

The directors present their annual report and the audited financial statements of Skynet (International Group) Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 March 2004.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 28 and 18 respectively to the financial statements.

RESULTS

The results of the Group for the year ended 31 March 2004 are set out in the consolidated income statement on page 14.

The directors do not recommend the payment of a final dividend for the year ended 31 March 2004 (2003: nil).

SHARE CAPITAL

Details of the share capital of the Company are set out in note 22 to the financial statements. There were no movements in share capital of the Company during the year.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

There has been no purchase, redemption or sale of shares of the Company by the Company or any of its subsidiaries during the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2004, the aggregate turnover attributable to the Group's five largest customers accounted for 100% of the Group's total turnover of which the largest customer accounted for approximately 57%. The Group has less than five suppliers. The aggregate purchase attributable to the Group's largest supplier accounted for 100% of the Group's total purchase.

At 31 March 2004, Mr. Cheung Hon Kit, a director of the Company, had a beneficial interest in one of the five largest customers of the Group. All transactions between the Group and the customer concerned were carried out on normal commercial terms.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Choi Wing Kin
Mr. Wu Wing Kin
Mr. To Chi

Non-executive director:

Mr. Lo Chi Ho, William (ceased to be an executive director and became a non-executive director on 2 March 2004)

Independent non-executive directors:

Mr. Cheung Hon Kit
Mr. Ng Wai Hung

Under the provisions of the Company's Bye-Laws, Messrs. Choi Wing Kin and Lo Chi Ho, William will retire from the board at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The term of office for the independent non-executive directors is the period up to their retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

At 31 March 2004, the following director held interests in the shares of Cyber On-Air Group Company Limited ("COA"), an approximately 27.50% owned associate of the Group, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Future Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, as follows:

Name of director	Capacity	Number of issued ordinary shares held
Lo Chi Ho, William	Beneficial owner	1,562,500 ordinary shares of HK\$0.01 each

Other than as disclosed above and as disclosed in the section headed "Share options" below, none of the directors nor their associates had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporations as at 31 March 2004.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 23 to the financial statements.

The following table discloses details of the Company's share options held by directors and movements in such holdings during the year:

Director	Date granted	Exercise price per share HK\$	Exercisable period	At 1.4.2003	Lapsed during the year	At 31.3.2004
Lo Chi Ho, William	14 February 2001	0.039	15 February 2001 to 14 February 2004	<u>50,000,000</u>	<u>(50,000,000)</u>	<u>–</u>

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed in the section headed "Share options" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2004, the following persons had an interest in the shares or underlying shares of the Company as recorded in the register of substantial shareholders required to be kept under Section 336 of the SFO:

Long position in ordinary shares of HK\$0.02 each of the Company

Name	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
China Strategic Holdings Limited	Interest held by controlled corporation	1,025,701,735 (Note 1)	22.76%
China Strategic (B.V.I.) Limited	Interest held by controlled corporation	1,025,701,735 (Note 1)	22.76%
Great Joint Profits Limited	Interest held by controlled corporation	1,025,701,735 (Note 1)	22.76%
Pacific Century Premium Developments Limited (formerly known as Dong Fang Gas Holdings Limited) ("PCPD")	Interest held by controlled corporation	1,025,701,735 (Note 1)	22.76%
Companion Building Material (BVI) Limited	Interest held by controlled corporation	1,025,701,735 (Note 1)	22.76%
Companion Building Material (Holdings) Limited ("CBM")	Beneficial owner	1,025,701,735 (Note 2)	22.76%
Chan Kwok Keung Charles	Interest held by controlled corporation	164,667,749,935 (Note 3)	3653.52%
Ng Yuen Lan Macy	Interest held by spouse	164,667,749,935 (Note 3)	3653.52%
Chinaview International Limited	Interest held by controlled corporation	164,667,749,935 (Note 3)	3653.52%
Galaxyway Investments Limited	Interest held by controlled corporation	164,667,749,935 (Note 3)	3653.52%
ITC Corporation Limited	Interest held by controlled corporation	164,667,749,935 (Note 3)	3653.52%
ITC Investment Holdings Limited	Interest held by controlled corporation	164,667,749,935 (Note 3)	3653.52%
Hollyfield Group Limited	Interest held by controlled corporation	164,667,749,935 (Note 3)	3653.52%
Paul Y. – ITC Construction Holdings Limited ("Paul Y")	Beneficial owner	164,667,749,850 (Note 3)	3653.52%
	Interest held by controlled corporation	85 (Note 3)	0.00%

Notes:

- As at 31 March 2004, (i) CBM was a wholly-owned subsidiary of Companion Building Material (BVI) Limited, which was in turn a wholly-owned subsidiary of PCPD; and (ii) PCPD was beneficially owned as to approximately 43.06% by Great Joint Profits Limited, which was in turn a wholly-owned subsidiary of China Strategic (B.V.I.) Limited, and China Strategic (B.V.I.) Limited was a wholly-owned subsidiary of China Strategic Holdings Limited. Accordingly, each of Companion Building Material (BVI) Limited, PCPD, Great Joint Profits Limited, China Strategic (B.V.I.) Limited and China Strategic Holdings Limited was deemed to be interested in 1,025,701,735 shares of the Company held by CBM.
- The Company had received corporate substantial shareholder notice from Tai Fook Securities Group Limited in respect of its interest in 1,018,836,735 shares of the Company. As at 31 March 2004, such shares were kept in the margin account of CBM maintained with Tai Fook Securities Company Limited, and Tai Fook Securities Company Limited was a wholly-owned subsidiary of Tai Fook Finance Company Limited, which was in turn a wholly-owned subsidiary of Tai Fook (BVI) Limited, and Tai Fook (BVI) Limited was a wholly-owned subsidiary of Tai Fook Securities Group Limited.
- On 1 April 2004, the Company received corporate or individual substantial shareholder notices from Mr. Chan Kwok Keung Charles, Ms. Ng Yuen Lan Macy, Chinaview International Limited, Galaxyway Investments Limited, ITC Corporation Limited, ITC Investment Holdings Limited, Hollyfield Group Limited and Paul Y in respect of

their interest in the Company on 29 March 2004. As reported in the notices, Nation Cheer Investment Limited owned 85 shares of the Company and Paul Y, in its capacity as beneficial owner, was interested in 164,667,749,850 shares of the Company, which would be the aggregate number of shares (based on the existing shares of HK\$0.02 prior to the capital reorganisation as mentioned in the joint announcement dated 4 June 2004 ("Announcement") issued by the Company, Paul Y and ITC Corporation Limited) that would be issued to Paul Y upon completion of the Underwriting Agreement, the Acquisition Agreement and the Hidden Agreement (assuming no subscription of Offer Shares by the shareholders of the Company and before transferring shares of the Company to Wellington Equities Inc. pursuant to the Paul Y Hidden Agreement) and upon full conversion of the Facility Convertible Note. Completion of the Underwriting Agreement, the Acquisition Agreement and the Hidden Agreement and the issue of the Facility Convertible Note are subject to a number of conditions. Details of the aforesaid transactions are set out in the Announcement. Terms used in this paragraph, unless otherwise defined, have the same meaning as defined in the Announcement.

As at 31 March 2004, Nation Cheer Investment Limited was a wholly-owned subsidiary of Paul Y. – ITC Investments Group Limited, which was in turn a wholly-owned subsidiary of Paul Y. – ITC Construction Holdings (B.V.I.) Limited. Paul Y. – ITC Construction Holdings (B.V.I.) Limited was a wholly-owned subsidiary of Paul Y, which was owned as to approximately 55.06% by Hollyfield Group Limited. Hollyfield Group Limited was a wholly-owned subsidiary of ITC Investment Holdings Limited, which was in turn a wholly-owned subsidiary of ITC Corporation Limited. ITC Corporation Limited was owned as to approximately 33.58% by Galaxyway Investments Limited. Galaxyway Investments Limited was a wholly-owned subsidiary of Chinaview International Limited, which was in turn wholly owned by Mr. Chan Kwok Keung Charles. Accordingly, each of Hollyfield Group Limited, ITC Investment Holdings Limited, ITC Corporation Limited, Galaxyway Investments Limited, Chinaview International Limited, Mr. Chan Kwok Keung Charles and Ms. Ng Yuen Lan Macy (the spouse of Mr. Chan Kwok Keung Charles) was deemed to be interested in the shares and underlying shares of the Company in which Paul Y or Nation Cheer Investment Limited was interested, and Paul Y was deemed to be interested in the shares of the Company owned by Nation Cheer Investment Limited.

Other than as disclosed above, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO disclosed no person as having a notifiable interest in the issued share capital of the Company as at 31 March 2004.

CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31 March 2004 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

By Order of the Board

To Chi

Executive Director

Hong Kong, 23 July 2004