

The Directors present their annual report and the audited financial statements for the year ended 31st March, 2003.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 13 and 15 to the financial statements respectively.

SUBSIDIARIES AND ASSOCIATES

Details of the Company's subsidiaries and of the Group's associates at 31st March, 2003 are set out in notes 13 and 15 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover during the year attributable to the Group's five largest customers accounted for 83.6% of the Group's turnover, of which 53.1% was attributable to the largest customer.

The aggregate purchases during the year attributable to the Group's five largest suppliers accounted for 76.7% of the Group's total purchases, of which 56.3% was attributable to the largest supplier.

Other than as disclosed above, at no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors own more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers or suppliers.

RESULTS

The results of the Group for the year ended 31st March, 2003 are set out in the consolidated income statement on page 23.

DIVIDEND

The Directors do not recommend the payment of a final dividend in respect of the year ended 31st March, 2003.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 68.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$6,539,000 on the acquisition of vehicles, furniture and equipment.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 10 to the financial statements.

SHARE CAPITAL, WARRANTS AND SHARE OPTIONS

Details of movements during the year in the share capital and details of warrants and the share option scheme of the Company are set out in notes 22, 23 and 24 to the financial statements respectively.

DIRECTORS

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

Executive Directors:

Mr. Cheung Wai Tung (*Chairman*)

Mr. Chu Bong Foo (*Vice-Chairman*)

Mr. Cheung Kam Shing, Terry (*Managing Director*)

Mr. Henry Chang Manayan

Mr. Wan Xiaolin (appointed on 1st July, 2002)

Independent Non-Executive Directors:

Mr. Lai Man To

Mr. Wang Tiao Chun

Ms. Juliet Wu

In accordance with Clauses 110(A) and 190(v) of the Company's Bye-Laws, Mr. Lai Man To and Ms. Juliet Wu will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

None of the Directors 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).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Cheung Wai Tung, aged 45, was appointed as the Chairman and Executive Director of the Company in December 1998 and is responsible for the corporate strategic planning and business development of the Group. Mr. Cheung holds a Bachelor of Arts degree in Accounts and Finance from Shanghai Maritime College, Shanghai, the PRC. Prior to joining the Group, he was representative and deputy chief executive officer of COSCO Group in Singapore and Hong Kong respectively.

Mr. Chu Bong Foo, aged 65, was appointed as Vice-Chairman and Executive Director of the Company in May 1999 and is responsible for the design and development of Chinese information infrastructure of the Group. Mr. Chu is the inventor of Changjie Index System and has been engaging in the development of Chinese character coding system over 20 years.

Mr. Cheung Kam Shing, Terry, aged 40, was appointed as the Managing Director of the Company in April 2000 and is responsible for the Group's investment planning and corporate development. Mr. Cheung holds degree of a Bachelor and Master degree in Economics from University of Hong Kong and University of London respectively. Prior to this appointment, Mr. Cheung has over 16 years of experiences in financial investment.

Mr. Henry Chang Manayan, aged 47, was appointed as Executive Director of the Company in September 1999. He is the Mayor of Milpitas, California, the USA and is the first Mayor of Asian ancestry ever elected in the City of Milpitas. He is also an attorney and business owner of a management consultancy firm. He was educated at Syracuse University, Oxford University (Great Britain), Yale-in-China College, Golden Gate University Graduate College of Banking and Finance and the University of Santa Clara School of Law, where he received his Juris Doctor. Mayor Manayan is the president and general counsel of Transpacific Capital Corporation, a finance and investment company. He also served as a board director, officer and legal counsel to several companies and organisation.

Mr. Wan Xiaolin, aged 45, joined the Group as General Manager in January 2000 and is responsible for the group administration, human resources and training, accounts and finance and information technology related management activities. Mr. Wan holds a Bachelor of Arts in Economics from Shanghai Maritime University, Shanghai, the PRC. Prior to joining the Group, he was general manager of China Merchants Transportation Group for finance and accounting division. Mr. Wan was appointed as Executive Director of the Company in July 2002.

Independent Non-Executive Directors

Mr. Lai Man To, aged 73, was appointed as an Independent Non-Executive Director of the Company in March 1999. Mr. Lai is a mechanical engineering specialist and has over 30 years of experience in finance and securities industry. Before his retirement in 1998, he has held various senior positions including senior manager of Sun Hung Kai Securities and chief executive officer of Cheerful (Holdings) Limited.

Mr. Wang Tiao Chun, aged 47, was appointed as an Independent Non-Executive Director of the Company in August 1999. Mr. Wang is currently holding various senior management positions in various companies in Taiwan.

Ms. Juliet Wu, aged 46, was appointed as an Independent Non-Executive Director of the Company in May 2001. Ms. Wu was the Managing Director & Vice President of TCL Holdings Co., Ltd. and General Manager of TCL Information Technology Industrial (Group) Company Ltd.

Senior Management

Mr. Feng Chia Chi, aged 38, joined the Group as Chief Engineer in May 1999 and is responsible for the design and development of the Chinese character embedded CPU project. Mr. Feng is one of Mr. Chu Bong Foo's dedicated disciples and has extensive experience in the field of hardware development.

Mr. Tang U Fai, aged 30, joined the Group as Technical Officer in May 2001 and is responsible for the design and development of SNIIC project and Chinese 2000 Network Computer project. Mr. Tang is one of Mr. Chu Bong Foo's dedicated disciples.

Ms. Lau Tien May, aged 49, joined the Group as Vice President in April 1999 and is responsible for the Group's corporate development and development of electronic publishing business. Ms. Lau has over 20 years of experience in publishing, advertising, public relations and corporate development.

Mr. Lee Kin Chung, Michael, aged 48, joined the Group as Vice President in June 1999 and is responsible for development and marketing of the Group's publishing business. Mr. Lee has over 20 years of experience in publication field and had involved in publication operation of various newspaper and magazine in Hong Kong.

Mr. Chan Chung Shing, Ricardo, aged 42, joined the Group as General Manager in June 2000 and is responsible for the overall development and operation of the Chinese 2000 Linux-based software business. Mr. Chan holds a Bachelor of Engineering Science degree from the University of Western Ontario, Canada.

Senior Management (continued)

Mr. Cheung Wai Keung, Cecil, aged 35, joined the Group in December 1998. He is the Group's Financial Controller and Company Secretary. He is an associated member of the Chartered Association of Certified Accountants.

Mr. Wong Shu Pui, aged 36, joined the Group as General Counsel in November 2000 and is responsible for all the legal matters of the Group.

SHARE OPTION SCHEME

The Company has terminated its share option scheme adopted on 15th June, 1993 (the "1993 Scheme") and adopted a new share option scheme (the "2002 Scheme") on its 2002 Annual General Meeting held on 21st August, 2002. No share option has been granted under the 2002 Scheme since its adoption.

Subsequent to the termination of the 1993 Scheme, no further options can be granted thereunder but in all other respects, the provisions of the 1993 Scheme shall remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance therewith. The total number of shares available for issue under the 1993 Scheme as at the date of the Annual Report is 50,600,000, representing approximately 1.68% of the issued share capital of the Company as of that date.

Particulars of the Company's share option schemes are set out in note 24 to the financial statements.

DIRECTORS' REPORT

■ CULTURECOM HOLDINGS LIMITED

Details of the movement of the share options granted to the Directors and employees of the Company under the 1993 Scheme during the year are as follows:

	Date of Grant	At 1st April, 2002	Number of share options			At 31st March, 2003	Exercise price per share HK\$	Exercisable Period
			Granted/ Exercised/ Lapsed/ Cancelled during the year	Transfer from other category during the year	Transfer to other category during the year			
(a) Directors								
Mr. Cheung Wai Tung	3rd March, 2000	4,565,000	–	–	–	4,565,000	1.680	3rd March, 2000 to 2nd March, 2010
Mr. Chu Bong Foo	(i) 27th August, 1999	10,000,000	–	–	–	10,000,000	0.264	27th August, 1999 to 26th August, 2009
	(ii) 3rd March, 2000	2,000,000	–	–	–	2,000,000	1.680	3rd March, 2000 to 2nd March, 2010
Mr. Cheung Kam Shing, Terry	3rd March, 2000	3,000,000	–	–	–	3,000,000	1.680	3rd March, 2000 to 2nd March, 2010
Mr. Henry Chang Manyan	(i) 27th August, 1999	2,000,000	–	–	–	2,000,000	0.264	27th August, 1999 to 26th August, 2009
	(ii) 3rd March, 2000	500,000	–	–	–	500,000	1.680	3rd March, 2000 to 2nd March, 2010
Mr. Wan Xiaolin	3rd March, 2000	–	–	1,000,000 <i>(note)</i>	–	1,000,000	1.680	3rd March, 2000 to 2nd March, 2010
(b) Employees	3rd March, 2000	28,535,000	–	–	1,000,000 <i>(note)</i>	27,535,000	1.680	3rd March, 2000 to 2nd March, 2010

Note: Mr. Wan Xiaolin joined the Group as General Manager in January 2000 and was granted options by the Company on 3rd March, 2000. He was appointed as Executive Director of the Company on 1st July, 2002 and his options were accordingly re-classified in the category of "Directors" during the year.

DIRECTORS' INTERESTS IN SECURITIES OF THE COMPANY

(A) Directors' interests in shares

As at 31st March, 2003, the interests of Directors in the shares of the Company as recorded in the register maintained under section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

THE COMPANY

Name of Director	Personal interests	Corporate interests	Total number of shares held
Mr. Cheung Wai Tung	10,000,000	–	10,000,000
Mr. Chu Bong Foo	219,314,000	122,872,000 (<i>note 1</i>)	342,186,000
Mr. Henry Chang Manayan	1,000,000	–	1,000,000
Mr. Wan Xiaolin	500,000	–	500,000

Note:

1. 122,872,000 shares were held by Bay-Club Enterprises Inc., which was beneficially owned by Mr. Chu Bong Foo.

(B) Directors' rights to acquire shares of the Company

As at 31st March, 2003, the interests of Directors in options of the Company under the Company's share option scheme adopted on 15th June, 1993 ("the 1993 Scheme") as recorded in the register maintained under section 29 of the SDI Ordinance were as follows:

THE COMPANY

Name of Director		Number of options	Exercise price HK\$	Exercisable period
Mr. Cheung Wai Tung	(i)	4,565,000 <i>(note 1)</i>	1.680	3rd March, 2000 to 2nd March, 2010
Mr. Chu Bong Foo	(i)	10,000,000 <i>(note 2)</i>	0.264	27th August, 1999 to 26th August, 2009
	(ii)	2,000,000 <i>(note 2)</i>	1.680	3rd March, 2000 to 2nd March, 2010
Mr. Cheung Kam Shing, Terry	(i)	3,000,000 <i>(note 3)</i>	1.680	3rd March, 2000 to 2nd March, 2010
Mr. Henry Chang Manayan	(i)	2,000,000 <i>(note 4)</i>	0.264	27th August, 1999 to 26th August, 2009
	(ii)	500,000 <i>(note 4)</i>	1.680	3rd March, 2000 to 2nd March, 2010
Mr. Wan Xiaolin	(i)	1,000,000 <i>(note 5)</i>	1.680	3rd March, 2000 to 2nd March, 2010

Notes:

- Pursuant to the 1993 Scheme, Mr. Cheung Wai Tung was granted options by the Company on 3rd March, 2000 to subscribe for 4,565,000 shares at the exercise price of HK\$1.680 per share for the exercisable period from 3rd March, 2000 to 2nd March, 2010.
- Pursuant to the 1993 Scheme, Mr. Chu Bong Foo was granted options by the Company (i) on 27th August, 1999 to subscribe for 10,000,000 shares at the exercise price of HK\$0.264 per share for the exercisable period from 27th August, 1999 to 26th August, 2009; and (ii) on 3rd March, 2000 to subscribe for 2,000,000 shares at the exercise price of HK\$1.680 per share for the exercisable period from 3rd March, 2000 to 2nd March, 2010.
- Pursuant to the 1993 Scheme, Mr. Cheung Kam Shing, Terry was granted options by the Company to subscribe for 3,000,000 shares at the exercise price of HK\$1.680 per share for the exercisable period from 3rd March, 2000 to 2nd March, 2010 upon his appointment as Managing Director of the Company on 1st April, 2000.

4. Pursuant to the 1993 Scheme, Mr. Henry Chang Manayan was granted options by the Company (i) on 27th August, 1999 to subscribe for 3,000,000 shares at the exercise price of HK\$0.264 per share for the exercisable period from 27th August, 1999 to 26th August, 2009; and (ii) on 3rd March, 2000 to subscribe for 500,000 shares at the exercise price of HK\$1.680 per share for the exercisable period from 3rd March, 2000 to 2nd March, 2010. Mr. Henry Chang Manayan exercised his options to subscribe for 1,000,000 shares at the exercise price of HK\$0.264 on 18th February, 2000.
5. Pursuant to the 1993 Scheme, Mr. Wan Xiaolin was granted options by the Company on 3rd March, 2000 to subscribe for 1,000,000 shares at the exercise price of HK\$1.680 per share for the exercisable period from 3rd March, 2000 to 2nd March, 2010.

Save as disclosed above, no Directors had exercised their options during the year and none of the Company's Directors or their associates had any personal, corporate or other interests in any securities of the Company as defined in the SDI Ordinance, and none of the Directors or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

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 31st March, 2003, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholder had an interest of 10% or more in the issued share capital of the Company:

Name	Number of shares held
Mr. Chu Bong Foo (<i>note 1</i>)	342,186,000

Note:

1. 122,872,000 shares out of the total 342,186,000 shares were held by Bay-Club Enterprises Inc. which was beneficially owned by Mr. Chu Bong Foo.

Other than as disclosed above, the Company had not been notified of any interests representing 10% or more of the issued share capital of the Company as at 31st March, 2003.

POST BALANCE SHEET EVENTS

Details of post balance sheet events are set out in note 35 to the financial statements.

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.

CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31st March, 2003 with those paragraphs of 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 except that the Independent Non-Executive Directors of the Company were appointed without specific term as they were subject to retirement by rotation in accordance with the Bye-laws of the Company.

AUDIT COMMITTEE

To comply with the revised Code of Best Practice, an audit committee was formed in March 1999 comprising two members, namely Messrs. Lai Man To and Wang Tiao Chun (the Independent Non-Executive Directors of the Company) to review the Group's financial reports and internal control.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

AUDITORS

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

On behalf of the Board



Cheung Wai Tung

Chairman

Hong Kong, 21st July, 2003