

## RESULTS

The consolidated turnover of the Company and its subsidiaries for the year ended 31st March, 2003 amounted to HK\$59,138,000 (2002: HK\$64,338,000) of which HK\$55,539,000 (2002: HK\$57,635,000) was attributable to the publication business of the Group and HK\$3,599,000 (2002: HK\$6,703,000) was attributable to the information technology business of the Group. Net loss attributable to shareholders, taking into account, taxation and minority interests, was HK\$149,362,000 (2002: HK\$195,563,000). The loss per share was HK4.99 cents (2002: HK7.18 cents).

## FINAL DIVIDEND

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

## FOREWORD

By integrating the achievement of Mr. Chu Bong Foo's unrelenting efforts over dozens of years, the Group has successfully developed a unique, world-first CPU Chinese Character Generating Technology. This significant innovation brings forth a new scenario in offering a single solution to replace the proliferation in Chinese code processing which in turn would contribute to the unification of the Chinese culture. In addition, through an integration with the standard Linux system, this CPU technology has set for the IT sector a new industrial standard characterized by an absence of the Chinese character databank requirement, capability to promote multi-cultural developments and low production cost. This will engender a mass computer market at a price level affordable for societies in the East, thus creating a new technological system and environment for the IT industry. We aim to bring forth in societies in the East, and in particular the Chinese society, a new frontier for the IT industry where "Everyone can afford it, everyone can use it".

## BUSINESS REVIEW

### V-DRAGON CPU Mother Board

During the last year, the Group launched the V-DRAGON CPU, the first processor with Chinese Character Generating function, in collaboration with IBM which is responsible for production and provision of technological services. The V-DRAGON mother board has also launched during the year. Culturecom is presently holding discussions with various major IT enterprises in the mainland with a view to leveraging the V-DRAGON CPU mother board in providing a diversity of solutions in mobile computer products. Furthermore, the Group intends to capitalize on the cooperation between Chinese 2000 Group and Transmeta Corporation, a reputable chip manufacturer in the United States, to exploit Midori Linux in the research and development of a direct integration of the "Character Generating Technology CPU" and the "Linux Core System", with the aim of establishing a true Linux platform for mobile information products, particularly Chinese-language based information products. This will enhance the fostering of an industrial standard and environment where multi-cultural and inexpensive computer products are the norm. Research and development of the product series of V-DRAGON CPU mother board is now completed and the products are ready for market launch. The Group believes that the new product series would yield substantial returns in both the short and long terms. Moreover, as all significant research and development works have concluded, future efforts will be market-oriented. The Group is poised to reap returns from its past endeavours.

## Chinese 2000 Online – *COL eTown*

Taking into account of the current state of affairs of the Chinese IT industry, the Group has spent four years on the development and design of its “Secure Numerical Internetwork Information Centre” (“SNIIC”), and the overall network infrastructure is termed collectively as “eTown”. eTown offers a brand new mode in combining IT and network communication, thus offering an innovative approach in linking the IT sectors in cities and towns in the PRC. The eTown project is also thoroughly production-oriented in design. It is an electronic industry in itself. Each eTown is a distance information processing unit, giving full consideration to a “comprehensive network infrastructure, effective production tools, low-cost labour force and a sound management system”. Such a design brings forth an innovative processing model for achieving its set target. We believe that the first *COL eTown* will emerge in the PRC in the near future and will become another important source of revenue for the Group.

## ePublishing

Through a close cooperation with the People's Education Press, the Group's ePublishing business is actively penetrating into the Chinese education market. The “PEC eTextbook” and supplementary teaching material in electronic form have been launched to promote for the use by 240 million primary and secondary students in the PRC. The Group plans to enhance integration of its ePublishing with the V-DRAGON system technology to provide support to the People's Education Press in further development of and improvement of the functions of electronic textbooks.

## Comic Publishing

The comic business will continue to focus on development of diversified products and multimedia production. Expansion into the mainland market will be a prime objective. In terms of the theme and subject matter of comics, the Group has broken through past topics and concentrates on ones that are beneficial to the well-being of society and youths in particular, so that comics will be a healthy and educational media. The Group has successively rolled out such comics as “The Legend of Sun Yat Sen” and “Avalokitesvara”, both of which have won favorable comments from the educational and cultural sectors. These publications have also developed a new readership base for the Group. The success is so encouraging that we are making further efforts to seek out more themes with market potential for publication.

## PROSPECTS

During the past four years, as a technology development company undergoing transition in an extremely harsh economic environment, the Group has encountered numerous difficulties. Nevertheless, the Group adheres to its conviction steadfastly and has won industry recognition and established its reputation. After four years of efforts, the Group is embarking on a new milestone in its development. In its way forward, the Group will focus on market launch of its fruits of research instead of pure product research and development. This will mark the beginning of returns for the shareholders and the Company. I truly believe that with the continuation of the management team to uphold its usual high standard and principles, in being open-minded and exercising discretion where necessary, we can create for societies in the East, and the Chinese society in particular, a pluralistic and affordable IT industrial standard and engender a mass market for inexpensive network products. We will set a new corporate standard in the profit-oriented business environment of Hong Kong by being a commercial enterprise that focuses on technological innovation and cultural value.



**Cheung Wai Tung**

*Chairman*

Hong Kong, 21st July, 2003