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**SKYNET (INTERNATIONAL GROUP) HOLDINGS LIMITED**

*(incorporated in Bermuda with limited liability)*

**MONETARY SUCCESS INVESTMENTS LIMITED**

*(incorporated in the British Virgin Islands with limited liability)*

**PROPOSAL INVOLVING POSSIBLE**

**(I) SCHEME OF ARRANGEMENT AND SECURITIES EXCHANGE OFFER AND  
DELISTING OF SKYNET (INTERNATIONAL GROUP) HOLDINGS LIMITED AND  
LISTING OF A NEW HOLDING COMPANY OF**

**SKYNET (INTERNATIONAL GROUP) HOLDINGS LIMITED,  
(II) SUBSCRIPTION OF SHARES AND CONVERTIBLE NOTES**

**IN THE NEW HOLDING COMPANY OF**

**SKYNET (INTERNATIONAL GROUP) HOLDINGS LIMITED INVOLVING CHANGE OF CONTROLLING SHAREHOLDER,**

**(III) TERMINATION OF THE LOMBARD PRIOR AGREEMENTS AND THE HIDDEN PRIOR AGREEMENTS,**

**(IV) ENTRY INTO THE RESTRUCTURING AGREEMENTS INVOLVING ACQUISITION OF SHARES IN SKYNET LIMITED  
- MAJOR TRANSACTION,**

**AND**

**(V) DISPOSAL OF SHARES IN CYBER ON-AIR GROUP COMPANY LIMITED - MAJOR TRANSACTION**

**The Proposal**

The board of Directors proposes the Scheme and announces that the Restructuring Agreements, the Subscription Agreement and the Disposal Agreement were entered into on 5 March 2003 to effect the following proposal:

*The Scheme*

- (i) the establishment of Newco as the holding company of the Company by way of the Scheme, the implementation of which will entail an exchange of one Newco Share for every 40 Skynet Shares (subject to such other ratio as may be agreed by the Company and the Subscriber and approved by Skynet Shareholders provided that the Subscriber will hold not less than 97% of the enlarged issued share capital of Newco and the existing Skynet Shareholders will hold approximately 3% of the enlarged issued share capital of Newco upon completion of the Proposal);
- (ii) the delisting of the Skynet Shares and the listing of the Newco Shares on the Stock Exchange;

*The Subscription Agreement*

- (iii) the conditional subscription of 4,000,000,000 Newco Shares, at the subscription price of HK\$0.01 per share equivalent to the closing price of HK\$0.01 per Skynet Share on 5 March 2003 (the last trading day before the suspension of trading in the Skynet Shares), by the Subscriber (subject to such other number of Newco Shares as may be agreed by the Company and the Subscriber provided that the Subscriber will hold not less than 97% of the enlarged issued share capital of Newco upon completion of the Proposal);

- (iv) the issue to the Subscriber of the Newco Notes in the aggregate principal amount of HK\$5 million which are convertible into Newco Shares at the conversion price as set out in this announcement;

#### *The Restructuring Agreements*

- (v) the termination of the Lombard Prior Agreements and the transfer of the Lombard Securities to Newco in consideration of payment of HK\$15 million by Newco to Lombard;
- (vi) the termination of the Hidden Prior Agreements and the transfer of the Hidden Securities to Newco in consideration of payment of HK\$15 million by Newco to Hidden; and

#### *The Disposal Agreement*

- (vii) the disposal of 22,868,656 COA Shares, representing approximately 27.50% of the issued share capital of COA as at the date of the Disposal Agreement, at a price of approximately HK\$0.0733 per COA Share.

### **Effect of the Proposal**

Upon completion of the Proposal but excluding the Newco Shares to be issued upon the conversion of the Newco Notes, the Subscriber and the existing Skynet Shareholders will hold not less than 97% and approximately 3% of the enlarged issued share capital of Newco respectively.

Upon completion of the Lombard Restructuring Agreement, Lombard shall apply for withdrawal of the Petition as soon as practicable.

Immediately before the completion of the Restructuring Agreements, the effective interest in Skynet HK held by the Company is approximately 68.93% (as a percentage of the aggregate number of ordinary shares in Skynet HK and CP Shares currently in issue). Upon completion of the Restructuring Agreements, the effective interest in Skynet HK to be held by Newco will be approximately 77.27% (as a percentage of the aggregate number of ordinary shares in Skynet HK and CP Shares currently in issue).

Upon completion of the Restructuring Agreements, a gain of approximately HK\$74.5 million will be recognized without taking into account the estimated expenses in relation thereto and based on the unaudited consolidated balance sheet of the Company as at 30 September 2002.

Upon completion of the Disposal, a gain of approximately HK\$1.7 million will be recognized without taking into account the estimated expenses in relation to the Disposal.

### **Completion of the Proposal**

Skynet Shareholders should note that completion of the Proposal is subject to a number of conditions as set out in the sections headed “Conditions to the Scheme”, “Conditions to the Subscription Agreement”, “Conditions to the Restructuring Agreements” and “Conditions to the Disposal Agreement”, including the compliance with Rule 2.10 of the Takeovers Code, which may or may not be fulfilled. The release of this announcement does not in any way imply that the Proposal will be completed and implemented.

As at the date of this announcement, the Company has not applied to the Stock Exchange or received any approval from the Stock Exchange in respect of the listing of the Newco Shares in issue and to be issued under the Subscription, the Scheme and upon conversion of the Newco Notes.

The entry into the Restructuring Agreements constitutes a major transaction of the Company under the Listing Rules.

The Disposal constitutes a major transaction of the Company under the Listing Rules.

A circular containing details of the Proposal, the opinion of the independent board committee and the advice of the independent financial adviser to the independent board committee in respect of the Scheme and the Subscription and notices of the Special General Meeting and the Court Meeting will be despatched to the Skynet Shareholders as soon as practicable.

### **General**

Trading in the Skynet Shares on the Stock Exchange was suspended, at the request of the Company, with effect from 9:30 a.m. on 6 March 2003 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Skynet Shares on the Stock Exchange with effect from 9:30 a.m. on Wednesday, 7 May 2003 following the publication of this announcement.

**Skynet Shareholders and potential investors of the Company should exercise extreme caution when dealing in the Skynet Shares.**

## **THE PROPOSAL**

### **1. THE SCHEME**

The Directors propose the Scheme to the Skynet Shareholders as follows:

on the effective date of the Scheme:

- (i) the entire share capital of the Company will be cancelled and extinguished;
- (ii) a minimum of 5,000,000 new Skynet Shares will be allotted and issued simultaneously, credited as fully-paid at par, to Newco or as it may direct (to comply with the legal requirements under Bermuda law) (*Note 1*); and
- (iii) in consideration of the cancellation and extinguishment of their holdings of Skynet Shares, the Skynet Shareholders will receive Newco Shares, credited as fully-paid at par and ranking pari passu with all the Newco Shares in issue, on the basis of one Newco Share for every 40 Skynet Shares cancelled as aforesaid (subject to such other ratio as may be agreed by the Company and the Subscriber and approved by Skynet Shareholders provided that the Subscriber will hold not less than 97% of the enlarged issued share capital of Newco and the existing Skynet Shareholders will hold approximately 3% of the enlarged issued share capital of Newco upon completion of the Proposal) (*Note 2*). Upon completion of the Proposal, the Subscriber will subscribe to not less than 97% of the enlarged issued share capital of Newco pursuant to the Subscription Agreement. Details of the terms of the Subscription Agreement are set out under the section headed “2. The Subscription Agreement” below.

Fractional entitlements to the Newco Shares will be aggregated (if necessary rounded down to the nearest whole number of Newco Shares) and allotted and issued to a person nominated by Newco who will sell the Newco Shares if a premium (net of expenses) can be obtained and the net proceeds of sale shall be paid to Newco for its own benefit.

*Notes:*

1. As at the date of this announcement, the existing issued share capital of the Company is HK\$90,141,999.14. The credit of HK\$90,141,999.14 (assuming no change in the issued share capital of the Company up to the record time for the Scheme) arising from the reduction of capital caused by the cancellation and extinguishment of the entire issued share capital of the Company shall be applied to the contributed surplus of the Company where it may be utilised by the Directors in accordance with the bye-laws of the Company and all applicable laws, including towards payment in full for the new Skynet Shares to be allotted and issued to Newco, which the Directors intend to do. Save for the options and rights granted to each of Hidden and Lombard under the Hidden Prior Agreements and the Lombard Prior Agreements respectively (which, if exercised, will affect the share capital of the Company), the Company does not intend to issue any new Skynet Shares nor change its share capital before the record time of the Scheme.
2. The exchange ratio of one Newco Share for every 40 Skynet Shares is finalized unless the parties to the Subscription Agreement agree otherwise. In the event that the ratio is revised after the issuance of this announcement or the issuance of a circular containing details of the Proposal or having obtained approval from Skynet Shareholders, a further announcement and (where applicable) a new circular will be issued and new approval from the Skynet Shareholders on the revised exchange ratio will be sought.

Newco is an exempted company incorporated in Bermuda on 12 February 2003 with limited liability for the purpose of the Scheme. As a result of the implementation of the Scheme, the Skynet Shareholders will become the shareholders of Newco and Newco will become the ultimate holding company of the Company.

As at the date of this announcement, there was a total of 4,507,099,957 Skynet Shares in issue. On the aforesaid basis, a total of 112,677,498 Newco Shares will be issued to existing Skynet Shareholders.

Details of the existing shareholding structure of the Company and the shareholding structure of Newco after the implementation of the Proposal, based on an exchange ratio of one Newco Share for every 40 Skynet Shares are set out under the section headed “5. Shareholding structure of the Company and Newco (in the event of completion of the Proposal)” below.

### **Conditions to the Scheme**

The Scheme is subject to:

- (a) the compliance with Rule 2.10 of the Takeovers Code, which requires (i) the approval of the Scheme and the transactions contemplated thereunder by a majority of not less than three-fourths of the votes cast by the disinterested Skynet Shareholders present and voting in person or by proxy at the Special General Meeting by way of a poll; and (ii) the number of votes cast against the resolution to approve the Scheme at the Special General Meeting by way of a poll be not more than one-tenth of the votes attaching to the disinterested Skynet Shareholders;
- (b) the approval of the Scheme by a majority in number representing not less than three-fourths in value of the Skynet Shareholders present and voting in person or by proxy at the Court Meeting pursuant to section 99 of the Companies Act, the sanction by the Court of the Scheme and the delivery of an office copy of the order sanctioning the Scheme to the Registrar of Companies in Bermuda for registration;

- (c) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Newco Shares in issue and to be issued pursuant to the Scheme in place of the Skynet Shares, the Newco Shares to be issued pursuant to the Subscription Agreement and any Newco Shares which may fall to be issued upon the exercise of the subscription rights attaching to the options to be granted under the share option scheme to be adopted by Newco and the Newco Shares which may fall to be issued upon the conversion of the Newco Notes; and
- (d) the Listing Committee of the Stock Exchange granting approval for the delisting of the Skynet Shares upon the Scheme becoming effective.

The Scheme is not subject to completion of the Subscription, the Restructuring Agreements or the Disposal.

As none of the transactions contemplated under the Scheme constitutes a connected transaction under the Listing Rules and the Scheme would affect the interests of all Skynet Shareholders as a whole and so far as is known to the Directors, no Skynet Shareholder has a different interest in the Scheme from other Skynet Shareholders, all Skynet Shareholders will accordingly be eligible to vote on the Scheme at the Special General Meeting and the Court Meeting.

None of the conditions to the Scheme as stated under (a) to (d) above can be waived. If any of the conditions to the Scheme are not fulfilled on or before 30 June 2003 or any other later date as may be mutually agreed between the parties to the Agreements, the Scheme and the Proposal shall lapse.

The Company will apply for the delisting of the Skynet Shares upon completion of the Proposal.

### **Completion**

The Scheme is expected to become effective on or before 30 June 2003 or on any other later date as may be mutually agreed between the parties to the Agreements.

The requisite majority to approve the Scheme would be a majority in number of all disinterested Skynet Shareholders representing not less than three-fourths of the votes cast by the disinterested Skynet Shareholders in attendance and voting at the Special General Meeting in respect of the Scheme by way of a poll for the purpose of Rule 2.10 of the Takeovers Code and a majority in number of all Skynet Shareholders representing not less than three-fourths in value of the Skynet Shares in attendance and voting at the Court Meeting in respect of the Scheme for the purpose of the Companies Act. The Scheme is also subject to the sanction by the Court.

The full terms of the Scheme will be set out in the scheme of arrangement, a copy of which will be included in the circular to be issued by the Company to Skynet Shareholders.

An announcement will be made upon the Scheme becoming effective.

### **Purpose of the Scheme**

The main purpose of the Scheme is to provide a new platform through which new investors can invest by creating a new holding company, Newco, whose shares would be issued to these new shareholders/investors as well as existing shareholders of the Company, and this in turn will enlarge the shareholder base. The Directors are of the view that it is in the interests of the Company to implement the Scheme in order to facilitate the implementation of the Proposal.

The terms of the Scheme, including the exchange ratio of one Newco Share for every 40 Skynet Shares as mentioned above, were arrived at after arm's length negotiations among the parties involved.

## **2. THE SUBSCRIPTION AGREEMENT**

### **Date**

5 March 2003 (as amended by a supplemental subscription agreement dated 6 May 2003)

### **Parties**

- (a) The Company
- (b) Newco
- (c) The Subscriber, which is wholly and beneficially owned by Mr. Li Wing Sang

The Subscriber, its ultimate beneficial owner and their respective associates are independent third parties not connected with nor acting in concert with any of the directors, chief executive, controlling shareholders or substantial shareholders of the Company or any of its subsidiaries or their respective associates. As at the date of this announcement, the Subscriber, its ultimate beneficial owner, their respective associates and parties acting in concert with the Subscriber are not interested in any securities of the Company.

### **A. The Scheme**

Pursuant to the Subscription Agreement, the parties conditionally agreed to implement the Scheme. Full details of the Scheme are not set out in the Subscription Agreement. Under the Scheme, all the existing Skynet Shares will be cancelled and extinguished and a minimum of 5,000,000 new Skynet Shares will be issued to Newco or as it may direct. In consideration of the cancellation and extinguishment of the existing Skynet Shares, existing Skynet Shareholders will receive new Newco Shares on the basis of one Newco Share for every 40 Skynet Shares cancelled as aforesaid (subject to such other ratio as may be agreed by the Company and the Subscriber and approved by Skynet Shareholders provided that the Subscriber will hold not less than 97% of the enlarged issued share capital of Newco and the existing Skynet Shareholders will hold approximately 3% of the enlarged issued share capital of Newco upon completion of the Proposal).

### **B. Subscription of Newco Shares and Newco Notes by the Subscriber**

Pursuant to the Subscription Agreement, the Subscriber has agreed to subscribe, and Newco has agreed to issue, new Newco Shares and the Newco Notes on and subject to the terms thereof.

The following sets out the details of the subscription of Newco Shares by the Subscriber and the issue of unlisted Newco Notes by Newco (which will become the ultimate holding company of the Company upon the Scheme becoming effective) to the Subscriber:



(a) *Issue of Newco Shares*

Par value per Newco Share	:	HK\$0.01
Subscription price per Newco Share	:	HK\$0.01
Number of Newco Shares ( <i>Note 1</i> )	:	4,000,000,000
Approximate percentage of Newco Shares (based on 4,000,000,000 Newco Shares under the Subscription) in the share capital of Newco as enlarged by the Scheme and following the subscription of Newco Shares by the Subscriber (but before conversion of the Newco Notes) ( <i>Note 1</i> )	:	97.26%
Approximate percentage of Newco Shares (based on 4,000,000,000 Newco Shares under the Subscription and 500,000,000 Newco Shares to be issued upon full conversion of the Newco Notes) in the share capital of Newco as enlarged by the Scheme, following the subscription of Newco Shares by the Subscriber and after full conversion of the Newco Notes (assuming full conversion at the Initial Fixed Conversion Price of HK\$0.01) ( <i>Note 1</i> )	:	97.56%
Total consideration payable	:	HK\$40,000,000
Payment method	:	Cash on completion of the Subscription Agreement

(b) *Issue of Newco Notes (Note 2)*

Aggregate principal amount of Newco Notes	:	HK\$5,000,000
Consideration	:	HK\$5,000,000
Initial Fixed Conversion Price of Newco Notes	:	HK\$0.01 for each Newco Share
Number of Newco Shares to be issued upon full conversion of the Newco Notes (assuming full conversion at the Initial Fixed Conversion Price of HK\$0.01)	:	500,000,000

Approximate percentage of Newco Shares to be issued upon full conversion of the Newco Notes at the Initial Fixed Conversion Price of HK\$0.01 in the then enlarged issued share capital of Newco upon completion of the Proposal but before the conversion of the Newco Notes ( <i>Note 3</i> )	:	12.16%
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Approximate percentage of Newco Shares to be issued upon full conversion of the Newco Notes in the then enlarged issued share capital of Newco upon completion of the Proposal and after full conversion of the Newco Notes (assuming full conversion of the Newco Notes at the Initial Fixed Conversion Price of HK\$0.01) ( <i>Note 3</i> )	:	10.84%
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Payment method	:	Cash on completion of the Subscription Agreement
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*Notes:*

1. The figures above are provided on the assumption that the exchange ratio under the Scheme is one Newco Share for every 40 Skynet Shares. Any change in that ratio must be agreed by the Company and the Subscriber and will be subject to the approval by Skynet Shareholders and to the condition that the Subscriber will hold not less than 97% of the enlarged issued share capital of Newco and the existing Skynet Shareholders will hold approximately 3% of the enlarged issued share capital of Newco upon completion of the Proposal.

The exchange ratio of one Newco Shares for every 40 Skynet Shares is finalized unless the parties to the Subscription Agreement agree otherwise. In the event that the ratio is revised after the issuance of this announcement or the issuance of a circular containing details of the Proposal or having obtained approval from Skynet Shareholders, a further announcement and (where applicable) a new circular will be issued and new approval from the Skynet Shareholders on the revised exchange ratio will be sought.

2. The Newco Notes will not be listed on the Stock Exchange or on any other stock exchange.
3. The figures above are provided on the assumption that the exchange ratio under the Scheme is one Newco Share for every 40 Skynet Shares and the Subscriber will subscribe for 4,000,000,000 Newco Shares under the Proposal and that the Newco Notes will confer on the holders thereof the right to convert them into 500,000,000 Newco Shares (assuming the Newco Notes are converted at the Initial Fixed Conversion Price of HK\$0.01).
4. Save for options outstanding conferring the right to subscribe for 50,000,000 Skynet Shares which have been granted to Mr. Lo Chi Ho, William, a director of the Company, pursuant to the share option scheme of the Company with exercise price per Skynet Share of HK\$0.039 and exercisable period from 15 February 2001 to 14 February 2004 and the options granted to Hidden and Lombard pursuant to the Hidden Prior Agreements and the Lombard Prior Agreements, the Company has no



warrants and/or conversion rights which would affect its share capital as at the date of this announcement. Mr. Lo Chi Ho, William has indicated that he will not exercise his options to subscribe for new Skynet Shares before the Scheme becoming effective. The options outstanding conferring the right to subscribe for 50,000,000 Skynet Shares pursuant to the share option scheme of the Company shall lapse as a result of the Proposal. The options granted to Hidden and Lombard pursuant to the Hidden Prior Agreements and the Lombard Prior Agreements shall be terminated pursuant to the Restructuring Agreements at completion of the Proposal.

## **Newco Notes**

The principal terms of the Newco Notes are as follows:

### *Aggregate principal amount*

HK\$5,000,000

### *Principal amount of each Newco Note*

HK\$500,000

### *Maturity date*

The maturity date will be the second anniversary of the date of issue of the Newco Notes.

On the maturity date, any amount of the Newco Notes outstanding on such date together with any unpaid interest accrued thereon shall be repaid in cash.

### *Security*

The Newco Notes are unsecured.

### *Interest*

Three per cent. per annum payable once a year on the anniversary of the date of issue of the Newco Notes.

### *Conversion provisions*

The holders of the Newco Notes will be entitled to exercise the right to convert the whole (and not part only) of the outstanding principal amount of each Newco Note into Newco Shares at the Fixed Conversion Price in effect at such time or the Floating Conversion Price (as defined below), as the case may be, on any business day after the date of issue of the relevant Newco Note up to the date of maturity of the Newco Notes.

### *Conversion price*

Each Newco Share to be issued on conversion of the Newco Notes shall be issued credited as fully paid at the nominal amount of a Newco Share. The conversion price of each Newco Share to be issued on such conversion shall be, if the conversion rights attached to the relevant Newco Note are exercised:

- (a) prior to the 30th calendar day from the date of issue of the relevant Newco Note, the Fixed Conversion Price; or

- (b) on or after the 30th calendar day from the date of issue of the relevant Newco Note, the lower of the Fixed Conversion Price or 92% of the average closing price per Newco Share of any four trading days selected by the noteholder from the 20 consecutive trading days immediately prior to the date of the conversion notice (the “Floating Conversion Price”);

provided that if either price shall be less than the nominal amount of a Newco Share, the conversion price of each Newco Share payable by the holder of the relevant Newco Note shall be the nominal amount of a Newco Share, unless Newco has maintained sufficient conversion right reserve pursuant to the terms and conditions of the Newco Notes in which case the conversion price shall be the difference between such conversion right reserve and the nominal amount of the Newco Share and the conversion right reserve shall be applied towards payment of the balance of the nominal amount of the Newco Share, such that the conversion price will not be lower than the price in (a) or (b) above, as the case may be.

The Initial Fixed Conversion Price of HK\$0.01 is subject to adjustments. The terms and conditions of the Newco Notes (including the adjustment provisions) have not been finalised. Circumstances which may give rise to an adjustment include capital reorganisation and issue of new Newco Shares below market price. The adjustment formula will be consistent with those commonly found in convertible notes of this nature. The adjusting events and the adjustment mechanism will be set out in the circular to be despatched by the Company to the Skynet Shareholders.

According to Bermuda laws, any proposed capital reduction of Newco will be subject to shareholders’ approval at a general meeting of Newco at which all shareholders of Newco are entitled to vote. In the event that there is a capital reduction, adjustment (if any) to the conversion price of the Newco Notes will be made to reflect the capital reduction of Newco.

#### *Conversion shares*

500,000,000 Newco Shares will fall to be allotted and issued upon full conversion of all of the Newco Notes at the Initial Fixed Conversion Price, representing approximately 12.16% of the issued share capital of Newco immediately following completion of the Proposal but before conversion of the Newco Notes and approximately 10.84% of the enlarged issued share capital of Newco immediately following completion of the Proposal and after taking into account the Newco Shares to be issued upon full conversion of the Newco Notes at the Initial Fixed Conversion Price of HK\$0.01.

The conversion shares shall rank *pari passu* in all respects with other existing Newco Shares outstanding as at the conversion date and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of the conversion notice.

#### *Conversion right reserve*

Newco shall establish and thereafter maintain a conversion right reserve to be capitalised and applied in paying up in full the balance of the nominal amount of the additional Newco Shares required to be issued and allotted credited as fully paid up to the noteholder in the event the conversion price of the Newco Notes shall be adjusted to below the par value of the Newco Shares. In the event that no sufficient conversion right reserve is available, Newco shall be prohibited from implementing any action which would result in further adjustment in conversion price until sufficient conversion right reserve is maintained.

Subject to all applicable laws, including the memorandum of association and bye-laws of Newco and the Companies Act, the conversion right reserve shall be established from the distributable reserves of Newco as soon as possible after the issue of the Newco Notes and be maintained so long as any of the conversion rights under the Newco Notes shall remain exercisable.

#### *Early redemption*

After the date of the issue of the Newco Notes, if the closing price per Newco Share falls below 35% of the Fixed Conversion Price in effect at such time for a period of 15 consecutive trading days, the holder of the Newco Notes has the right, at any time by a written notice, to require Newco to redeem the whole or part of the outstanding principal amount of the Newco Notes at 125% of the face value of such outstanding amount, together with interest accrued. It is intended that the repayment of such amount, together with interest accrued, will be financed by the internal resources of the Newco Group generated from its operations and/or further equity fund raising exercise after completion of the Proposal and/or other source of debt refinancing, if available.

Newco does not have any right to early redeem the Newco Notes.

#### *Voting*

The holders of the Newco Notes will not be entitled to receive notice of, attend or vote at any meetings of Newco by reason only of them being noteholders.

#### *Transferability*

The Newco Notes may be transferred or assigned to any third party which is not a connected person of Newco and subject to compliance with the terms and conditions of the Newco Notes.

### **Basis of the terms of the Subscription Agreement**

In view of the current financial position of the Group as stated under the section headed “Financial position of the Group” below, the Subscription Agreement, if fully implemented, would allow the Group to recapitalise its balance sheet and would improve the cash position of the Group and enable the Group to dismiss the Petition. The terms of the Subscription Agreement, including the Initial Fixed Conversion Price and the Floating Conversion Price as mentioned above, were arrived at after arm’s length negotiations among the parties involved.

The subscription price and the Initial Fixed Conversion Price of HK\$0.01 per Newco Share is equivalent to the closing price of the Skynet Shares of HK\$0.01 on 5 March 2003 (the last trading day before the suspension of trading in the Skynet Shares) (the “Pre-suspension Date”); equivalent to the average of the daily closing prices of the Skynet Shares of HK\$0.01 for the three-month period ended the Pre-suspension Date; equivalent to the average of the daily closing prices of the Skynet Shares of HK\$0.01 for the six-month period ended the Pre-suspension Date; and equivalent to the lowest and highest closing prices of the Skynet Shares of HK\$0.01 in the abovementioned six-month period.

The following sets out the trading volume of the Skynet Shares traded on the Stock Exchange of each month for the period commencing from 6 September 2002 (i.e. six months prior to 5

March 2003, being the last trading day before suspension of trading in the Skynet Shares) and ending on 5 March 2003:

<b>Month/period</b>	<b>Trading volume of that month/period (number of Skynet Shares)</b>
	<b>2002</b>
6 to 30 September	12,000,000
October	Nil
November	150,000
December	Nil
	<b>2003</b>
January	600,000
February	500,000
1 to 5 March	4,035,000

### **Proposed use of proceeds in the event of completion of the Subscription Agreement**

Upon completion of the Subscription, Newco will raise net proceeds of approximately HK\$42.6 million (after deducting estimated expenses of approximately HK\$2.4 million from the total gross proceeds of HK\$45 million) under the Subscription Agreement. It is intended that the net proceeds from the Subscription will be used by Newco as to (i) HK\$15 million for payment to Lombard under the Lombard Restructuring Agreement; (ii) HK\$15 million for payment to Hidden under the Hidden Restructuring Agreement; and (iii) the balance of HK\$12.6 million as general working capital of the Newco Group to support its on-going operation and there is no specific intended use of the balance of the net proceeds of the Subscription.

In the event that the Hidden Restructuring Agreement is not approved, the Company will issue an announcement and inform the Skynet Shareholders and investors of the intended use of the HK\$15 million originally payable to Hidden under the Hidden Restructuring Agreement.

Details of the Lombard Restructuring Agreement and Hidden Restructuring Agreement are set out under the section headed “3. The Restructuring Agreements” below.

As at the date of this announcement, the Subscriber and its ultimate beneficial owner and parties acting in concert with it are not interested in any securities of the Company and apart from entering into the Subscription Agreement, none of them have dealt in any securities of the Company during the six-month period immediately preceding the date of this announcement. REXCAPITAL (Hong Kong) Limited, a deemed licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the financial adviser to the Subscriber, has confirmed that it has been satisfied that there are sufficient financial resources available to the Subscriber to meet its obligations under the Subscription Agreement.

### **Conditions to the Subscription Agreement**

Completion of the Subscription Agreement is subject to the following conditions:

- (a) the passing by the Skynet Shareholders of an ordinary resolution to approve the Subscription Agreement;
- (b) the approval of the Scheme and the transactions contemplated thereunder by a majority of not less than three-fourths of the votes cast by the disinterested Skynet Shareholders present and voting in person or by proxy at the Special General Meeting by way of a poll, and the number of votes cast against the resolution to approve the Scheme at the Special General Meeting by way of a poll be not more than one-tenth of the votes attaching to the disinterested Skynet Shareholders in accordance with Rule 2.10 of the Takeovers Code;
- (c) the approval of the Scheme by a majority in number representing not less than three-fourths in value of the Skynet Shareholders present and voting in person or by proxy at the Court Meeting, the sanction by the Court of the Scheme and the delivery of an office copy of the order sanctioning the Scheme to the Registrar of Companies in Bermuda for registration;
- (d) the Lombard Restructuring Agreement becoming unconditional in accordance with the terms thereof and being completed simultaneously with completion of the Subscription Agreement;
- (e) no indication being received from the SFC or the Stock Exchange to the effect that the listing of the shares of the Company and/or Newco will or may be withdrawn or objected to (or that conditions shall or may be attached thereto which are unacceptable to any of the Subscriber, the Company or Newco in their respective reasonable opinion) as a result of or in connection with the terms of any transaction contemplated by the Subscription Agreement (including but not limited to in connection with any allegation that the Company is or may no longer be suitable for listing but excluding (1) the withdrawal of the listing of the Skynet Shares as a result of the Scheme (as contemplated under the Subscription Agreement) and (2) any indication relating to the insufficiency of the public float upon listing of the Newco Shares as a result of completion of the Subscription Agreement);
- (f) the granting by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in all the Newco Shares to be issued under the Subscription Agreement and any Newco Shares to be issued upon conversion of the Newco Notes as well as any Newco Shares to be issued under the Scheme; and
- (g) the granting of the requisite consent(s) by the Bermuda Monetary Authority for the issue of the Newco Shares and any other Newco Shares to be issued by Newco under the Subscription Agreement and the Scheme.

Completion of the Subscription Agreement is not conditional upon completion of the Hidden Restructuring Agreement.

As none of the transactions contemplated under the Proposal constitutes a connected transaction under the Listing Rules and the Proposal would affect the interests of all Skynet Shareholders as a whole and so far as is known to the Directors, no Skynet Shareholder has a different interest in the Subscription Agreement from other Skynet Shareholders, all Skynet Shareholders will accordingly be eligible to vote on the Subscription Agreement at the Special General Meeting.

None of the parties to the Subscription Agreement is entitled to waive any of the conditions precedent therein.

The Subscription Agreement is expected to become unconditional on or before 30 June 2003 or on any other later date as may be mutually agreed between the Company and the Subscriber. If the conditions are not fulfilled on or before 30 June 2003 or any other later date as may be mutually agreed between the Company and the Subscriber, the Subscription Agreement shall lapse.

### **Completion**

Completion of the Subscription Agreement shall take place contemporaneously with completion of the Lombard Restructuring Agreement and shall take place on the third business day following fulfilment of all of its conditions precedent or at such other time as shall be mutually agreed by the parties to the Subscription Agreement.

## **3. THE RESTRUCTURING AGREEMENTS**

### **Background of the Lombard Prior Agreements**

The Lombard Prior Agreements are as follows:

- (1) an agreement dated 28 June 2000 between Lombard, Skynet HK (a subsidiary of the Company) and the Company (in the capacity as guarantor) and an amendment agreement thereto for the subscription of the Lombard Securities (i.e. 671,651 CP Shares in the capital of Skynet HK) by Lombard at a total issue price of US\$7.2 million (approximately HK\$56.2 million) in cash;
- (2) an option deed dated 28 June 2000 pursuant to which in consideration of the subscription mentioned above, the Company granted Lombard the right to during the period commencing from 17 July 2000 and ending on 17 July 2003 require the Company to acquire all the Lombard Securities or the ordinary shares in Skynet HK converted from the Lombard Securities in exchange for the issue to Lombard of Skynet Shares in a number calculated in accordance with a formula which refers to the rate of 87% of the average closing price per Skynet Share quoted on the Stock Exchange for the 10-day period immediately preceding the date of the notice of the exercise of the right;
- (3) a share purchase agreement dated 28 June 2000 between Lombard and Icon Master Enterprises Limited pursuant to which Icon Master Enterprises Limited agreed to sell, and Lombard agreed to purchase, a certain number of ordinary shares of HK\$1.00 each in Skynet HK;
- (4) a shareholders' agreement dated 17 July 2000 in relation to Skynet HK between certain shareholders of Skynet HK and Skynet HK; and
- (5) a call and put option deed dated 28 June 2000 between Lombard, two subsidiaries of the Company, another shareholder of Skynet HK, Skynet HK and the Company pursuant to which (a) each of the parties thereto (except Skynet HK, Lombard and the Company) agreed to grant an option to Lombard to require each of them to purchase from Lombard certain shares in Skynet HK held by Lombard on the terms and conditions therein; and (b) Skynet HK agreed to grant an option to Lombard to require Skynet HK to sell to Lombard certain number of shares of certain associated companies of Skynet HK or their related companies on the terms and conditions therein.



The terms of the Lombard Securities included the following:

- (a) Mandatory redemption – all the outstanding CP Shares shall be redeemed on 17 July 2003 at an amount which shall result in a 7% annual compounded yield over the issue price of US\$7.2 million (approximately HK\$56.2 million) including all the dividends received.
- (b) Early redemption – the holder of the CP Shares shall be entitled (but not obliged) to require Skynet HK, and Skynet HK shall be obliged, only after the occurrence of certain events and upon notification by the holder of CP Shares, to redeem all but not part of the holder's CP Shares, prior to 17 July 2003, at an amount which shall result in a 25% annual compounded yield over the issue price of US\$7.2 million.
- (c) Dividend – the CP Shares carry a fixed cumulative preference dividend at the rate of 0.5% per annum on the amount for the time being paid up on those shares which is payable semi-annually in arrears.
- (d) Conversion – the holder of the CP Shares shall have the right prior to 17 July 2003 to convert all but not part of the CP Shares into ordinary shares in Skynet HK on a one for one basis provided that if the aggregate revenue of certain portals for the year ending on 30 June 2001 is below HK\$400 million, the number of ordinary shares in Skynet HK to be issued to the holder of the CP Shares upon such conversion shall be multiplied by a factor of 1.2. The aggregate revenue of such portals for the year ended 30 June 2001 was below HK\$400 million.
- (e) Voting – each CP Share shall carry one vote at the general meetings of Skynet HK (on the same basis as each ordinary share of Skynet HK).

Details of the transactions referred to in (1) and (2) above were announced by the Company on 28 June 2000.

Save for the interest in the CP Shares which can be converted into ordinary shares in Skynet HK and Lombard's right to require the Company to issue Skynet Shares to it, Lombard and its associates do not hold any shares in the Company as at the date of this announcement.

The CP Shares were issued to Lombard pursuant to the agreement referred to in (1) above in July 2000. As at the date of this announcement, there are 671,651 CP Shares outstanding.

As at the date of this announcement, (i) the share purchase agreement referred to in (3) above has been completed; (ii) the shareholders' agreement referred to in (4) above is still in effect; and (iii) the options contemplated under the option deed referred to in (5) above have not been exercised.

At completion of the Lombard Restructuring Agreement, any outstanding obligations under the Lombard Prior Agreements will be terminated.

As at the date of this announcement, the Lombard Securities represent approximately 3.18% of the aggregate number of ordinary shares of Skynet HK and CP Shares currently in issue.

On 18 October 2002, Lombard served a redemption notice to the Company and Skynet HK for early redemption of all of the Lombard Securities at an aggregate amount of HK\$93.6 million. On 30 October 2002, Lombard filed the Petition against the Company to wind up the Company. On 17 March 2003, the Court ordered a further adjournment of the hearing of the Petition until 9 June 2003.

The Company has not acknowledged that the HK\$93.6 million is a debt owing by the Company to Lombard. In view of the Proposal and the signing of the Lombard Restructuring Agreement, the Company and Lombard have agreed to adjourn the winding up proceedings to allow more time to effect the Proposal.

The CP Shares held by Lombard are treated as minority interests in the unaudited consolidated accounts of the Company as at 30 September 2002. In addition, a provision for guarantee to repay redemption sum of a subsidiary's preferred shares of HK\$93.6 million was made in the unaudited consolidated accounts of the Company as at 30 September 2002.

### **Background of the Hidden Prior Agreements**

The Hidden Prior Agreements are as follows (more information on Mr. Lo Lin Shing, Simon, the sole ultimate beneficial owner of Hidden, is set out in note (a) under the section headed "4. The Disposal Agreement"):

- (1) a subscription agreement dated 15 May 2000 (as supplemented by a supplemental agreement thereto) (the "Hidden Subscription Agreement") pursuant to which Hidden agreed to subscribe for, and Skynet HK agreed to issue, 466,233 ordinary shares of HK\$1.00 each in the capital of Skynet HK, representing approximately 2.28% of the enlarged issued share capital of Skynet HK (after the issue of the ordinary shares in Skynet HK subscribed by Hidden pursuant to the Hidden Subscription Agreement and before taking into account the Lombard Securities or the ordinary shares in Skynet HK that may be converted from the Lombard Securities), for a consideration of US\$5 million (HK\$39 million) satisfied partly in cash and partly by the issue of shares in ING Beijing Investment Company Limited;
- (2) an option deed dated 15 May 2000 pursuant to which in consideration of the subscription mentioned above and the payment of HK\$10 by Hidden to the Company, the Company granted an option to Hidden to require the Company to acquire from Hidden the 466,233 ordinary shares in Skynet HK acquired by it pursuant to the Hidden Subscription Agreement by the payment to Hidden of US\$1 million (HK\$7.8 million) in cash and by the issue to Hidden or its nominee of new Skynet Shares. The option is exercisable during the period commencing from 5 July 2001 and ending on 5 July 2003. The number of Skynet Shares to be issued to Hidden pursuant to the exercise of such option depends on, amongst others, the fair value of Skynet HK to be appraised by a professional valuer at the time of the exercise of the option;
- (3) a sale and purchase agreement dated 20 April 2000 between Hidden and a subsidiary of the Company which is also a shareholder of Skynet HK and two supplemental agreements thereto, pursuant to which Hidden acquired 625,312 ordinary shares of HK\$1.00 each in the capital of Skynet HK from such shareholder of Skynet HK;
- (4) a deed of undertaking dated 15 May 2000 between Hidden and the Company pursuant to which the Company gave some undertakings to Hidden regarding the return of Hidden's investment in Skynet HK;
- (5) two shareholders' agreements dated 5 July 2000 and 17 July 2000 respectively in relation to Skynet HK between certain shareholders of Skynet HK and Skynet HK; and
- (6) a call and put option deed dated 15 May 2000 between Hidden, two subsidiaries of the Company, another shareholder of Skynet HK, Skynet HK and the Company pursuant to which (a) each of the parties thereto (except Skynet HK, Hidden and the Company) agreed to grant an option to Hidden to require each of them to purchase from Hidden all the shares in Skynet

HK held by Hidden on the terms and conditions therein; and (b) Skynet HK agreed to grant an option to Hidden to require Skynet HK to sell to Hidden certain number of shares or securities held by Skynet HK in each and all of the members of the group comprising Skynet HK and its subsidiaries and certain of its associated companies as shall be equivalent to the attributable indirect interest held by Hidden in each of such members through Skynet HK on the terms and conditions therein.

Details of the transactions referred to in (1) and (2) above were announced by the Company on 15 May 2000.

Save for the interest in the 466,233 ordinary shares in Skynet HK held by Hidden which can be converted into Skynet Shares and save as disclosed in note (a) under the section headed “4. The Disposal Agreement”, Hidden and its associates are not shareholders of the Company as at the date of this announcement.

Mr. Wu Wing Kin is a director of both Hidden and the Company, but he does not have any shareholding in Hidden as at the date of this announcement.

Pursuant to (1) and (3) of the Hidden Prior Agreements, Hidden acquired the Hidden Securities, representing approximately 5.16% of the aggregate number of ordinary shares in Skynet HK and CP Shares currently in issue.

As at the date of this announcement, (i) the Hidden Subscription Agreement referred to in (1) above has been completed; (ii) the option under the option deed referred to (2) above granted by the Company to Hidden entitling Hidden to require the Company to purchase from Hidden shares in Skynet HK acquired by Hidden pursuant to the Hidden Subscription Agreement by the payment to Hidden of US\$1 million in cash and by the issue to Hidden or its nominee of new Skynet Shares has not been exercised by Hidden; (iii) the sale and purchase agreement (as supplemented by two supplemental agreements thereto) referred to in (3) above has been completed; (iv) the obligations under the deed of undertaking referred to in (4) above are still outstanding; (v) the shareholders’ agreement dated 17 July 2000 referred to in (5) above is still in effect and supersedes the shareholders’ agreement dated 5 July 2000; and (vi) the options contemplated under the option deed referred to in (6) above have not been exercised.

At completion of the Hidden Restructuring Agreement, any outstanding obligations under the Hidden Prior Agreements will be terminated.

### **Effect of the Restructuring Agreements**

Under the Restructuring Agreements, each of Lombard and Hidden (along with Skynet HK and the Company) has agreed to terminate the Lombard Prior Agreements and the Hidden Prior Agreements referred to under the sections headed “Background of the Lombard Prior Agreements” and “Background of the Hidden Prior Agreements” above respectively and to deliver a deed of termination of such agreements to the Company at completion of the Restructuring Agreements and to transfer the Lombard Securities and the Hidden Securities (as the case may be) to Newco.

As consideration for such transfer and termination under the Lombard Restructuring Agreement, Newco shall pay to Lombard HK\$15 million in cash. At completion of the Lombard Restructuring Agreement, Lombard shall apply for withdrawal of the Petition as soon as practicable. Further announcements will be made by the Company as and when appropriate to inform the Skynet Shareholders and the public of the latest status of the Petition.

As consideration for such transfer and termination under the Hidden Restructuring Agreement, Newco shall pay to Hidden HK\$15 million in cash.

Each of Hidden and Lombard and their respective ultimate beneficial owners is not a connected person of the Company.

The terms of the Restructuring Agreements, including the consideration of HK\$15 million each payable to Lombard and Hidden respectively, were arrived at after arm's length negotiations among the parties involved.

The Lombard Restructuring Agreement will enable the Group to dismiss the Petition and discharge any outstanding obligations owing to Lombard while the Hidden Restructuring Agreement will enable the Group to discharge any outstanding obligations owing to Hidden.

Immediately before the completion of the Restructuring Agreements, the effective interest in Skynet HK held by the Company is approximately 68.93% (as a percentage of the aggregate number of ordinary shares in Skynet HK and CP Shares currently in issue). Upon completion of the Restructuring Agreements, the effective interest in Skynet HK to be held by Newco will be approximately 77.27% (as a percentage of the aggregate number of ordinary shares in Skynet HK and CP Shares currently in issue).

Upon completion of the Restructuring Agreements, a gain of approximately HK\$74.5 million will be recognized without taking into account the estimated expenses in relation thereto and based on the unaudited consolidated balance sheet of the Company as at 30 September 2002.

### **Conditions to the Restructuring Agreements**

Completion of each of the Restructuring Agreements is subject to, but not limited to, the following conditions:

- (a) the passing by the Skynet Shareholders at the Special General Meeting of an ordinary resolution to approve the relevant Restructuring Agreement;
- (b) the granting by the Listing Committee of the Stock Exchange of a listing of, and permission to deal in, all the Newco Shares, including any Newco Shares to be issued by Newco pursuant to the Scheme;
- (c) the granting of the requisite consent(s) by the Bermuda Monetary Authority for the issue of the Newco Shares to be issued by Newco pursuant to the Scheme;
- (d) the Subscription Agreement becoming unconditional; and
- (e) the Scheme becoming effective.

In addition, completion of the Lombard Restructuring Agreement is also subject to the following conditions:

- (a) the sanction by the Court of the Scheme and the delivery of an office copy of the order sanctioning the Scheme to the Registrar of Companies in Bermuda for registration and registration thereof by the Registrar of Companies in Bermuda;

- (b) all consents necessary or appropriate for the entering into of the Lombard Restructuring Agreement, the Proposal and the transactions contemplated thereunder having been obtained, whether from governmental or regulatory authorities, the Stock Exchange, the SFC in Hong Kong or any other third parties;
- (c) the provision of a certified copy of the funding proof submitted by the Subscriber or its financial adviser to the SFC by Newco to Lombard within one business day of its submission to the SFC but in any event no later than five business days from the signing of the Lombard Restructuring Agreement;
- (d) no amendment being made to the Subscription Agreement without the prior written consent of Lombard provided that Lombard shall not withhold or delay its consent if the proposed amendment will not affect the transactions contemplated under the Lombard Restructuring Agreement; and
- (e) the Subscription Agreement being completed in accordance with its terms and the terms in this announcement simultaneously with completion of the Lombard Restructuring Agreement.

The Lombard Restructuring Agreement and the Hidden Restructuring Agreement are not inter-conditional.

The entry into the Restructuring Agreements constitutes a major transaction of the Company under the Listing Rules.

As none of the transactions contemplated under the Proposal constitutes a connected transaction under the Listing Rules and the Proposal would affect the interests of all Skynet Shareholders as a whole and so far as is known to the Directors, no Skynet Shareholder has a different interest in the Restructuring Agreements from other Skynet Shareholders, all Skynet Shareholders will accordingly be eligible to vote on the Restructuring Agreements at the Special General Meeting.

None of the parties to the Restructuring Agreements has the right to waive any of the conditions precedent therein.

If any of the conditions has not been fulfilled on or before the date specified therein, or where no date is specified, 30 June 2003 or such later date as the parties thereto may agree, the relevant Restructuring Agreement shall be terminated and, subject thereto, none of the parties thereto shall have any liability to the other parties save for any antecedent breach of the terms thereof.

### **Completion**

Completion of the Lombard Restructuring Agreement and the Hidden Restructuring Agreement shall take place contemporaneously with completion of the Subscription Agreement which shall take place on the third business day following fulfilment of all of its conditions precedent or at such other time as shall be mutually agreed by the parties to the Subscription Agreement.

### **Information about Skynet HK**

Skynet HK is an investment holding company. The Skynet HK Group commenced business in August 1999 and is principally engaged in Internet-related business.

The audited consolidated net tangible liabilities of Skynet HK as at 31 March 2002 were approximately HK\$52.0 million. The unaudited consolidated net tangible liabilities of Skynet HK as at 30 September 2002 were approximately HK\$61.7 million.

For the two years ended 31 March 2001 and 31 March 2002, the audited consolidated loss before taxation of Skynet HK amounted to approximately HK\$33.4 million and HK\$79.2 million respectively. During the same periods, the audited consolidated loss after taxation of Skynet HK amounted to approximately HK\$33.4 million and HK\$79.2 million respectively.

As at the date of the Restructuring Agreements, there were 20,476,233 ordinary shares of HK\$1.00 each in the capital of Skynet HK and 671,651 CP Shares in issue.

As at the date of this announcement, the substantial shareholders of Skynet HK and their respective shareholdings are as follows:

Name of substantial shareholders	Approximate shareholding (as a percentage of the aggregate number of ordinary shares in Skynet HK and CP Shares currently in issue)
Gold Cloud Agents Limited	42.58%
Saxophone Enterprises Limited	26.78%
Icon Master Enterprises Limited (“Icon”)	17.57%

Gold Cloud Agents Limited is currently an indirectly 99% owned subsidiary of the Company and Saxophone Enterprises Limited is currently a wholly-owned subsidiary of the Company. Icon is a wholly-owned subsidiary of Simsen International Corporation Limited, a company whose shares are listed on the Stock Exchange. Icon has nominated a director of Icon to the board of Skynet HK. Such director does not hold any shares in Icon as at the date of this announcement. So far as the Company is aware, such director is not a director nor a substantial shareholder of Simsen International Corporation Limited.

Save for by virtue of its interests in Skynet HK and save for the fact that Icon has nominated a director of Icon to the board of Skynet HK, Icon is independent of the directors, chief executive and substantial shareholders of the Company or its subsidiaries and/or their respective associates.

#### 4. THE DISPOSAL AGREEMENT

##### Date

5 March 2003

##### Parties

Purchaser:	Cyber Network Technology Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of New World CyberBase Limited whose shares are listed on the Stock Exchange
Vendor:	Qantex Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Skynet HK



Guarantor:                      The Company

*Notes:*

- (a) Mr. Lo Lin Shing, Simon (“Mr. Lo”) is a director of the Purchaser, New World CyberBase Limited and COA. As at the date of this announcement, Mr. Lo is indirectly interested in approximately 0.19% of the issued share capital of Dong Fang Gas Holdings Limited (a controlling shareholder of the Company holding an indirect interest of approximately 36.54% in the Company) through Manful Star Group Limited, a company beneficially and wholly owned by him. Mr. Lo is also the sole ultimate beneficial owner of Hidden, which holds the Hidden Securities. Hidden has the right to require the Company to issue Skynet Shares to it pursuant to an option deed dated 15 May 2000. As at the date of this announcement, Golden Infinity Co., Ltd., a company beneficially and wholly owned by Mr. Lo, owns an approximately 31% equity interest in Asia Logistics Technologies Limited, the single largest shareholder of New World CyberBase Limited holding an approximately 27.5% equity interest in New World CyberBase Limited. The Purchaser is a wholly-owned subsidiary of New World CyberBase Limited. Save as aforesaid, Mr. Lo does not have any other shareholding in the Company, COA and New World CyberBase Limited as at the date of this announcement.
- (b) Mr. Choi Wing Kin is a director of COA and the Guarantor and the principal consultant of New World CyberBase Limited. As at the date of this announcement, Mr. Choi Wing Kin is interested in 144,000 shares in New World CyberBase Limited and does not hold any shares in the Company and COA.
- (c) Mr. Wu Wing Kin is a director of COA, the Vendor and the Guarantor. He does not hold any shares in the Company, COA and New World CyberBase Limited as at the date of this announcement.
- (d) Mr. Ng Wai Hung and Mr. Cheung Hon Kit are independent non-executive directors of both the Guarantor and COA. They do not hold any shares in the Company, COA and New World CyberBase Limited as at the date of this announcement.
- (e) Mr. Lo Chi Ho, William, a director of the Guarantor, is interested in (1) options of the Company carrying right to subscribe for 50 million Skynet Shares at HK\$0.039 per Skynet Share and (2) 1,562,500 COA Shares as at the date of this announcement. Save as aforesaid, Mr. Lo Chi Ho, William does not have any other shareholding in the Company, COA and New World CyberBase Limited as at the date of this announcement.

Save as disclosed above, each of the Purchaser and New World CyberBase Limited and their respective associates is an independent third party not connected with any of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates.

Save as disclosed above, each of the Purchaser and New World CyberBase Limited and their respective associates does not hold any shares in the Company as at the date of this announcement.

### **Assets disposed**

The Vendor has agreed to sell, and the Purchaser has agreed to purchase 22,868,656 COA Shares, representing the entire interest in COA held by the Group, subject to and upon the terms and conditions of the Disposal Agreement. The COA Sale Shares represent approximately 27.50% of the issued share capital of COA at the date of the Disposal Agreement.

### **Consideration**

The consideration for the sale and purchase of the COA Sale Shares shall be the sum of HK\$1,676,272, equivalent to approximately HK\$0.0733 per COA Share payable in cash. The full amount of the consideration shall be paid at completion of the Disposal Agreement.

The consideration was negotiated on an arm's length basis between the Vendor and the Purchaser with reference to the average closing price of the COA Shares for the 30 trading days immediately prior to the date of the Disposal Agreement.

The price of HK\$0.0733 per COA Share represents:

- (i) a discount of approximately 16.7% to the closing price of the COA Shares of HK\$0.088 on the date of the Disposal Agreement;
- (ii) is equivalent to the average of the daily closing prices of the COA Shares of approximately HK\$0.0733 for the 30 trading days immediately prior to the date of the Disposal Agreement;
- (iii) a discount of approximately 7.2% to the average of the daily closing prices of the COA Shares of HK\$0.079 for the 10 trading days ended on the date of this announcement; and
- (iv) a discount of approximately 18.6% to the closing price of the COA Shares of HK\$0.09 on the date of this announcement.

### **Conditions to the Disposal Agreement**

The Disposal Agreement is conditional upon:

- (1) the passing by the Skynet Shareholders at the Special General Meeting of an ordinary resolution to approve the Disposal Agreement;
- (2) there being no material breach of the warranties given by the Vendor in respect of (a) the title of the COA Sale Shares; (b) the Vendor's capacity to enter into the Disposal Agreement; (c) the percentage of the issued share capital of COA which the COA Sale Shares represent; and (d) the legal status of the COA Sale Shares; and
- (3) each of the other Agreements becoming unconditional.

The Purchaser (but not the Vendor) shall be entitled at its absolute discretion to waive compliance with condition (2) above by giving written notice to that effect to the Vendor.

If any of the above conditions has not been satisfied or waived on or before 30 June 2003 or such later date as the Vendor and the Purchaser may agree in writing, the Disposal Agreement shall be terminated and neither party thereto shall have any obligations and liabilities thereunder save for any antecedent breach of the terms thereof.

### **Completion**

Upon compliance with or fulfillment of all the conditions set out in the Disposal Agreement, completion of the Disposal Agreement shall take place contemporaneously with completion of the other Agreements.

Completion of the Disposal is subject to the Scheme becoming effective.

### **Further information about COA**

COA is an investment holding company incorporated in the Cayman Islands on 14 April 2000 and its shares are listed on GEM since 31 July 2000. The principal activities of the COA Group are

content service, broadband, wireless, multimedia application products, application solutions, network solutions and project services in the area of broadband, wireless, multimedia and Internet applications. The COA Group commenced developing and constructing the infrastructure of the website hkcyber.com in March 1999. The place of operation of COA is Hong Kong.

To the best knowledge of the Directors, Qantex was at the date of the Disposal Agreement and is at the date of this announcement, the only direct substantial shareholder of COA.

The audited consolidated net tangible liabilities of COA as at 31 March 2002 amounted to approximately HK\$14.9 million. For the two years ended 31 March 2001 and 31 March 2002, the audited consolidated loss before taxation of COA amounted to approximately HK\$87.3 million and HK\$117.0 million respectively. For the same periods, the audited consolidated loss after taxation and minority interest of COA amounted to approximately HK\$87.3 million and HK\$117.0 million respectively.

The unaudited consolidated net tangible liabilities of COA as at 30 September 2002 amounted to approximately HK\$96.4 million. For the six months ended 30 September 2002, both the unaudited consolidated loss before taxation and unaudited consolidated loss after taxation and minority interest of COA amounted to approximately HK\$10.6 million.

The investment in COA is accounted in the financial statement of the Group under equity method.

### **Reasons for the Disposal and use of proceeds**

The Group is principally engaged in the import and sale of marble and granite products and investment in Internet operations. The Directors consider that the Disposal is part of the Group's continued cost control measure through disposing certain non-core operation which will be beneficial to the Company and its shareholders as a whole.

It is intended that the estimated net proceeds from the Disposal of approximately HK\$1.6 million will be used for general working capital of the Newco Group to support its on-going operation and as at the date of this announcement, there is no specific intended use of the net proceeds of the Disposal.

Upon completion of the Disposal, a gain of approximately HK\$1.7 million will be recognized without taking into account the estimated expenses in relation to the Disposal. The gain from the Disposal is expected to be recognized in the financial year ending 31 March 2004, in which completion of the Disposal Agreement is expected to take place.

### **General**

The Disposal constitutes a major transaction of the Company under the Listing Rules and is subject to the approval of the Skynet Shareholders. Since so far as is known to the Directors, no Skynet Shareholder has a different interest in the Disposal from other Skynet Shareholders, all Skynet Shareholders will accordingly be eligible to vote at the Special General Meeting to consider and, if thought fit, approve the Disposal Agreement.

## 5. SHAREHOLDING STRUCTURE OF THE COMPANY AND NEWCO (IN THE EVENT OF COMPLETION OF THE PROPOSAL)

The following sets out the existing shareholdings of the Company and the shareholdings of Newco after the implementation of the Proposal, based on an exchange ratio of one Newco Share for every 40 existing Skynet Shares under the Scheme:

Shareholders	Existing shareholdings of the Company		Immediately following the issue of Newco Shares to the Subscriber and the Skynet Shareholders after completion of the Scheme and the Subscription Agreement (but before conversion of the Newco Notes)		Immediately following full conversion of the Newco Notes (assuming conversion at the Initial Fixed Conversion Price)	
	Number of Skynet Shares	% (approximately)	Number of Newco Shares	% (approximately)	Number of Newco Shares	% (approximately)
Companion	1,646,901,735	36.54	41,172,543	1.00	41,172,543	0.89
Subscriber	0	0	4,000,000,000	97.26	4,500,000,000	97.56
Other public shareholders	2,860,198,222	63.46	71,504,955	1.74	71,504,955	1.55
Total	<u>4,507,099,957</u>	<u>100.00</u>	<u>4,112,677,498</u>	<u>100.00</u>	<u>4,612,677,498</u>	<u>100.00</u>

The Subscriber does not intend to exercise its right under section 103 of the Companies Act to compulsorily acquire any Newco Shares not already owned by it.

## 6. FINANCIAL POSITION OF THE GROUP

The Group is principally engaged in the import and sale of marble and granite products and investment in Internet operation.

The following table sets out a summary of the audited consolidated results of the Company for the two years ended 31 March 2002 and the unaudited consolidated results of the Company for the six months ended 30 September 2002:

	For the six months ended 30 September 2002	For the year ended 31 March 2002	2001 (audited and restated)
	(unaudited) HK\$'000	(audited) HK\$'000	HK\$'000
Turnover	42,764	46,644	336,540
Loss before taxation	(118,585)	(219,053)	(668,287)
Loss after taxation and minority interests	(115,189)	(190,441)	(644,693)

*Note:* The financial results for the year ended 31 March 2001 had been restated, due to the Group's adoption of a number of revised and new Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants.

The audited consolidated net tangible liabilities of the Company were approximately HK\$8.1 million as at 31 March 2002. The unaudited consolidated net tangible liabilities of the Company were approximately HK\$123.3 million as at 30 September 2002.

The audited consolidated net tangible liabilities per Skynet Share of the Company was approximately HK\$0.002 as at 31 March 2002. The unaudited consolidated net tangible liabilities per Skynet Share of the Company was approximately HK\$0.027 as at 30 September 2002.

## **7. REASONS FOR THE PROPOSAL**

The Directors expect that the estimated net proceeds from the Subscription of HK\$42.6 million (of which HK\$15 million each, hence, HK\$30 million in aggregate, will be used for payment to Lombard and Hidden respectively pursuant to the Restructuring Agreements) and the estimated net proceeds from the Disposal of approximately HK\$1.6 million, as part of the Proposal, will assist the Group in improving its cash flow position. In addition, the Directors consider that the Proposal will also enable the Group to dismiss the Petition. The Directors consider that the Proposal is beneficial to the Company and its shareholders as a whole.

Upon completion of the Proposal, a gain of approximately HK\$76.2 million (being approximately HK\$74.5 million from the transactions contemplated under the Restructuring Agreements and approximately HK\$1.7 million from the Disposal) will be recognized without taking into account the estimated expenses in relation to the Proposal and based on the unaudited consolidated balance sheet of the Company as at 30 September 2002. The gain from the Proposal is expected to be recognised in the financial year ending 31 March 2004, in which the completion of the Proposal is expected to take place.

## **8. INFORMATION ABOUT NEWCO**

BCD (Holdings) Limited is an exempted company incorporated in Bermuda on 12 February 2003 with limited liability and will become the ultimate holding company of the Company upon the Scheme becoming effective.

Authorised share capital	:	HK\$100,000 divided into 10,000,000 Newco Shares
Issued share capital	:	10,000,000 Newco Shares (nil paid and held by the Company)
Principal business	:	Investment holding

At completion of the Subscription Agreement, the 10,000,000 nil-paid Newco Shares will be transferred to the Subscriber and 3,990,000,000 new Newco Shares will be issued and allotted to the Subscriber.

As at the date of this announcement, Newco does not have any other assets or liabilities.

## **9. INFORMATION ABOUT THE SUBSCRIBER**

The Subscriber is a company incorporated in the British Virgin Islands on 3 July 2002.

The Subscriber is wholly and beneficially owned by Mr. Li Wing Sang. Mr. Li, aged 45, is a Hong Kong permanent resident. He has over 20 years' experience in the trading of electrical appliances

and housewares. He also has over 10 years' experience in food processing business and operates several restaurants in Hong Kong.

## **10. INTENTION OF THE SUBSCRIBER**

Following the completion of the Proposal, the Subscriber intends to continue the existing businesses of the Newco Group. The Subscriber will conduct a review on the financial position and operations of the Newco Group and will formulate long-term business plans and strategy of the Newco Group, explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Newco Group. Should such disposals and/or acquisitions materialize, further announcement will be made in accordance with the Listing Rules.

**The Stock Exchange has stated that, if Newco is and remains listed on the Stock Exchange, the Stock Exchange will also closely monitor all future asset disposals or asset acquisitions by the Newco Group. The Stock Exchange has the discretion to require Newco to issue an announcement and/or a circular to the shareholders of Newco irrespective of the size of the proposed transaction, particularly where such proposed asset disposals or asset acquisitions represent a departure from the principal activities of the Newco Group. The Stock Exchange also has the power to aggregate a series of asset disposals or asset acquisitions by the Newco Group and any such transactions may result in Newco being treated as a new listing applicant and subject to the requirements for new listing applicants as set out in the Listing Rules.**

**The Subscriber has undertaken to the Stock Exchange that, for so long as the Newco Shares remain listed on the Stock Exchange, it will not for a period of 12 months following the date on which the Newco Shares are first listed on the Stock Exchange inject its assets or businesses into Newco. However, Newco is not restricted from acquiring any suitable assets or businesses from independent third parties when the board of directors of Newco (which acts in the interests of Newco and its shareholders) thinks appropriate and justifiable and will comply with applicable Listing Rules.**

### **Proposed board composition of Newco**

The current board of Directors comprises four executive Directors, Messrs. Lo Chi Ho, William, Choi Wing Kin, Wu Wing Kin and To Chi and two independent non-executive Directors, Messrs. Cheung Hon Kit and Ng Wai Hung. The Subscriber intends that upon completion of the Proposal, there will be a change in the composition of the board under which all existing Directors will resign and new directors will be appointed by the Subscriber to control the board of Newco. However, the composition of the future board of directors of Newco has not yet been finalised at this stage and further announcement in this regard will be made when appropriate.

## **11. LISTING STATUS OF THE COMPANY AND NEWCO**

Newco will apply to the Stock Exchange for the listing of Newco and for the listing of and permission to deal in the Newco Shares currently in issue and those to be issued pursuant to the Scheme and the Subscription Agreement and upon the conversion of the Newco Notes. The Company will apply to the Stock Exchange for the de-listing of its shares simultaneously in accordance with the requirements under the Listing Rules. Further announcement in relation to the timetable of the Scheme will be made when appropriate.



It is the intention of the Subscriber to maintain the listing status of Newco on the Stock Exchange after the completion of the Proposal.

Rule 8.08 of the Listing Rules requires that at least 25% of the issued share capital of Newco from time to time are held by the public and that failure to do so may result in the Stock Exchange not granting a listing approval to the Newco Shares or if the public float drops below 25% of the issued share capital of Newco after its listing, suspending trading in the Newco Shares.

The Subscriber has undertaken to Newco and the Stock Exchange to arrange the placing of such Newco Shares to independent third parties as is necessary to comply with the public float requirement as prescribed under Rule 8.08 of the Listing Rules before the listing and trading of the Newco Shares shall commence.

**The Stock Exchange has indicated that it will closely monitor trading in the Newco Shares if, after listing of the Newco Shares has commenced, less than 25% of the issued Newco Shares are held by the public. If the Stock Exchange believes that:**

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

**then it will consider exercising its discretion to suspend trading in the Newco Shares.**

## **12. SUSPENSION AND RESUMPTION OF TRADING IN THE SKYNET SHARES**

At the request of the Company, trading in the Skynet Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 6 March 2003 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Skynet Shares on the Stock Exchange with effect from 9:30 a.m. on Wednesday, 7 May 2003 following the publication of this announcement.

Skynet Shareholders should note that completion of the Proposal is subject to a number of conditions precedent including the granting of the listing of the Newco Shares in issue and to be issued under the Subscription and the Scheme and upon conversion of the Newco Notes by the Stock Exchange. As at the date of this announcement, the Company has not applied to the Stock Exchange or received any approval from the Stock Exchange in respect of the listing of the Newco Shares as described. The release of this announcement does not in any way imply that the Proposal will be completed and implemented.

**Skynet Shareholders and potential investors of the Company should exercise extreme caution when dealing in the Skynet Shares.**

## **13. GENERAL**

Kim Eng Capital (Hong Kong) Limited, a deemed licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), has been appointed financial adviser to the Company. REXCAPITAL (Hong Kong) Limited has been appointed financial adviser to the Subscriber. An independent board committee of the Company will be established to consider the Scheme and the Subscription and an independent financial adviser will be appointed to advise the independent board committee of the Company on whether it considers the Scheme and the

Subscription to be fair and reasonable. An announcement will be made as soon as possible once the appointment of the independent financial adviser is made as required by the Takeovers Code.

A shareholders' circular containing details of the Proposal, the opinion of the independent board committee and the advice of the independent financial adviser to the independent board committee in respect of the Scheme and the Subscription and notices of the Special General Meeting and the Court Meeting will be despatched to the Skynet Shareholders as soon as practicable.

## DEFINITION

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

“Agreements”	the Subscription Agreement, the Restructuring Agreements and the Disposal Agreement
“associate(s)”	shall have the meaning ascribed to it in the Listing Rules
“COA”	Cyber On-Air Group Company Limited, a company incorporated in the Cayman Islands on 14 April 2000 with limited liability, the shares of which are listed on GEM. Qantex Limited, a wholly owned subsidiary of Skynet HK, was a substantial shareholder of COA and held approximately 27.50% of the issued share capital of COA prior to the entering into of the Disposal Agreement.
“COA Group”	COA and its subsidiaries
“COA Sale Shares”	the 22,868,656 COA Shares representing approximately 27.50% of the issued share capital of COA as at the date of the Disposal Agreement, to be sold by Qantex Limited and purchased by Cyber Network Technology Limited pursuant to the Disposal Agreement
“COA Shares”	ordinary shares of HK\$0.01 each in the capital of COA
“Companies Act”	the Companies Act 1981 of Bermuda
“Companion”	Companion Building Material (Holdings) Limited, a company incorporated in Hong Kong with limited liability and a controlling shareholder holding approximately 36.54% of the issued share capital of the Company at the date of this announcement. Companion is an indirect wholly-owned subsidiary of Dong Fang Gas Holdings Limited, a company whose shares are listed on the Stock Exchange. Mr. Ng Wai Hung, an independent non-executive director of the Company, is also an independent non-executive director of Dong Fang Gas Holdings Limited.
“Company”	Skynet (International Group) Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“connected person”	shall have the meaning ascribed to it in the Listing Rules
“Court”	the Supreme Court of Bermuda

“Court Meeting”	a meeting of the members of the Company convened by order of the Court under section 99 of the Companies Act to consider and, if thought fit, approve the Scheme
“CP Share(s)”	convertible, cumulative, redeemable, participative and preferred share(s) of HK\$0.10 each in the capital of Skynet HK
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of COA Sale Shares by Qantex Limited, a wholly-owned subsidiary of Skynet HK, to Cyber Network Technology Limited pursuant to the Disposal Agreement
“Disposal Agreement”	the conditional sale and purchase agreement dated 5 March 2003 entered into between Qantex Limited, Cyber Network Technology Limited and the Company in relation to the Disposal
“Fixed Conversion Price”	the Initial Fixed Conversion Price after adjustment (if any)
“GEM”	the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hidden”	Hidden Advantage Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is indirectly wholly-owned by Mr. Lo Lin Shing, Simon. Mr. Lo is independent of and not connected with the directors, chief executive and substantial shareholders of the Company or its subsidiaries and/or their respective associates. Save for the approximately 2.20% interest in Skynet HK (as a percentage of the aggregate number of ordinary shares in Skynet HK and CP Shares currently in issue) held by Hidden which can be converted into Skynet Shares, Hidden is not a shareholder of the Company as at the date of this announcement.
“Hidden Prior Agreements”	previous agreements entered into between the Company, Hidden, Skynet HK, Lombard, Gold Cloud Agents Limited (currently an indirectly 99% owned subsidiary of the Company), Saxophone Enterprises Limited (currently a wholly-owned subsidiary of the Company) and/or Icon Master Enterprises Limited (another shareholder of Skynet HK), pursuant to which, amongst others, Hidden acquired the Hidden Securities
“Hidden Restructuring Agreement”	the restructuring agreement dated 5 March 2003 entered into between Newco, Skynet HK, the Company and Hidden
“Hidden Securities”	1,091,545 ordinary shares of HK\$1.00 in the capital of Skynet HK, representing approximately 5.16% of the aggregate number of ordinary shares in Skynet HK and CP Shares in issue as at the date of this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Initial Fixed Conversion Price”	HK\$0.01 per Newco Share
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lombard”	Lombard Asian Private Investment Company LDC., a company incorporated in the Cayman Islands with limited liability and a private equity investment fund managed by Lombard/APIC (HK) Limited with a principal objective of making direct, long term investments in established Asian companies. Save for the interest in 671,651 CP Shares which can be converted into ordinary shares in Skynet HK and Lombard’s right to require the Company to issue Skynet Shares to it, Lombard does not hold any shares in the Company. Each of Lombard and its ultimate beneficial owners is independent of the directors, chief executive and substantial shareholders of the Company or its subsidiaries, and/or their respective associates.
“Lombard Prior Agreements”	prior agreements entered into between the Company, Lombard, Skynet HK, Hidden, two subsidiaries of the Company and/or another shareholder of Skynet HK pursuant to which, amongst others, Lombard was issued the Lombard Securities
“Lombard Restructuring Agreement”	the restructuring agreement dated 5 March 2003 entered into between Newco, Skynet HK, the Company and Lombard
“Lombard Securities”	671,651 CP Shares
“Newco”	BCD (Holdings) Limited, an exempted company incorporated in Bermuda on 12 February 2003 with limited liability and, if the Scheme becomes effective, the ultimate holding company of the Company
“Newco Group”	Newco and its subsidiaries including the Group, if the Proposal is completed
“Newco Notes”	the series of three per cent. convertible loan notes in the denomination of HK\$500,000 each and in the aggregate principal amount of HK\$5 million to be issued by Newco to the Subscriber pursuant to the Subscription Agreement
“Newco Share(s)”	share(s) of HK\$0.01 each in the capital of Newco
“Petition”	the winding up petition HCCW 1197 of 2002 issued by Lombard against the Company filed on 30 October 2002
“PRC”	the People’s Republic of China
“Proposal”	the Scheme, the Subscription, the Restructuring Agreements and the Disposal
“Restructuring Agreements”	the Lombard Restructuring Agreement and the Hidden Restructuring Agreement

“Scheme”	the scheme of arrangement under section 99 of the Companies Act between the Company and Skynet Shareholders
“SFC”	the Securities and Futures Commission of Hong Kong
“Skynet HK”	Skynet Limited, a company incorporated in Hong Kong with limited liability and an indirectly approximately 68.93% owned subsidiary of the Company. As at the date of this announcement, there are 20,476,233 ordinary shares of HK\$1.00 each in the capital of Skynet HK and 671,651 CP Shares in issue.
“Skynet HK Group”	Skynet HK and its subsidiaries
“Skynet Share(s)”	share(s) of HK\$0.02 each in the capital of the Company
“Skynet Shareholder(s)”	holder(s) of Skynet Share(s)
“Special General Meeting”	a special general meeting of the Company to be convened to consider and, if thought fit, approve, amongst other things, matters in relation to the Proposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Monetary Success Investments Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. Li Wing Sang. As at the date of this announcement, the Subscriber and parties acting in concert with it are not interested in any securities of the Company.
“Subscription”	the subscription of the Newco Shares and the Newco Notes by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional agreement dated 5 March 2003 entered into between Newco, the Company and the Subscriber in relation to the Subscription as amended by a supplemental subscription agreement dated 6 May 2003 entered into between the same parties
“substantial shareholder(s)”	shall have the meaning ascribed to it in the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

Unless otherwise specified in this announcement, amounts denominated in US\$ have been translated, for the purpose of illustration, into HK\$ at rate of US\$1.0=HK\$7.80.

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

By order of the board of  
**Monetary Success Investments Limited**  
**Li Wing Sang**  
*Director*

Hong Kong, 6 May 2003

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

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

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