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**SKYNET (INTERNATIONAL
GROUP) HOLDINGS LIMITED**

天網(國際集團)有限公司*

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



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

保華德祥建築集團有限公司*

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



ITC CORPORATION LIMITED

德祥企業集團有限公司*

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

**DESPATCH OF CIRCULARS,
CONTINUING CONNECTED TRANSACTIONS
AND
CHANGE OF NAME OF
SKYNET (INTERNATIONAL GROUP) HOLDINGS LIMITED**

The Skynet Circular containing, among other things, details of the Restructuring Proposal, the application for Whitewash Waiver, Continuing Connected Transactions, change of board lot size, Change of Name, a notice convening the SGM, the letter of advice from Equitas together with all relevant financial information, has been despatched to the Shareholders on 30th November, 2004.

The circulars of Paul Y and ITC in relation to, among other things, the disposal of Paul Y Construction, the provision of the Facility, the Underwriting Agreement, the Hidden Agreement (which together lead to an acquisition of an interest in Skynet) and the Paul Y Hidden Agreement, have been despatched to the respective shareholders of Paul Y and ITC on 30th November, 2004.

As Paul Y will be the controlling shareholder of Skynet upon Completion, Paul Y will be regarded as a connected person of Skynet pursuant to the Listing Rules. Accordingly, transactions between the Enlarged Group and the Remaining Paul Y Group will constitute connected transactions or continuing connected transactions of Skynet under the Listing Rules upon Completion, details of which are set out below.

The Board also proposes to change the name of Skynet to “Paul Y. Engineering Group Limited” and adopt a new Chinese name of “保華建業集團有限公司” for identification purposes only upon the Restructuring Proposal becoming effective.

The expected timetable for the SGM is set out below.

Trading in the Shares on the Stock Exchange has been suspended at the request of Skynet with effect from 9:30 a.m. on 16th October, 2003. Resumption in trading of the shares of Skynet is subject to the fulfillment of certain conditions which are set out below. Further announcement will be made as to when trading of the shares of Skynet will be resumed.

Reference is made to (i) the joint announcements made by Skynet, Paul Y and ITC dated 4th June, 2004, 25th June, 2004, 13th August, 2004, 3rd September, 2004, 9th September, 2004 and 20th October, 2004; (ii) the announcement made by Skynet dated 4th October, 2004; and (iii) the joint announcements made by Paul Y and ITC dated 24th September, 2004 and 7th October, 2004, in relation to, among other things, the Restructuring Proposal and the application for Whitewash Waiver. Capitalised terms used herein have the meanings ascribed thereto in the circular despatched to the Shareholders dated 30th November, 2004 (“Skynet Circular”).

DESPATCH OF CIRCULARS

The Board announces that the Skynet Circular containing, among other things, details of the Restructuring Proposal, the application for Whitewash Waiver, Continuing Connected Transactions, change of board lot size, Change of Name, a notice convening the SGM, the letter of advice from Equitas together with all relevant financial information, has been despatched to the Shareholders on 30th November, 2004.

The boards of directors of Paul Y and ITC announce that the circulars of Paul Y and ITC in relation to, among other things, the disposal of Paul Y Construction, the provision of the Facility, the Underwriting Agreement, the Hidden Agreement (which together lead to an acquisition of an interest in Skynet) and the Paul Y Hidden Agreement, have been despatched to the respective shareholders of Paul Y and ITC on 30th November, 2004.

CONNECTED TRANSACTIONS

As Paul Y will be the controlling shareholder of Skynet upon Completion, Paul Y will be regarded as a connected person of Skynet pursuant to the Listing Rules. Accordingly, transactions between the Enlarged Group and the Remaining Paul Y Group will constitute connected transactions or continuing connected transactions of Skynet under the Listing Rules upon Completion.

Exempt connected transactions

Performance bond counter indemnity and bank facility guarantee arrangements:

As of 31st March, 2004, certain members of the Remaining Paul Y Group have provided certain counter indemnities and guarantees in favour of insurance companies and banking institutions in relation to various performance bonds and revolving banking facilities made available to the Paul Y Construction Group by these insurance companies and banking institutions in a total amount of approximately HK\$623.3 million. It is a term of the Remaining Paul Y Group providing such counter indemnities and guarantees for the Paul Y Construction Group that the Paul Y Construction Group in turn indemnifies the Remaining Paul Y Group for any loss and damage that the Remaining Paul Y Group has incurred as a result of the Paul Y Construction Group's default under the relevant performance bonds and banking facilities.

The Directors consider that the performance bond counter indemnity and bank facility guarantee arrangements, including the term that the Paul Y Construction Group in turn indemnifies the Remaining Paul Y Group for any loss and damage that the Remaining Paul Y Group has incurred as a result of the Paul Y Construction Group's default under the relevant performance bonds and banking facilities, have been entered into on normal commercial terms where no security over the assets of the Enlarged Group is granted. Further, no fee is payable by the relevant members of the Paul Y Construction Group to the Remaining Paul Y Group in relation to the provision of those performance bond counter indemnities and bank facility guarantees.

Upon Completion, the aforesaid performance bond counter indemnity and bank facility guarantee arrangements, including the term that the Paul Y Construction Group in turn indemnifies the Remaining Paul Y Group for any loss and damage that the Remaining Paul Y Group has incurred as a result of the Paul Y Construction Group's default under the relevant performance bonds and banking facilities, will constitute connected transactions of Skynet but fall within the exemption under Rule 14A.65(4) of the Listing Rules. Accordingly, such counter indemnity and guarantee arrangements will not be subject to any disclosure or shareholders' approval requirements under the Listing Rules.

Non-exempt Continuing Connected Transactions

Certain members of the Enlarged Group have entered or will enter into certain transactions with the Remaining Paul Y Group which are expected to continue in future upon Completion.

In accordance with the Listing Rules, an independent board committee should be formed to advise the Independent Shareholders on the fairness and reasonableness of the Continuing Connected Transactions. Mr. Cheung Hon Kit is a director of Paul Y. Mr. Ng Wai Hung is a partner of a law firm which has rendered legal services to Paul Y and its associates in the past few years. Accordingly, no independent board committee has been formed and Equitas, the independent financial adviser, has been appointed to advise the Independent Shareholders on the Continuing Connected Transactions, details of which are set out in the Skynet Circular.

The following are the non-exempt Continuing Connected Transactions which will, after Completion, be subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules:

Construction Service Agreement:

Upon Completion, Paul Y Construction will enter into the Construction Service Agreement with the Remaining Paul Y Group pursuant to which the Paul Y Construction Group will provide construction, maintenance and project management services to the Remaining Paul Y Group, which entails provision of services as main contractor, project manager and sub-contractor for a variety of works including superstructure, foundation, infrastructure facilities, maintenance construction and interior decoration. These

services will be in the ordinary and usual course of business of the Remaining Paul Y Group. The service fee will be settled by cash within 1.5 months after the issue of architect certification based on the progress of each project. The reasons for entering into the Construction Service Agreement are that at present, there are projects of the Remaining Paul Y Group for which the Paul Y Construction Group may provide construction services. These projects include the development of a bulk handling sea port at Yangkou Port, Nantong City, Jiangsu, the PRC and the property development site at Lang De Dong, Fu Cheng, Taishan Municipality, Guangdong Province, the PRC.

The services to be provided pursuant to the Construction Service Agreement may be provided by subsidiaries of Paul Y Construction. Under the Construction Service Agreement, the services, of which the charges shall be determined by reference to the quantities and prices of materials to be used and the works to be performed, shall be provided on normal commercial terms and on terms no less favourable to the Enlarged Group than those offered to independent third parties. Further, the relevant member of the Enlarged Group will enter into a separate subsidiary agreement with the relevant member of the Remaining Paul Y Group setting out the detailed terms and conditions for the provision of the services in respect of the project concerned. The terms of such separate agreement will comply with the basis laid down in the Construction Service Agreement including the requirement of normal commercial terms, and subject to the annual cap as mentioned below and compliance with the requirements under the Listing Rules.

The Construction Service Agreement will continue for a term commencing from Completion (which is expected to be on or before 31st January, 2005) to 31st March, 2007 and may be renewed between the parties.

For each of the four years ended 31st March, 2004, the value of construction services (in terms of revenue recognition) rendered by the Paul Y Construction Group to the Remaining Paul Y Group amounted to approximately HK\$135.4 million, HK\$52.7 million, HK\$49.2 million and HK\$6.5 million respectively. The value of construction services in the past four years has been affected by the economic downturn and as a result, the number of property development projects undertaken by the Paul Y Construction Group was in a decreasing trend. Accordingly, a decrease in value of the construction services in the past few years was recorded.

The Directors propose that the annual cap amounts of the value of construction services to be rendered under the Construction Service Agreement by the Paul Y Construction Group to the Remaining Paul Y Group for each of the three years ending 31st March, 2005, 2006 and 2007 will not exceed HK\$10 million, HK\$60 million and HK\$60 million, respectively. The basis of the annual cap amounts has been determined with reference to (i) the terms of the Construction Service Agreement; (ii) the historical transaction value in terms of revenue recognition recorded by the Paul Y Construction Group in respect of the construction services rendered to the Remaining Paul Y Group as mentioned above; (iii) the historical contract sum of the projects undertaken by the Paul Y Construction Group to provide construction services to the Remaining Paul Y Group; and (iv) the projects of the Remaining Paul Y Group for which the Paul Y Construction Group may provide construction services, including the development of a bulk handling sea port at Yangkou Port, Nantong City, Jiangsu, the PRC and the property development site at Lang De Dong, Fu Cheng, Taishan Municipality, Guangdong Province, the PRC.

Given the considerable size and scale that building and infrastructure contracts usually involve and the recovery of the local property market, the Directors and the directors of Paul Y Construction are of the view that the annual caps for the three years ending 31st March, 2005, 2006 and 2007 are reasonable as they represent an average amount in line with the value of services generated by historical projects undertaken by the Paul Y Construction Group for the Remaining Paul Y Group for the four years ended 31st March, 2004 as mentioned above and the expected increase in number of property development projects to be undertaken by the Remaining Paul Y Group.

Lease Agreement:

Certain members of the Paul Y Construction Group have entered into lease agreements and arrangements with the Remaining Paul Y Group. These existing lease arrangements are in respect of office premises and car parking spaces owned by the Paul Y Group for use by the Paul Y Construction Group as offices or for other business purposes. Most of the existing lease arrangements will continue on an ongoing basis and some of them will expire in 2005 and 2006 (with options to renew).

Upon Completion, Paul Y. Management Limited, a member of the Enlarged Group, will enter into the Lease Agreement with Cycle Company Limited and Gunnell Properties Limited, both members of the Remaining Paul Y Group, pursuant to which the Remaining Paul Y Group will, as landlord, lease certain offices and car parking spaces at Paul Y. Centre to the Enlarged Group. The Lease Agreement will replace the existing lease arrangements and will continue for a term commencing from Completion to 31st March, 2007 and may be renewed between the parties.

Set out below are the details on the office premises and car parking spaces to be leased by the Enlarged Group from the Remaining Paul Y Group pursuant to the Lease Agreement:

Office space	Total area (sq.ft.) (A)	Monthly rental (price per sq.ft.) (B) HK\$	Monthly rental charge (C)=(A)x(B) HK\$	Monthly management fee charges (price per sq.ft.) (D) HK\$	Monthly management fee charges (E)=(A)x(D) HK\$	Monthly total (F)=(C)+(E) HK\$
33/F (portion)	3,267	25.00	81,675.00	2.70	8,820.90	90,495.90
17/F	15,980	8.50	135,830.00	2.70	43,146.00	178,976.00
16/F	15,980	8.50	135,830.00	2.70	43,146.00	178,976.00
12/F	15,980	8.30	132,634.00	2.70	43,146.00	175,780.00
11/F	11,070	8.10	89,667.00	2.70	29,889.00	119,556.00
Room 1508-12	6,350	9.00	57,150.00	2.70	17,145.00	74,295.00
Room 2105	908	9.63	8,748.40	2.70	2,451.60	11,200.00
Sub total	69,535		641,534.40		187,744.50	829,278.90
Car parking spaces						Monthly rental HK\$
Fixed position (total 2 in number)						6,200.00
Non-fixed position (total 33 in number)						86,500.00
Sub total						92,700.00
Gross monthly rental and charges for office premises and car parking spaces						921,978.90
Annual cash rental and charges for office premises and car parking spaces						11,063,746.80

For each of the four years ended 31st March, 2004, the rental, air-conditioning charges and building management fees received by the Remaining Paul Y Group from the Paul Y Construction Group under the existing lease arrangements amounted to approximately HK\$12.6 million, HK\$12.6 million, HK\$11.0 million and HK\$8.6 million respectively. The building management fee (including the supply of air-conditioning during office hours) was HK\$2.7 per square foot. The supply of air-conditioning after office hours was charged at HK\$300 per hour. The reduction in rental payment for the last two years was due to reductions in both the rental rate and office areas under rental.

The Directors propose that the annual cap amount of the rental, air-conditioning charges and building management fees to be paid under the Lease Agreement by the Enlarged Group to the Remaining Paul Y Group for each of the three years ending 31st March, 2007 will not exceed HK\$12 million. The basis of the annual cap amount is determined with reference to (i) existing lease arrangements between the Paul Y Construction Group and the Remaining Paul Y Group; (ii) the terms of the Lease Agreement; and (iii) the prevailing market rentals as assessed by independent professional property valuers who have confirmed that the monthly rentals of the Lease Agreement are fair and reasonable in view of the prevailing market condition. As the Lease Agreement will not provide for the extra air-conditioning charges during overtime hours and hourly car parking charges, the cap amount has built in a buffer of approximately HK\$1 million for such extra air-conditioning and hourly car parking charges.

The Directors consider that the Continuing Connected Transactions will be entered into in the usual and ordinary course of businesses of the Enlarged Group upon Completion. They also consider the terms of the Continuing Connected Transactions have been negotiated on an arm's length basis and will be conducted on normal commercial terms and on terms no less favourable to the Enlarged Group than terms available to or from (as appropriate) independent third parties.

The Continuing Connected Transactions are subject to approval of the Independent Shareholders at the SGM to be taken by poll at which Paul Y and its associates will abstain from voting. The Continuing Connected Transactions were negotiated on an arm's length basis and the Directors believe that the terms, including the proposed annual cap amounts for the Continuing Connected Transactions, are fair and reasonable and the Continuing Connected Transactions are in the interest of the Enlarged Group and the Shareholders as a whole.

Skynet will seek the approval of the Independent Shareholders at the SGM of the Continuing Connected Transactions and the respective cap amounts in relation to the Continuing Connected Transactions on the following conditions:

- (i) the annual cap amounts of the value of construction services to be rendered by the Paul Y Construction Group to the Remaining Paul Y Group will not exceed HK\$10 million, HK\$60 million and HK\$60 million for the three years ending 31st March, 2005, 2006 and 2007 respectively; and
- (ii) the annual cap amount of the rental, air-conditioning charges and building management fees to be paid to the Remaining Paul Y Group by the Enlarged Group will not exceed HK\$12 million for each of the three years ending 31st March, 2007.

Skynet is also required to comply with Rules 14A.37 to 14A.40 and 14A.46 of the Listing Rules in relation to the Continuing Connected Transactions.

Details of the Continuing Connected Transactions including the letter of advice of Equitas and notice of SGM regarding, among others, the Continuing Connected Transactions are set out in the Skynet Circular.

INFORMATION ON THE SKYNET GROUP

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. Since April 2002, the provision of information technology services has been suspended.

INFORMATION ON PAUL Y GROUP

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 and China Strategic Holdings Limited.

CHANGE OF NAME

The Board also proposes to change the name of Skynet to “Paul Y. Engineering Group Limited” and adopt a new Chinese name of “保華建業集團有限公司” for identification purposes only upon the Restructuring Proposal becoming effective. The Change of Name will signify the new identity of Skynet upon completion of the Restructuring Proposal.

The Change of Name is subject to:

- (i) the passing of a special resolution approving the Change of Name by the Shareholders at the SGM;
- (ii) the completion of the Acquisition Agreement; and
- (iii) the approval of the Registrar of Companies in Bermuda being granted.

The Change of Name will take effect from the date on which the Registrar of Companies in Bermuda enters the new English name on the register in place of the existing name. Thereafter, Skynet will comply with the necessary filing procedures in Hong Kong.

The Change of Name will not affect any rights of the Shareholders. All existing share certificates in issue bearing the existing name of Skynet will, after the Change of Name, continue to be evidence of title to the Shares. Certificates for Consolidated Shares will continue to be valid for trading and settlement purposes and the rights of the Shareholders will not be affected as a result of the proposed change of name. Should the Change of Name becomes effective, any issue of share certificates thereafter will be in new company name and the securities of Skynet will be traded on the Stock Exchange under the new name. Further announcement will be made as soon as the Change of Name becomes effective.

EXPECTED TIMETABLE

Set out below is the expected timetable for the SGM.

2004

Latest time for lodging form of proxy for the SGM 10:00 a.m. on Monday, 20th December

SGM 10:00 a.m. on Wednesday, 22nd December

Publication of announcement on SGM results Thursday, 23rd December

The timetable for the Capital Reorganisation, the Open Offer, completion of the Acquisition Agreement, Hidden Agreement, the Change of Name, resumption of trading, the implementation of the Share

Consolidation, the change of board lot size, the associated trading arrangements and free exchange service for share certificate, and the change of the stock short name will be announced in due course.

UNDERTAKING FROM PAUL Y IN RELATION TO THE PUBLIC FLOAT OF SHARES OF SKYNET

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 also 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.

SUSPENSION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended at the request of Skynet with effect from 9:30 a.m. on 16th October, 2003 as Skynet is unable to comply with the requirements under the Listing Rules which require listed issuers to carry out a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated to warrant the continued listing of the Shares. Skynet was placed into the “first stage” of the delisting procedure on 16th October, 2003 pursuant to the Listing Rules. According to the Listing Rules, the “first stage” lapsed and the “second stage” of the delisting procedure commenced on 15th April, 2004, being six months following suspension of trading in the Shares.

Resumption in trading of the shares of Skynet is subject to the fulfillment of the following conditions:

- (i) passing of the relevant resolutions on the Restructuring Proposal by the Independent Shareholders;**
- (ii) fulfillment of all other conditions precedent to the completion of the Restructuring Proposal;**
- (iii) withdrawal of all winding up petitions, if any, filed against any member of the Skynet Group;**
- (iv) appointment of three independent non-executive Directors in compliance with Rule 3.10 and 3.13 of the Listing Rules;**
- (v) restoration of the holding of at least 25% of Skynet’s issued share capital in public hands; and**
- (vi) issue of a resumption announcement.**

As at the date of this announcement, no winding up petition has been filed against any member of the Skynet Group and other conditions have yet to be fulfilled. The Stock Exchange has stated that additional conditions for resumption may be placed on Skynet if it considers appropriate. Further announcement will be made as to when trading of the shares of Skynet will be resumed.

Should the Resumption Proposal fail to be implemented, the delisting timetable would resume and the third stage of delisting procedures would be taken to have commenced from 15th October, 2004.

GENERAL

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

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

The board of directors of ITC comprises nine directors, of which (i) six are executive directors, namely, Dr. Chan Kwok Keung, Charles, Mr. Lau Ko Yuen, Tom, Ms. Chau Mei Wah, Rosanna, Mr. Chan Kwok Hung, Mr. Chan Fut Yan and Mr. Cheung Hon Kit; and (ii) three are independent non-executive directors, namely, Mr. Chuck Winston Calptor, Mr. Lee Kit Wah and Mr. Wong Kam Cheong, Stanley.

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

By order of the board of
**Paul Y. – ITC Construction
Holdings Limited**
Mui Ching Hung, Joanna
Company Secretary

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

Hong Kong, 30th November, 2004

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

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

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

** for identification only*

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