited. The principal activities of the Group comprise investment holding of listed companies, provision of finance, provision of management services, leasing of properties and trading of building materials and machinery.

EFFECT OF THE TRANSACTIONS ON ITC AND PAUL Y

As set out in the shareholding table of Skynet on page 19 of this circular, upon completion of the Restructuring Proposal (before draw down of the Facility) and the Placing Agreement (assuming all the 141,530,000 Consolidated Shares are placed out), Paul Y will retain an indirect equity interest of about 68.7% (assuming all Skynet Shareholders take up their entitlement under the Open Offer) to 75% (assuming Paul Y underwrite all the Offer Shares) in the Paul Y Construction Group. The results, assets and liabilities of the Paul Y Construction Group will still be consolidated in the Paul Y Group's financial statements subsequent to Completion. In this respect, the impact on the Paul Y Group after the completion of the transactions will be the attributable amount of the minority interests of about 25% to 31.3% on the earnings, assets and liabilities of the Paul Y Construction Group.

As announced in the Company's announcement dated 19th October, 2004, the Company has disposed of some shares in Paul Y thereby turning Paul Y into an associated company rather than a subsidiary of the Company. As such, the results, net assets and liabilities of the Paul Y Group (including Skynet, being a subsidiary of Paul Y upon completion of the Restructuring Proposal) will be accounted for by the ITC Group using the equity accounting method according to the ITC Group's attributable equity interest in Paul Y.

In accordance with the accounting practices in Hong Kong, for illustrative purpose only and by reference to the respective audited financial statements of the Paul Y Construction Group as at 30th June, 2004 and the Skynet Group as at 31st March, 2004 (as extracted from a circular of Skynet dated 30th November, 2004), there will be an amount of HK\$57,985,000, calculated as follows, capitalised as goodwill in the Paul Y Group's balance sheet:

	<i>HK\$'000</i>
Amount of cash paid for acquiring the Hidden Interest	10,000
Value of the Paul Y Construction Group as at 30th June, 2004, which comprises of the Sale Shares of HK\$8,156,000 and Sale Loan of HK\$142,000,000	150,156
Subscription money for the Underwritten Shares under the Open Offer	44,100
Shortfall of warranted amount of HK\$250,000,000	99,844
	<hr/>
Consideration given for acquisition of the Skynet Group	304,100
	<hr/>
Net assets value of the Skynet Group on completion of the Restructuring Proposal as extracted from the Pro Forma Statement of Assets and Liabilities of the Skynet Group included in the circular of Skynet dated 30th November, 2004	413,506
Less : Goodwill arising on acquisition of the Paul Y Construction Group	(150,000)
	<hr/>
	263,506
	<hr/>
Attributable (93.4%) net tangible assets value of the Skynet Group acquired by Paul Y	246,115
	<hr/>
Goodwill on acquisition of the Skynet Group	57,985
	<hr/> <hr/>

There is no profit and loss to be recognized by Paul Y or ITC from the Disposal Agreement, the Paul Y Hidden Agreement and the Hidden Agreement, and the goodwill arisen will be amortized in the books of the Paul Y Group on straight line basis over its useful economic life of twenty years, subject to any impairment losses which shall be recognized immediately. The amount of annual charge was estimated at HK\$2.9 million.

LETTER FROM THE BOARD

The estimated cash outflow of the Paul Y Group, excluding professional and legal expenses, comprises the following:

1. HK\$10 million to acquire the Hidden Interest;
2. A maximum amount of approximately HK\$44.1 million for the Open Offer;
3. A maximum amount of HK\$100 million for the Facility;
4. For illustrative purpose only and by reference to the audited financial statements of Paul Y Construction Group as at 30th June, 2004, the shortfall on the warranted net assets pursuant to the Disposal Agreement amounts to approximately HK\$99.8 million; and
5. The repayment of amount due to the Paul Y Construction Group of HK\$47 million as at 30th June, 2004.

Extracted from a circular of Paul Y dated 30th November, 2004 below, for illustrative purpose only, is an analysis of the possible material cash inflow and outflow of the Remaining Paul Y Group during the period from 1st April, 2004 to 31st March, 2007:

	<i>HK\$'000</i>
Bank balances and cash as at 31st March, 2004	30,058
Possible Cash Inflow	
Proceeds from disposal of the shopping arcade at Wanchai in April 2004	61,200
Repayment of shareholders loan by the Paul Y Construction Group from April to June 2004	88,413
Advances from the Paul Y Construction Group from April to June 2004	46,973
Proceed on exercise of option over shares in Downer (<i>Note 1</i>) (8.75 million shares at A\$2.2 and exchange rate of AUD1 : HK\$5.67)	109,148
Repayment of loan by China Velocity Group Limited (repayment by instalments with final maturity on 30th June, 2005)	130,000
Refinancing of the Paul Y. Centre (<i>Note 2</i>) (based on 50% of the property valuation of HK\$650 million)	325,000
Repayment of loans by China Strategic, Hanny Holdings Limited, Wing On Travel (Holdings) Limited and Banyan Profits Limited (all these loans are repayable on demand)	482,809
Marketable securities (<i>Note 3</i>) (based on 258,820,000 shares of China Strategic at HK\$0.48 and 51,169,000 shares of Downer (exclude the option shares) at AUD4.2 and exchange rate of AUD1 : HK\$5.67)	1,342,000
Total	2,615,601

LETTER FROM THE BOARD

Possible Cash Outflow	<i>HK\$'000</i>
Acquisition of the property at Lang De Dong in October 2004	31,000
Acquisition of the property in Taishan, Guangdong Province in October 2004	12,000
Underwriting of the Open Offer of Skynet	44,100
Repayment of advances from the Paul Y Construction Group	46,973
Shortfall of warranted amount of HK\$250,000,000 (based on warranted amount of HK\$250,000,000 less the shareholders fund and shareholders loan of HK\$8,156,000 and HK\$142,000,000 respectively as at 30th June, 2004)	99,844
Facility made available to Skynet in the 3 year period from completion	100,000
Sea port development (payable in stages during the period from April 2004 to June 2006) (comprises of HK\$396,000,000 consideration and US\$16,000,000 registered share capital contribution)	520,800
Repayment of Paul Y. Centre mortgage loan (<i>Note 2</i>)	364,000
Total	<u>1,218,717</u>

Notes:

- (1) Paul Y has granted call options to members of Downers' management over 8.75 million shares of Downer. The option exercise price is AUD2.2 per share. The options were exercised on 27th October, 2004.
- (2) The Remaining Paul Y Group has a mortgage loan of approximately HK\$364 million secured over the Paul Y. Centre. The last instalment is a bullet repayment of HK\$270 million in January 2007. With the current market value of the Paul Y. Centre being HK\$650 million and the good payment records of Paul Y, subject to market condition, the Paul Y Group is confident that refinancing of the mortgage loan can be obtained in early 2007.
- (3) At present, all such securities are free from encumbrances. Subject to market condition, Paul Y can realise them in the markets into cash.

As the assets and liabilities of the Skynet Group after Completion will be consolidated into the Paul Y Group and the estimated cash outflow is expected to be financed by the Paul Y Group's internal resources, there is no significant impact on the Paul Y Group's or ITC Group's gearing and liquidity. There will have no significant impact on the Paul Y Group's assets and liabilities as the turnover and gross profit for the year ended 31st March, 2004 and assets and liabilities (excluding the Lombard Claim as this will be eliminated upon completion of the Restructuring Proposal) as at 31st March, 2004 of the Skynet Group represent less than 1% of the corresponding amounts of the Paul Y Group. The impact on the profit and loss of the Paul Y Group, which will be accounted for by the ITC Group using equity accounting method according to the ITC Group's attributable equity interest in Paul Y, is the amortization expense of the goodwill arising from the Disposal Agreement, the Paul Y Hidden Agreement and the Hidden Agreement, and the minority interest on the profit and loss of the Skynet Group after Completion which shall reflect the synergistic value arising from the vertical extension of the business of the Paul Y Group.

Save for (i) the transactions contemplated under the Disposal Agreement, the Underwriting Agreement and the Hidden Agreement; (ii) that Mr. Cheung Hon Kit is a common director of both Skynet and ITC; and (iii) that Paul Y holds 85 Shares through a wholly-owned subsidiary as at the Latest Practicable Date, ITC and its controlling shareholder and associates and Skynet are independent from each other.

In light of the consideration involved and the financial and business status of Skynet, the ITC Directors are of the opinion that the terms of the Underwriting Agreement, the Disposal Agreement, the Facility Convertible Note, the Paul Y Hidden Agreement and the Hidden Agreement are fair and reasonable.

LETTER FROM THE BOARD

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 Latest Practicable Date, Paul Y and its Concert Parties will be interested in 558,670,995 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\$1.0 per Consolidated Share, Paul Y and its Concert Parties will be interested in a maximum of 658,670,995 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 Disposal Agreement and the Hidden Agreement that the Whitewash Waiver be obtained. Application has been 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 Disposal 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 fulfil 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 Skynet Shares in the six month period immediately before the Latest Practicable Date.

APPOINTMENT OF NEW DIRECTORS TO THE SKYNET BOARD

All existing executive directors of Skynet will resign upon Completion. The Disposal Agreement provides that with effect immediately after Completion, Paul Y will be entitled to nominate not less than half of the directors to the Skynet Board and it is the intention of Paul Y to appoint new directors to the Skynet 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.

Yours faithfully,
For and on behalf of the board of
ITC Corporation Limited
Dr. Chan Kwok Keung, Charles
Chairman

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the ITC Group. The ITC Directors collectively and individually accept full responsibility for the accuracy of the information (other than information relating to the Skynet Group) contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts, the omission of which would make any statement herein misleading.

As the audited accounts of the Company were prepared up to 31st March, 2004, the effect of the disposal of interests by the Company in Paul Y in October, 2004 is not reflected in such accounts. Paul Y ceased to be a subsidiary of the Company on 20th October, 2004. As such, the information in this circular relating to the Paul Y Group and the Skynet Group (including, inter alia, details of the Disposal Agreement, Underwriting Agreement, Hidden Agreement and Paul Y Hidden Agreement, the analysis of the possible material cash inflow and outflow of the Remaining Paul Y Group set out on pages 23 and 24 of this circular, the information contained in the accountants' report on the Paul Y Construction Group and the Hidden Group and the annual report of Skynet for the year ended 31st March, 2004, and the respective circular of Skynet and Paul Y dated 30th November, 2004) have been extracted or summarized from information provided by Paul Y and Skynet at the request of ITC or from publicly available information. The ITC Directors, having made all reasonable enquires, collectively and individually accept responsibility for the accuracy of the extracts or summaries of such information.

DISCLOSURE OF INTERESTS

(A) ITC Directors' interests and short positions in shares, underlying shares and debentures

As at the Latest Practicable Date, the interests and short positions of the ITC Directors and chief executives of ITC in the shares, underlying shares and debentures of ITC or any associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to ITC and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) and the Model Code and which were required to be entered in the register kept by ITC pursuant to section 352 of the SFO were as follows:

(a) *Interests and short positions in shares, underlying shares and debentures of ITC*

Name of ITC Director	Capacity	Long position/ Short position	No. of ordinary shares of ITC held	No. of underlying shares (in respect of convertible notes (unlisted equity derivatives)) of ITC held	Approximate % of the existing issued ordinary share capital of ITC
Chan Kwok Keung, Charles	Interest of controlled corporation (Note 1)	Long position	219,681,911	–	33.58%
Chan Kwok Keung, Charles	Beneficial owner	Long position	–	833,333,333 (Note 2)	127.36%

Notes:

- Galaxyway Investments Limited was a wholly-owned subsidiary of Chinaview International Limited which was, in turn, wholly owned by Dr. Chan Kwok Keung, Charles. Dr. Chan Kwok Keung, Charles was deemed to be interested in 219,681,911 ordinary shares held by Galaxyway Investments Limited.
- Dr. Chan Kwok Keung, Charles owned convertible notes issued by ITC in an aggregate principal amount of HK\$250,000,000 carrying rights to convert into 833,333,333 ordinary shares of ITC at an initial conversion price of HK\$0.30 per ordinary share, subject to adjustment.

(b) *Interests and short positions in shares, underlying shares and debentures of the following associated corporations of ITC*

(i) Paul Y

Name of ITC Director	Capacity	Long position/ Short position	No. of shares of Paul Y held	Approximate % of the existing issued share capital of Paul Y
Chan Kwok Keung, Charles	Interest of controlled corporation (Note)	Long position	678,791,961	49.58%
Chan Kwok Keung, Charles	Beneficial owner	Long position	11,840,896	0.86%
Cheung Hon Kit	Beneficial owner	Long position	400	0.00%

Note: The shares were held by a wholly-owned subsidiary of ITC. By virtue of his deemed interests in approximately 33.58% of the issued ordinary share capital of ITC, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares.

(ii) Hanny Holdings Limited (“Hanny”)

Name of ITC Director	Capacity	Long position/ Short position	No. of shares of Hanny held	No. of underlying shares (in respect of the share options (unlisted equity derivatives)) of Hanny held	Approximate % of the existing issued share capital of Hanny
Chan Kwok Keung, Charles	Interest of controlled corporation (Note)	Long position	45,798,813	–	24.54%
Chan Kwok Keung, Charles	Beneficial owner	Long position	–	5,600,000	3.00%
Chan Kwok Hung	Beneficial owner	Long position	–	3,350,000	1.80%

Note: The shares were held by a wholly-owned subsidiary of ITC. By virtue of his deemed interests in approximately 33.58% of the issued ordinary share capital of ITC, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares.

(iii) Burcon NutraScience Corporation (“Burcon”)

Name of ITC Director	Capacity	Long position/ Short position	No. of shares of Burcon held	No. of underlying shares (in respect of the share options (unlisted equity derivatives)) of Burcon held	Approximate % of the existing issued share capital of Burcon
Chau Mei Wah, Rosanna	Beneficial owner	Long position	285,769	–	1.58%
Chau Mei Wah, Rosanna	Beneficial owner	Long position	–	65,000	0.36%

(iv) China Strategic Holdings Limited (“China Strategic”)

Name of ITC Director	Capacity	Long position/ Short position	No. of shares of China Strategic held	Approximate % of the existing issued share capital of China Strategic
Chan Kwok Keung, Charles	Interest of controlled corporation (Note)	Long position	258,819,795	29.36%

Note: The shares were held by a wholly-owned subsidiary of Paul Y, of which a wholly-owned subsidiary of ITC owned approximately 49.58%. By virtue of his deemed interests in approximately 33.58% of the issued ordinary share capital of ITC, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares.

Paul Y, Hanny, Burcon and China Strategic are associated corporations, within the meaning of Part XV of the SFO, of ITC.

Dr. Chan Kwok Keung, Charles was, by virtue of his deemed interest in approximately 33.58% of the issued ordinary share capital of ITC, deemed to be interested in the shares and underlying shares (in respect of equity derivatives), if any, of associated corporations (within the meaning of Part XV of the SFO) of ITC held by the ITC Group under Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the ITC Director or chief executives of ITC, had, under Divisions 7 and 8 of Part XV of the SFO, nor were they taken to or deemed to have under such provisions of the SFO, any interests or short positions in the shares, underlying shares or debentures of ITC or any associated corporations (within the meaning of Part XV of the SFO) or any interests which are required to be entered into the register kept by ITC pursuant to section 352 of the SFO or any interests which are required to be notified to ITC and the Stock Exchange pursuant to the Model Code.

(B) Interests and short positions of substantial shareholders/other persons recorded in the register kept under the SFO

As at the Latest Practicable Date, so far as is known to the ITC Directors and the chief executives of ITC, the following parties had an interest or short position in the shares and underlying shares of ITC which would fall to be disclosed to ITC under the provisions of Divisions 2 and 3 of Part XV of the SFO:

(a) Interests and short positions of substantial shareholders in shares and underlying shares of ITC

Name	Capacity	Long position/ Short position	No. of ordinary shares of ITC held	No. of underlying shares (in respect of (unlisted equity derivatives)) of ITC held	Approximate % of the existing issued ordinary share capital of ITC
Chan Kwok Keung, Charles	Interest of controlled corporation (Note)	Long position	219,681,911	–	33.58%
Chan Kwok Keung, Charles	Beneficial owner (Note)	Long position	–	833,333,333	127.36%
Chinaview International Limited	Interest of controlled corporation (Note)	Long position	219,681,911	–	33.58%
Galaxyway Investments Limited	Beneficial owner (Note)	Long position	219,681,911	–	33.58%
Ng Yuen Lan, Macy	Interest of spouse (Note)	Long position	219,681,911	–	33.58%
Ng Yuen Lan, Macy	Interest of spouse (Note)	Long position	–	833,333,333	127.36%

Note: Galaxyway Investments Limited was a wholly-owned subsidiary of Chinaview International Limited which was in turn wholly owned by Dr. Chan Kwok Keung, Charles. Ms. Ng Yuen Lan, Macy was the spouse of Dr. Chan Kwok Keung, Charles. Chinaview International Limited, Dr. Chan Kwok Keung, Charles and Ms. Ng Yuen Lan, Macy were deemed to be interested in the ordinary shares held by Galaxyway Investments Limited.

Dr. Chan Kwok Keung, Charles owned convertible notes issued by ITC in an aggregate principal amount of HK\$250,000,000 carrying rights to convert into 833,333,333 ordinary shares of ITC at an initial conversion price of HK\$0.30 per ordinary share, subject to adjustment. Ms. Ng Yuen Lan, Macy, being the spouse of Dr. Chan Kwok Keung, Charles, was deemed to be interested in the underlying shares (in respect of the convertible notes (unlisted equity derivatives)) held by Dr. Chan Kwok Keung, Charles.

(b) Interests and short positions of other persons in shares and underlying shares of ITC

Name	Notes	Capacity	Long position/ Short position	No. of ordinary shares of ITC held	No. of underlying shares of ITC held	Approximate % of the existing issued ordinary share capital of ITC
Leung Choi Yin		Beneficial owner	Long position	32,053,333	–	4.90%
Leung Choi Yin		Beneficial owner	Long position	–	26,666,667	4.08%
Gold Device Ltd.	1	Beneficial owner	Long position	–	40,000,000	6.11%
Wang Yung-tyng	1	Interest of controlled corporation	Long position	–	40,000,000	6.11%
CEF Holdings Limited ("CEF Holdings")	2	Interest in controlled corporations	Long position	2,773,046	–	0.42%
CEF Holdings	2	Interest in controlled corporations	Long position	–	213,015,153	32.56%
Canadian Imperial Bank of Commerce	2	Interest of controlled corporations	Long position	2,773,046	–	0.42%
Canadian Imperial Bank of Commerce	2	Interest of controlled corporations	Long position	–	213,015,153	32.56%
Cheung Kong (Holdings) Limited ("CKH")	2	Interest of controlled corporations	Long position	2,773,046	–	0.42%
CKH	2	Interest of controlled corporations	Long position	–	213,015,153	32.56%
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	2	Trustee	Long position	2,773,046	–	0.42%
TUT1	2	Trustee	Long position	–	213,015,153	32.56%
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	2	Trustee & beneficiary of a trust	Long position	2,773,046	–	0.42%
TDT1	2	Trustee & beneficiary of a trust	Long position	–	213,015,153	32.56%
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	2	Trustee & beneficiary of a trust	Long position	2,773,046	–	0.42%

Name	Notes	Capacity	Long position/ Short position	No. of ordinary shares of ITC held	No. of underlying shares of ITC held	Approximate % of the existing issued ordinary share capital of ITC
TDT2	2	Trustee & beneficiary of a trust	Long position	-	213,015,153	32.56%
Li Ka-shing	2	Interest of controlled corporations & founder of discretionary trusts	Long position	2,773,046	-	0.42%
Li Ka-shing	2	Interest of controlled corporations & founder of discretionary trusts	Long position	-	213,015,153	32.56%

Note 1: Gold Device Ltd. is wholly owned by Mr. Wang Yung-tyng. Mr. Wang Yung-tyng was deemed to be interested in the underlying shares (in respect of the unlisted equity derivatives) of ITC held by Gold Device Ltd..

Note 2: The number of ordinary shares and underlying shares (in respect of listed equity derivatives) of ITC held by Asialand Investment Limited (“Asialand”), CEF (Capital Markets) Limited (“CEF Capital Markets”) and Asian Resources Investment Limited (“Asian Resources”) were 48,076,922, 164,938,231 and 2,773,046 respectively. CEF Capital Markets and Asian Resources were wholly owned by CEF Holdings. Asialand was wholly owned by CEF M B Investments Limited which was in turn wholly owned by CEF Holdings.

Each of CKH and CIBC Holdings (Cayman) Limited was entitled to exercise or control the exercise of one-third or more of the voting power at the general meetings of CEF Holdings. CIBC Holdings (Cayman) Limited was wholly owned by Canadian Imperial Bank of Commerce. CEF M B Investments Limited was deemed to be interested in ordinary shares and/or underlying shares (in respect of listed equity derivatives) of ITC held by Asialand. CEF Holdings, CIBC Holdings (Cayman) Limited and Canadian Imperial Bank of Commerce were all deemed to be interested in ordinary shares and underlying shares (in respect of listed equity derivatives) of ITC held by Asialand, CEF Capital Markets and Asian Resources.

Li Ka-Shing Unity Holdings Limited, of which each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard was interested in one-third of the entire issued share capital, owned the entire issued share capital of TUT1. TUT1 as trustee of The Li Ka-Shing Unity Trust, together with certain companies which TUT1 as trustee of The Li Ka-Shing Unity Trust was entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, held more than one-third of the issued share capital of CKH.

In addition, Li Ka-Shing Unity Holdings Limited also owned the entire issued share capital of TDT1 as trustee of The Li Ka-Shing Unity Discretionary Trust (“DT1”) and TDT2 as trustee of another discretionary trust (“DT2”). Each of TDT1 and TDT2 held units in The Li Ka-Shing Unity Trust.

By virtue of the SFO, each of Mr. Li Ka-shing being the settlor and may be regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, CKH, TUT1, TDT1 and TDT2 was deemed to be interested in ordinary shares and underlying shares (in respect of listed equity derivatives) of ITC held by Asialand, CEF Capital Markets and Asian Resources.

Save as disclosed above, the ITC Directors and the chief executives of ITC are not aware that there is any party who, as at the Latest Practicable Date, had an interest or short positions in the shares and underlying shares of ITC which would fall to be disclosed to ITC under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the ITC Group or had any options in respect of such shares.

SERVICE CONTRACTS

As at the Latest Practicable Date, none of the ITC Directors had entered into any service contracts with any member of the ITC Group which is not terminable by the ITC Group within one year without any payment of compensation, other than statutory compensation.

LITIGATION

As at the Latest Practicable Date, the ITC Group was involved in the following material litigation:

The liquidators of Hoi Sing Construction Company Limited (“Hoi Sing”), a former wholly-owned subsidiary of ITC, instituted proceedings against ITC on 10th July, 1998 claiming approximately HK\$297,441,000 plus interest pursuant to an alleged guarantee by ITC for debt owed by Hoi Sing Builders Limited, a former subsidiary of ITC, to Hoi Sing. ITC does not admit the existence of the guarantee, and has put Hoi Sing to strict proof of its terms and the amounts claimed under it. Even if the Court upholds the alleged guarantee, ITC has a defence of “set off” arising from a claim against Hoi Sing for approximately HK\$308,207,000 which was fully provided for by ITC in the financial year ended 31st December, 1996 and the period ended 31st March, 1998. So far ITC is a principal unsecured creditor of Hoi Sing and the liquidators of Hoi Sing have admitted a substantial portion of ITC’s claim. The balance is being adjudicated by the liquidators of Hoi Sing. There has not been any significant progress since early 2000. As at the Latest Practicable Date, the litigation is still in progress.

Save as disclosed above, there is no other member of the ITC Group as at the Latest Practicable Date engaged in any litigation or claim of material importance to the ITC Group and no litigation or claim of material importance to the ITC Group is known to the ITC Directors to be pending or threatened against any member of the ITC Group.

GENERAL

- a. The qualified accountant and secretary of ITC is Mr. Law Hon Wa, William, CPA, FCCA.
- b. The registered office of ITC is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of ITC in Hong Kong is at 33rd Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong.
- c. The principal share registrars and transfer office of ITC is Butterfield Fund Services (Bermuda) Limited of Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda and the branch share registrars and transfer office of ITC is Secretaries Limited of Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- d. The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.