

RESULTS

The consolidated turnover of the Company and its subsidiaries for the year ended 31st March, 2001 amounted to HK\$88.6 million (2000: HK\$161.5 million) of which HK\$44.4 million (2000: HK\$122.9 million) was attributable to our publication business. Net loss attributable to shareholders, taking into account, taxation and minority interests, was HK\$59.5 million (2000: a profit of HK\$5.2 million). The loss per share was HK\$2.22 cents (2000: a profit of HK\$0.26 cents per share).

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend in respect of the year ended 31st March, 2001.

FOREWORD

After more than two years of dedicated efforts, Culturecom has successfully transformed itself into a technology company that devotes in the development of Chinese information infrastructure. Our aim is to establish a low spending multi-cultural network environment for the PRC and other developing countries. The first stage of our research and development has achieved remarkable results with technologies and products like automatic characters generation technology, Chinese character database chip, Chinese 2000 operating system, Chinese electronic books and will be launched into the markets by phases. As these technologies and products are integrated with over 20 years' dedicated research work of Mr. Chu Bong Foo, Vice-Chairman of the Group, therefore they can be used easily in Chinese and meet the demand of the Chinese regions.

BUSINESS REVIEW

Chinese 2000

Chinese 2000 is a Linux-based Chinese operating system. It can be operated in a Chinese environment regardless of any applications, operation and command and is user-friendly and fully functional. It comprises most of the functions used in offices, internet, graphics and design and multimedia; and it achieves satisfactory results in terms of compatibility. Chinese 2000 practically provides a cheaper choice for Chinese users. Hence, when it was announced in Beijing in February 2001 for its successful achievement in research and development, it arose wide attention within the country as well as abroad and reattaches the importance in the development of Linux. Thereafter, the launch of "SME Special Price Edition" in Hong Kong was warmly welcome by the market.

Chinese Electronic Books

The first stage of the research and development of Chinese electronic books was successfully completed with products to be launched into the market soon. Technologically speaking, Chinese electronic books have achieved a major breakthrough. As it adopts both the automatic characters generation technology and Chinese character database chip technology, it therefore requires very small memory space for generating thousands of traditional/simplified Chinese fonts. This facilitates the storage of huge volume of Chinese books at low costs. Culturecom will establish a joint venture company with the People's Education Press (人民教育出版社) and jointly launch the "e-Textbook v.1.0". By using "electronic textbook" to promote the development of Chinese information education and integrates it with information technology, it provides cheap electronic learning tools for over 200 million secondary and primary students in the PRC. In this co-operation, Culturecom provides electronic publishing technology and the People's Education Press (人民教育出版社) is responsible for course design and editing; and the joint venture company is responsible for selling and publishing of "electronic textbook". Furthermore, Culturecom will cooperate with The Universal Press Group, a renowned publisher for over 50 years in Hong Kong, for the joint development and promotion of electronic book and memory card.

Comic Business

Since its reorganization, the comic business is gradually moving towards multimedia development. With the Group's thirty years of comic library, we focus our development in operating the copyright business and work together with multimedia developers. In respect of comic publishing business, the re-editing of the "Dragon and Tiger Heroes" with Jade Dynasty Group has achieved satisfactory sales and revenue. The "Feel 100% II" movie version also received remarkable response. The computer game "Feel 100%" that was launched at the same period was deeply welcomed by teenagers. We have also digitalized the renowned comic stories and the progress is already half way done. Readers can view these stories through comic websites, VCD and CD-ROM.

Other Investments

At the same time, Culturecom is also investing in other technology businesses like "Q9 Chinese Input Method", "GlobalRes Digital Travel Platform" and "U.S. LifeTech Bio-technology" etc. Of these investments, Q9 Technology Holdings Limited was successfully listed in the Hong Kong Growth Enterprise Market in May 2001 and brings to the Group remarkable returns on investment. Hence, the Group will continue to seek potential relevant technology projects as strategic investments.

PROSPECTS

In order to popularize information technology, besides having inexpensive software, it also requires cheap hardware augmented with the provision of network application services. Hence, Culturecom has formulated a "Secure Numerical Internetwork Information Centre (SNIIC)" blueprint for establishing a comprehensive low spending and high quality information technology environment.

Culturecom will further its research and development in Chinese interface technology to enable Chinese 2000 become a highly efficient operating system for various computer equipment using Chinese to operate. The hardware includes network computers, Chinese electronic books developed by the Group itself; and other computer equipment like personal computers, personal digital assistants, computer games, intelligence appliances and mobile telephones.

Furthermore, Culturecom is actively developing the "Single Chip System" technology. By using one single chip, it is able to converge the central processing unit, operating system, random access memory, application software and large-scale Chinese character database together. By coping with the development of Single Chip System, Chinese 2000 will not only reduce the production cost and size of hardware, but will also closely link up various portable computer equipment with network services.

Hence, the "Network Computer", which is going to be launched soon by the Group, is principally adopting Chinese 2000 and the Single Chip System technologies. With the emerge of Network Computer, it will break the expensive computer culture and makes computers to become a truly low spending daily necessity.

Apart from obtaining personal desktop services through the "Secure Numerical Internetwork Information Centre (SNIIC)", users of Chinese 2000 or network computer can also carry out electronic communication, browsing websites and using all sorts of daily and professional Linux application software on SNIIC. Furthermore, the digital search technology provided by SNIIC can also be used to search different kinds of information by numeric number or characters.

We strongly believe that "Secure Numerical Internetwork Information Centre (SNIIC)" is a major reform in the development of Linux because it breaks the historical non-commercial value concept of Linux software. The purpose of setting up SNIIC is neither to establish another high spending software market nor to set up a free of charge Linux software market. Its objective is to build up a low spending, high quality and multi-cultural network environment and to provide an all around foundation technology, product and solution software that enable consumers to enjoy the benefits of inexpensive software, hardware and information content.

CONCLUSION/APPRECIATION

Since its development and particularly after its business restructuring, most of the business of the Group has been developed in accordance with the Chinese technological research and development strategies formulated by the Group and we are moving towards the vision of a comprehensive information infrastructure. The management believes in the next few years, the Group will enter its rewarding stage and expects the Group to achieve satisfactory returns in terms of revenues.

Finally, on behalf of the Board, I would like to express our sincere thanks to all shareholders, investors, business partners for their continuous support to the Group as well as their confidence on us. I would also like to take this opportunity to convey our heartiest gratitude to all management and staff for their dedicated works and valuable contributions in the past year and the year to come.



Cheung Wai Tung
Chairman

Hong Kong, 17th July, 2001