

## RESULTS

The consolidated turnover of the Company and its subsidiaries for the year ended 31st March, 2002 amounted to HK\$64.3 million (2001: HK\$88.6 million) of which HK\$57.4 million (2001: HK\$44.4 million) was attributable to the publication business and HK\$6.7 million (2001: Nil) was attributable to the information technology business. Net loss attributable to shareholders, taking into account, taxation and minority interests, was HK\$195.5 million (2001: HK\$111.8 million). The loss per share was HK7.18 cents (2001: HK4.18 cents per share).

## FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend in respect of the year ended 31st March, 2002.

## FOREWORD

As a technology company specializing in the development of Chinese information infrastructure, Culturecom strongly believes that “technologies, products and markets” are all indispensable. In the past four years, the Group has devoted in the research and development in its technologies and products, and has accomplished flourishing results. The time has come for Culturecom to step into the market and ripe for the fruitful returns.

## BUSINESS REVIEW

### Culturecom Chinese CPU

Using “Chinese Character Embedded CPU Technology” as core, the Group has completed the research and development work of Culturecom 1610 Processor, and adopted it as the core technology for the “PEC eTextbook”, which in turn enables the Group to explore the market of 240 million primary and secondary students in the mainland China jointly with The People’s Education Press. It is expected that the research and development work of Culturecom 3210 Processor will be completed in the second half of 2002, and will become the core technology of the “Chinese 2000 Network Computer” and “Secure Numerical Internetwork Information Centre (SNIIC)”. Thus, this will provide an inexpensive total solution of hardware and information services in the PRC.

### PEC eTextbook

After comparing and carrying out thorough studies in various aspects, The People’s Education Press has finally adopted to use the PEC eTextbook, the entire technology of which was developed by the Group. Both parties collaborate to continuously improve the functions of the PEC eTextbook through trial programs in schools. The price of the PEC eTextbook thus becomes affordable to the mainland students in primary and secondary schools. The first edition of the PEC eTextbook will be launched in the PRC market in the fall semester.

## Chinese 2000 Network Computer

The Chinese 2000 Network Computer Scheme comprises of three major architectures. Firstly, the terminal desktop operating hardware which includes Culturecom 3210 Processor, Linux Web O/S and Chinese browser; secondly, SNIIC which includes network application services, webbank, softbank, ePlatform, personalized database management and numerical search engine; thirdly, augmented by the Wireless Digital Direct Network ("WDDN") technology, it can provide high quality communication linking services. The Chinese 2000 Network Computer Scheme will be launched upon the completion of the research and development of Culturecom 3210 Processor. The Group plans to set up an experimental network for its Chinese 2000 Network Computer in the PRC in the third quarter of 2002. With the implementation of the Scheme, a total solution for web-based applications and services will be designed and developed, which will be affordable to average households in the PRC.

## Chinese 2000 Linux

The new version of Chinese 2000 Linux operating system is equipped with enhanced security features and intuitive graphics interface and is becoming more and more user-friendly. Together with the support of Red Hat Linux, Chinese 2000 Linux is bound to emerge as software comparable to international standards. Furthermore, the Group has jointly worked with RedFlag Software Technology Co., Ltd., a subsidiary of the Chinese Academy of Science, to develop the Chinese 2000 Red-Office software and it was successfully sold to the Beijing municipal government.

## Comic Business

As the comic business is becoming more and more successfully diversified, the Group will dedicate more efforts in developing the PRC comic market. The comics that have already been launched in the PRC include "Feel 100%" and "Chinese Hero". On the other hand, new comic creations like "Tiger Eleven", which set the local character and culture as the background, are designed to cater for the mainland readers. Furthermore, some of the comics published by the Group have been serialized in renowned newspapers, capturing millions of readers nationwide. In order to cope with the development of the rapidly growing comic industry in the PRC, the Group is planning to organize comic road shows and seminars in the PRC to attract a broader range of audience. Meanwhile, the Group is in discussion with different business partners in various multimedia projects, adopting its comics as themes for launching animations, movies, TV dramas, online and mobile games targeting at the PRC market.

## PROSPECTS

With its unique Chinese character processing technology, Culturecom expects to deliver a wide-range selection of low-cost, easy-to-learn and highly customized Chinese version products, thereby creating an inexpensive information environment among Chinese community through the actual introduction of these products into their families.

## CONCLUSION

Since its establishment, the Group has always been concentrating on its planned development strategies. Today, in view of our direct market expansion, we believe that greater opportunities come with greater challenges. On behalf of the Board, I hereby would like to extend my heartiest gratitude to all our shareholders and staff for their continuous support and dedication to the Group over the past year and in the years to come.



Cheung Wai Tung  
*Chairman*

Hong Kong, 16th July, 2002