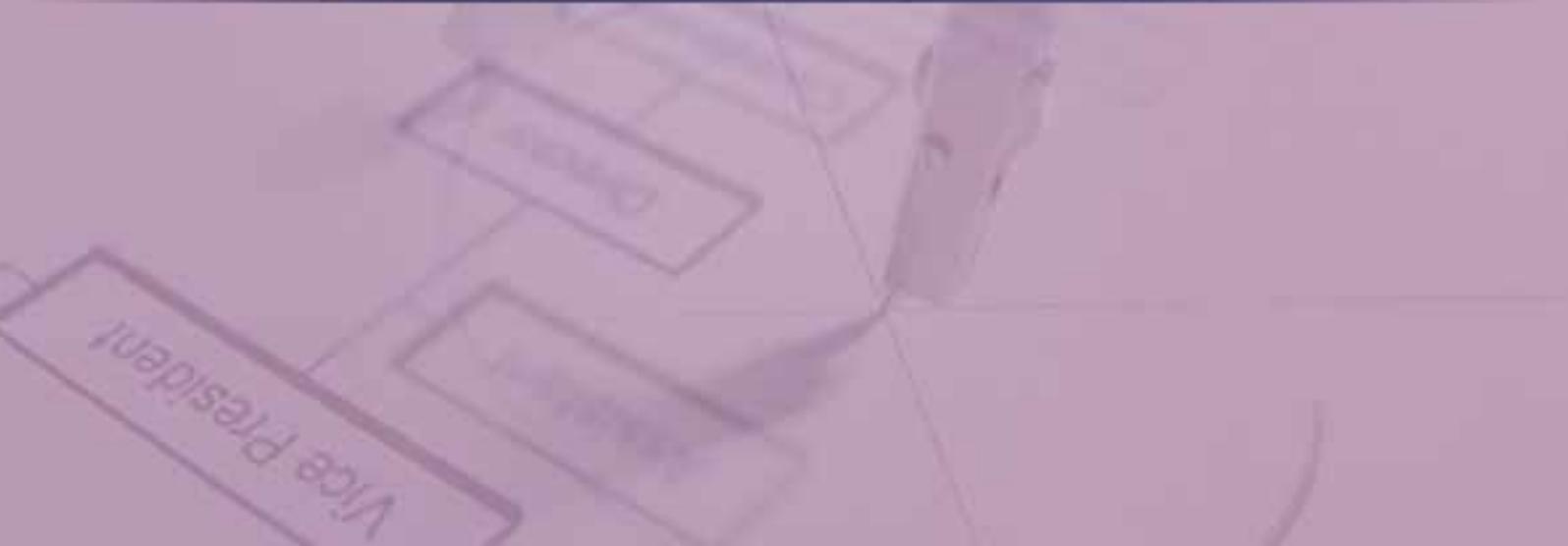


# Managing Director & CEO's Report



The fiscal year ended 31 March 2001 was a challenging one in the brief history of New World CyberBase Limited ("NWCB"). Tough decisions were made on a number of fronts as businesses with high operating costs were closed, non-core assets were sold and costs were aggressively cut to restructure the Company. One major step taken in the restructuring of operations was the consolidation of businesses under the unified NWCB brand in Greater China.

During this fiscal year, the Group's consolidated turnover rose 47% to HK\$84.4 million, compared to HK\$57.5 million in the previous year. The increase was mainly attributed to strong revenue growth from technology services, which rose by over 190%. Technology services contributed more than 55% of total revenues in the year 2001, compared to 28% in the last year. The rising percentage of technology services to total revenues indicates that NWCB is evolving from a property and investment company to an IT and software enterprise.

The consolidated loss attributed to shareholders rose to HK\$821.3 million from HK\$313.9 million in the year 2000. The significant increase in the loss was mainly due to three areas: the loss incurred by PowerPhone operations contributed HK\$326.6 million, representing 40% of the total; the provision for diminution in the value of portfolio investments contributed HK\$319.3 million, representing 39% of the total; and an operating loss incurred in building core business infrastructure contributed HK\$144 million, representing 17.5% of the total.

### Dialogue with the Managing Director and CEO

This year the Managing Director and CEO's report is presented in a Question & Answer format. This format is designed to deal with the major issues and challenges faced by the Company in an open and transparent manner that focuses on fundamentals as well as the insights of NWCB management. The Question & Answer session is divided into the sections of Financial Results, Business Strategy and Future Outlook.

### Financial Results



Can you comment on the changes in the composition of NWCB revenue flows in the fiscal year 2001?



**The total NWCB revenue equation is composed of technology and property business. Technology revenue contributed some 55.7% of total revenue while the remaining 44.3% is contributed by the property business. The rising level of technology revenue shows that the Company is moving towards its goal to become an IT and software enterprise. This trend will continue and the year 2002 should see a considerable increase in the proportion of revenue generated by the technology business.**

## Financial Results *(Continued)*



What is the reason for the HK\$821.3 million loss for the year?



**The HK\$821.3 million loss is mainly attributed to three areas.**

**The loss incurred by PowerPhone operations amounted to HK\$326.6 million, representing 40% of the total loss. In November 2000, NWCB disposed of its interest in the PowerPhone business for HK\$62.5 million with a one-time disposal loss of HK\$220.5 million. The operating loss incurred by PowerPhone operations during the year reached HK\$106.1 million. The disposal was mainly due to the prolonged payback period affected by the slowdown in the Hong Kong economy.**

**The provision for diminution in value of portfolio investments contributed HK\$319.3 million, representing 39% of the total loss. The amount represents an average of a 62% provision allocating against the cost of 12 investments. The loss on the investment provision was due to a restructuring that had to take place. Prior to this restructuring NWCB invested heavily in a portfolio of companies that were attractive investments during an optimistic time. However, NWCB incurred unexpected diminution in value from these investments during the dramatic downturn of the technology market. Due to a conservative provision approach this fiscal year any future upside in the technology market will provide a solid gain in coming years.**

**An operating loss incurred in building core business infrastructure contributed HK\$144 million, representing 17.5% of the total loss. It is important to understand the nature of the operating loss if one is to appreciate the prospects of NWCB. A large start-up investment was made to enter the Greater China IT and software market in order to substantially increase revenue flows and build technology capability.**



The cash position has declined from HK\$301.5 million last year to HK\$35.8 million this year. Do you have enough capital to complete the restructuring plan and achieve profitability?



**We are confident that we have the necessary capital to fulfill the business plan. In addition to HK\$35.8 million cash in the bank, NWCB has a substantial investment portfolio with a market value of HK\$691.1 million. This is composed of properties worth HK\$535.8 million and listed investments of HK\$155.3 million. For listed investments in Beida Jade Bird and Asian Information Resources based on market value as at 31 March 2001, NWCB has an unrealized gain of HK\$133.5 million on a cost of HK\$21.8 million. Given this strong financial position we have sufficient capital to complete the transformation and build for future growth.**

## Business Strategy



What is the most strategic growth area in NWCB core business?



**A key component in achieving future exponential revenue growth is the expansion of the software business throughout China. With a proven software product suite focused on the areas of e-Process Management, NWCB has invested in Research and Development to further extend product offerings. The Company will capture additional market share by deploying continuous launch of new products, aggressive marketing efforts and expanding geographic coverage by augmenting the distribution network.**

**Furthermore, in leveraging of a nation-wide distribution network and a strong development team, NWCB will be well positioned to work with international partners to develop in a high growth business like offshore software outsourcing and software product localization in China.**



How do you intend to break into the China market?



**The strategic imperative in establishing the e-Business solutions business is to build a core team of professionals aligned with world-class e-business enabling technologies. In September 2000, NWCB purchased 100% of software solutions company Jetco Technologies Limited ("Jetco Technologies") to expand the China e-Business solutions market. This opened the door to rapid expansion in the lucrative IT and software market.**

**With a long operating experience in China, Jetco Technologies had offices in China with 120 IT professionals that consulted, developed applications and provided solutions. More importantly, Jetco Technologies developed well-received software products in the e-Process area. Presently, the resources and assets of Jetco Technologies are fully integrated into NWCB to solidify the "One Team, One Company, One Giant Market" vision.**



What is the impact of China's accession to WTO for NWCB?



**NWCB will benefit greatly from the liberalization of trade and services. While WTO will bring new competitors to the market those companies with expertise and experience will be the beneficiaries of new business flows. In addition, Hong Kong can play a key role in the NWCB foray into China. Hong Kong operations leverage on the cost advantages of China technology talent and Hong Kong's role as the gateway to China will be re-inforced with WTO accession.**

**Business Strategy** (Continued)

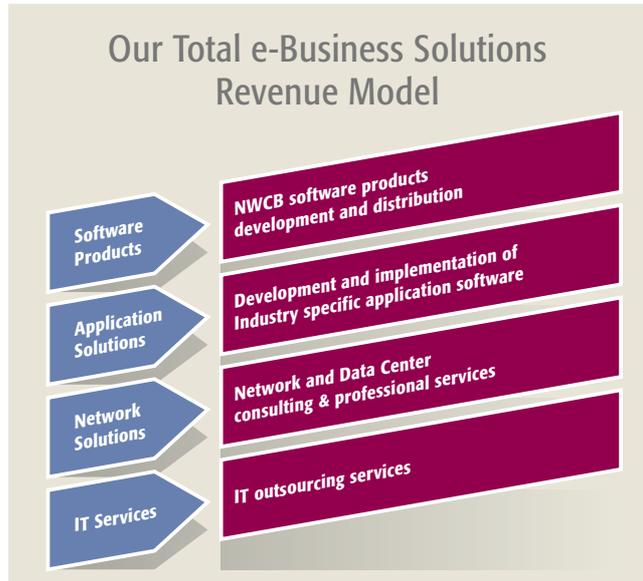


What products and services does NWCB offer?



**NWCB service offerings focus on four areas: Software Products, Application Solutions, Network Solutions, IT Services. By combining this line of services and products NWCB forms total e-Business solutions to meet customer needs.**

**Overall, NWCB has two main e-Process Management software suites that are based on workflow and electronic document management technology. These suites form the fundamental technology of NWCB Application Solutions and Software Products. Meanwhile, Network Solutions and IT Services focus on data communications network and data center infrastructure requirements. The complete spectrum of these products and services enables NWCB to offer total e-Business solutions to companies seeking to transform the traditional operating process with the latest and most innovative technologies.**



How do you see the market potential for Application Solutions and Software Products in China?



**Application Solutions is one of the strongest market segments in China. Analysts expect Application Solutions to dominate the software market over the next five years. This growth will be propelled by economic growth, increased PC usage and government initiatives that initiate e-Business and anti-piracy policies in a post-WTO environment. According to IDC, the Application Solutions market will reach an impressive US\$8.2 billion in 2004, representing over 80% of the software market, rising from US\$679 million, or 55.4% of the software market in 1999.**

**Application Solutions are essential to increase the efficiency and effectiveness of enterprise and government systems. The speed of IT introduction to the fields of finance, telecom, taxation as well as the reform of traditional transportation, energy and healthcare enterprises have accelerated. As such the demand for solutions is expanding and the portion of professional Application Solutions continues to grow.**

**The most popular solutions in the software market are cross-industry applications. Office automation, accounting, human resources/payroll management and word processing and ERP are rapidly emerging product lines.**

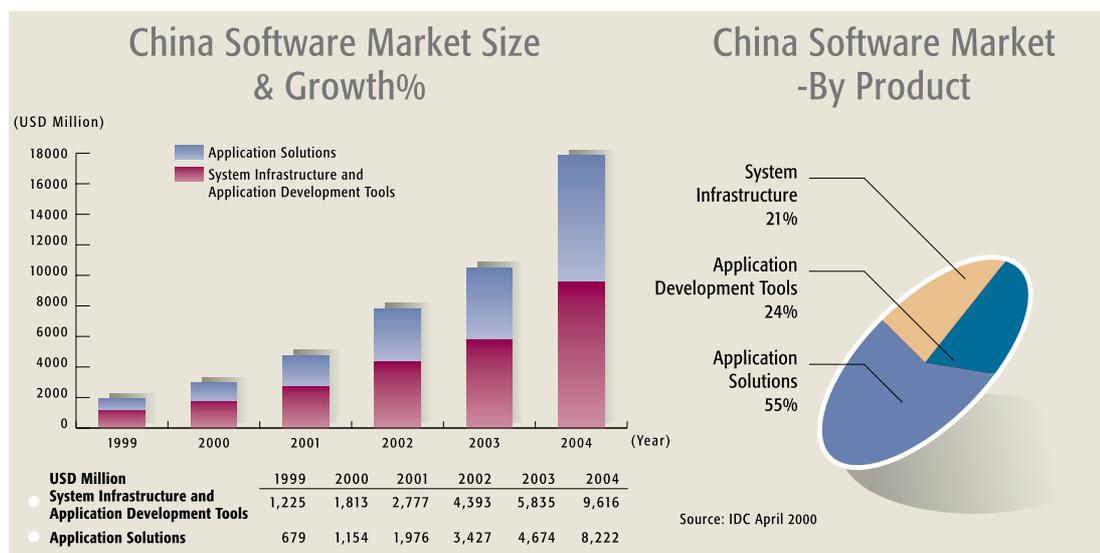
**Business Strategy** (Continued)



What is the NWCB plan to capture market share in application solutions and software products?

**When it comes to winning market share China is of strategic importance to NWCB. In many ways the move into packaged software will propel the Company as a key provider of Application Solutions in select vertical markets. The strategy is to launch software products in waves over the coming year. Marketing plans are ready and the Software Products business is expected to contribute substantial revenues.**

**In the case of Application Solutions, NWCB focuses on workflow automation, document management and geographical information systems. These solutions are based on proprietary and market-proven software products. NWCB has built a strong presence and solid customer relationships in the finance, government, telecom and manufacturing segments. Hundreds of customers can attest to the excellence of our products. The strategy is to use these strengths to market software through an established distribution network. Moreover, NWCB Software Products will benefit from the trend to office applications and geographic planning to support the government's "Go West" campaign.**



### Business Strategy (Continued)



How do you see the market potential for Network Solutions and IT Services in China?



**China's IT market is the fastest expanding market in Asia. According to IDC, by the end of 2001 China is expected to be the largest IT market in Asia Pacific (excluding Japan) with a value of US\$22.1 billion. In 2000, the largest markets by industry were finance, telecom and transportation, which account for 29.1% (US\$4.7 billion), 21.1% (US\$3.41 billion) and 11.2% (US\$1.81 billion) of IT spending respectively. IDC forecasts that these three sectors will remain at the top of the charts with a combined 55.1% of the total market in 2005.**

**Network Solutions and IT Services are important components of the Total e-Business Solutions as e-Business applications can only be built once the network infrastructure and IT platform are established. In terms of Network Solutions many opportunities exist in network and data center consulting and support services. This is an expanding area that has benefited from the rapid improvements in infrastructure across the Greater China arena.**

**NWCB has a very good track record in providing IT services, such as maintenance services in the bank and government segments. The NWCB professional service team has had experience in building our international standard data center facilities in addition to many mission critical centers for customers. The NWCB plan is to continue to mobilize and deploy our professional and international experience and strengthen these capabilities in China. Given the synergies between our expertise and resources in Hong Kong and China we can penetrate the finance and government segments in data center facilities management and IT outsourcing services.**



Who are the primary customers of NWCB?



**NWCB has a broad service and product capability for enterprises across all industries. For that reason the customer base spans a diverse range of industries, such as finance and insurance, government, manufacturing, utilities, transportation and telecom.**

**The financial sector is the largest vertical industry in terms of spending and the earliest to adopt computer applications. According to IDC, software sales to the financial markets will reach US\$2.1 billion by 2004, up from US\$296 million in 1999. Finance will remain tops in terms of software spending over the next five years. Thus, finance sector will be one of the key target markets of NWCB. Following close on the heels of the finance sector are the telecom and government sectors. With almost 60% of NWCB Shanghai revenues coming from the local government, the government sector is a critical component.**

**Future Outlook**



What does the future hold for NWCB?

**There is huge potential in China for technology services over the next decade, especially in the IT and software areas. With sweeping technological change and the ongoing globalization trend China is under pressure to join the e-world.**

**To support this evolution, the government has allocated capital to build the nation's network infrastructure and software solutions. As China modernizes its infrastructure and introduces software, service providers must learn to deal with sophisticated customers as well as businesses that have just moved from a paper-based environment to the input of information on computers.**

**In the Tenth Five Year Plan the MII outlined 10 initiatives for IT and the software industry. The following chart covers the NWCB strategic vision for seven of the ten MII initiatives.**

Seven of the Ten MII Initiatives	NWCB Strategic Initiatives
1. Speed construction of IT network infrastructure and build a new generation of high-speed information delivery and broadband Internet networks.	Expand international standard professional network services to assist in the construction of network infrastructure and meet outsourcing requirements.
2. Build an e-administration system and a government Internet platform to connect information systems from the central government to the local level to support online information exchange, services and announcements.	Continue to develop new software products and government specific solutions to support the need to electronically enable different government processes and the automation of paper flow across the government network.
3. Establish a policy for e-commerce, upgrade financial payment and clearing systems while building nationwide and citywide distribution systems.	Assist enterprises to adopt e-commerce solutions as way of doing business by building solutions and upgrading the current business process both internally and externally.
4. Speed the construction of city digitalization by combining networks.	Expand international standard professional network services to assist in the construction of network infrastructure and meet outsourcing requirements.

**Future Outlook** (Continued)

Seven of the Ten MII Initiatives	NWCB Strategic Initiatives
5. Speed research, development and industrialization of mobility telecom networks, especially 3-G mobility.	Expand into the wireless market through Cyber On-Air Limited, a company in the NWCB investment portfolio, which primarily focuses on wireless application development for China.
6. Focus on software development, integrated circuit design and large integrated circuit manufacturers to improve equipment levels and information flow.	Build expertise in proven software and applications solutions in the e-Process management area by using workflow and document management technology to support software development.
7. Strengthen the research and development of networks, information security products and Internet security systems.	Expand international standard professional network services to assist in the construction of network infrastructure and meet outsourcing requirements.



How do you see the next year for NWCB?

**The next year will be an exciting one for NWCB. All businesses are now under one brand and supported by a solid team of people, a suite of proven software products and a large portfolio of reputable customers. We have always worked with clients to implement large-scale solution projects and will continue to do so. In preparation for WTO, enterprises need advanced information technologies to improve business practices to become more competitive. In so doing, companies will outsource the development of Application Solutions and the construction of network infrastructure. In addition, Software Products will be aggressively marketed and the emphasis will be placed on development of software distribution channels.**



**Future Outlook** *(Continued)*



What is the competitive edge of NWCB?



**Our edge stems from building upon our existing resources in terms of people, customer experience, technology and partners. On the people side our senior management team averages 20 years of experience in the Greater China IT industry. In addition, local teams possess strong industry domain knowledge and technical skills, with over 55% of our staff composed of technical professionals. We build on the strength of our people through training and development as well as by recruiting world-class professionals.**

**Overall, the operations team possesses more than eight years of China business experience. The team excels in the provision of e-Business solutions and services, especially in application solutions and software. In addition, NWCB has a large network of customers in the government, FSI (Finance, Securities, and Insurance), telecom and transportation sectors. The plan is to penetrate these segments and capture business with additional products and services.**

**It is vital that NWCB invests in and builds upon technical capabilities. NWCB has a proven track record of developing proprietary software and customized industry solutions that address the needs of the local market. NWCB will invest in the Research and Development of software products and solution services focused on e-Process Management and IP networks. We will expand by working with strategic partners to deliver total e-Business solutions while improving software distribution coverage.**

**In summary, our advantage over local companies and multi-nationals is that we offer total e-Business solutions that encompasses a spectrum of offerings from Application Solutions to Network Solutions, IT Services and Software Products. In addition, NWCB has deployed proven technology in software products and solutions. A strong network of partners, an in-house team with local know-how and international management experience support technological prowess.**

**In conclusion, I strongly believe we are the right people, at the right place and at the right time to lead the way in the Greater China technology market.**

