



MANAGING DIRECTOR
AND CEO'S REPORT



The fiscal year ended 31 March 2003 was a challenging year for New World CyberBase Limited amidst a sluggish economic situation and intense business competition in the market. Nevertheless, the bold strategy of shifting IT business to the PRC resulted in significant improvement and stable revenue for the Group's IT business. Looking to the PRC for its growth impetus, we shall keep up our efforts on existing IT solutions operations, further expand the scope of our business and align among our operations across PRC.

FINANCIAL REVIEW

During the year, there was an improvement in IT business with an IT segment profit of HK\$4.1 million, compared with a loss of HK\$50.9 million last year pertaining to our wholehearted effort in the PRC IT market.

The turnover during the year was HK\$36.2 million, representing a 46% reduction from HK\$66.7 million in 2002. The decrease in turnover was mainly due to the exit of Hong Kong IT business which contributed 57% of the total IT revenue in previous year.

Operating losses had been narrowed down to HK\$39 million, 76% decrease compared with HK\$163.7 million last year.

During the year, facing the difficult business environment, the Group conducted effective measures in controlling costs and increasing operating efficiency. The net operation spending was significantly reduced by 80% from HK\$143.4 million to HK\$29.2 million.

Loss attributable to shareholders was reduced to HK\$44.7 million, a decrease by 76% compared with last year.

Net asset value has increased by 25% to HK\$254.1 million from HK\$204.2 million last year.

FOCUSING IN CHINA IT MARKET

During the year, we concentrated on stabilizing our IT business in the PRC market. Much of our effort was spent in securing new and existing customers as well as expanding from our software solutions capabilities by rolling out industry specific products and solutions. The strategy set forth was to target three major market segments, government, enterprise and Finance, Securities and Insurance. Major wins include Shanghai Airport Authority

Construction and Development Company, Bank of Communications, Guangzhou Metro Corporation, Da Ya Wan Nuclear Power Station, and Agricultural Bank of China. This was made possible due to the growing demand in Business Process Management ("BPM") related solutions in the PRC.



The presence of Vice President-Software Technology and Products Denny Zhang at a business event hosted by Guangzhou Metro Corporation.

Last year, we had set out to build our own software portfolio through the years of experience in workflow and document management technology. Many of the key wins last year were a result of these accumulated key strengths. This year we rolled out a portfolio of products and industry solutions. We had also launched the upgraded version of LogicBase™ BPM, Process Management and LogicBase™ SmartOffice 2003. In addition, we had introduced various industry based solutions such as

LogicBase™ Knowledge Management and LogicBase™ Enterprise Information Portal, Credit Card Risk Management Solutions, Geographical City Information System Solutions, Information Center Design and Implementation Solutions and Finance Industry Safety System Solutions.

City Internet Holdings Corporation Limited, under the brand name ChinaQuest, is a nationally recognized provider of digital map and city information data and services in China with special authorization from the National Geomatics Center of China. Throughout last year, ChinaQuest maintained an extensive map data base of over 150 cities of China through a comprehensive and continuous data upgrading effort. As one of the leading players in this area, a few of our key wins include Western Union, China Unicom, and Shanghai Runke. In addition, the strategic alliance with Environmental Systems Research Institute ("ESRI"), the world's leading GIS technology company, paved the way in winning ESRI's support as one of the resellers of the digital mapping data provided by ChinaQuest.



ChinaQuest maintains mapping data of over 150 cities of China.

FROM SOLUTION-BASED TO SERVICE-BASED BUSINESS MODEL

Following the foundation we established in the area of IT solutions, NWCB is well positioned to leverage off this platform into a serviced-based business. The Group will be focusing on two main areas of services. Firstly, we will aim to extend our software development capabilities to provide *Outsourcing Services* in the areas of both software development and IT call center services. Secondly, we shall also tap into the explosive wireless segments in the PRC and utilize our capabilities in mapping content and technology to expand into providing *Mobile Application Services*.

EXTENDING THE OUTSOURCING SERVICES

While the concept of IT outsourcing services is still relatively new to the PRC market, NWCB has diligently set up an Outsourcing Development Center ("ODC") to look for ways to take advantage of our own strengths in software development. Professional management quality process being one of the core values of our ODC, we had invested in upgrading our capability in this area. In December 2002, the Center was successfully awarded ISO 9001: 2000 Certification with the scope of quality approval covering software design, development, manufacture, sales and services.

With a team which has over 10 years of development experience and professional management and quality process in place, NWCB is well positioned to compete against both domestic and international ODC in the PRC market. This was illustrated by the continuous wins of key customers which included Bank of Shanghai, China Construction Bank, Acer, IBM and Directories (Japan).

Looking ahead, software outsourcing will continue to be an important growth area for NWCB. The next stage of the value chain in outsourcing services, is the addition of a call center capability. Therefore, the expansion into call center services was of strategic importance to complete our service portfolio.

At the beginning of 2003, NWCB has become the exclusive sales agent for China TDT Call Center, a center staffed with highly-trained customer service representatives ("CSR") and telesales agents. The Call Center has a long history in serving international IT companies. The Center provides

a comprehensive Customer Relationship Management package to the customers, services including the outbound call management, inbound call management and professional services. China TDT successfully gained the business of many reputable IT multinational corporations, like Cisco, HP, Intel and 3Com, just to name a few.



The Group expands its business portfolio to Call Center Services

Through this alliance, the Group provides consultancy services and tailor-made call center solutions, in addition to professional training services. To enhance the value we deliver to our customers, The Group is also one of the first few companies to obtain the Training for CSR with Call Center Official Professional Qualification Certification from The Ministry of Information and Industry ("MII"). This endorsement by the government is especially important to prove our professional capabilities in this area.

Looking ahead, NWCB will be well positioned to offer a full spectrum of IT outsourcing services in the PRC. With a strong team of software experts, along with professionally operated call center operations, combined with the state-of-the-art call center systems, our team's competitive edge will be way ahead of others in this field. Customers from both the domestic and international markets can rest assured that we will be providing the best-in-class services.

MOBILE APPLICATION SERVICES

The second major market opportunity for the Group is to tap into the explosive wireless segments in the PRC. China has achieved two critical milestones at the end of 2002, firstly being the country which owns the largest mobile subscriber base in the world, and secondly on reaching a turning point where the number of mobile subscribers exceeds the number of fixed telephone lines users. Moreover the mobile data services including Short Message Services ("SMS"), Multimedia Message Services ("MMS") and Kjava Services, are also booming at an unbelievable growth rate.

The Group has started the business within the year of review in two major directions. One direction is to enhance the current strengths in wireless technologies by providing value-added services to partners in the business market which in turn would offer more comprehensive mobile applications to their customers. The other direction is to use the Group's wireless technologies to develop the mobile entertainment services in the consumer market.

The first direction can be made possible by leveraging on ChinaQuest's accumulated value. The Group possesses one of the most comprehensive mapping and city information content of the PRC, and along with state-of-the-art tracking technology to complement it. With these core values, the Group is able to provide mobile application services.



One of the areas in the Group's IT outsourcing business is Mobile Application Services.

The Group has been working closely with various strategic partners such as wireless network operators, wireless device vendors and wireless application developers on plans to roll out a full spectrum of mobile application services.

The Group announced its co-operation with Unicom Guomai, a subsidiary of China Unicom, in June 2003 to launch mobile application services to subscribers of Shanghai Unicom. Customers can simply call a hotline to make enquiries on city directory information and the detailed information of city directory, and transportation and mapping direction will be provided to the callers via SMS. With the success in Shanghai market, the partnerships will set forth to roll out similar services throughout other key cities in the PRC.

Due to the competitive value that the Group provides in the market, international vendors such as Siemens and ESRI have made similar strategic alliance with ChinaQuest. In the coming years, there will be more and more similar alliances as we expand our service offerings in providing mobile application services. Strategic partners will play a very important part of our key success factors.

Another area of the Group's business expansions in the wireless environment is Mobile Entertainment. On-line gaming has been an explosive market in the PRC in the last two years. It is expected this phenomenon will be similar in the wireless environment. There is an enormous and explosive of SMS traffic in China not only for point to point communications, but also for jokes, quiz, games and other entertainment. This market trend supports the potential growth of additional mobile entertainment, services using more sophisticated technology such as WAP, Kjava, MMS. The Group realizes that there should be some differentiations and competitive advantages when entering a new market. With the mapping and tracking technologies such as Location Based Services ("LBS") where ChinaQuest is one of few leading companies in China, the Group has been rolling out LBS based games. In doing so, the Group has reached an agreement with Guangdong Iscreate to launch virtually-real military games using mapping and LBS technology. The first game of the whole series is scheduled to be available in Guangdong starting middle of 2003.

In addition, to add to the portfolio, the Group has been working with other game providers such as Unwiredfactory, a Scandinavian LBS applications provider and also developing ChinaQuest's own branded games. With the competitive LBS games launched in the market, the Group continues to enhance the mobile entertainment services by a series of new services based on integrated wireless technologies of SMS, WAP, MMS, Kjava etc.



ChinaQuest rolls out its LBS games.

The wireless revolution is well on its way in the PRC, as network capabilities are upgraded and technology on devices increases its sophistication, there will be growing demands for specialist service providers to develop value-added

applications and content. The Group views that there will be a massive opportunity for developing interactive games and entertainment services business.

THE YEAR AHEAD

Looking ahead, the expansion into the outsourcing and mobile application markets will remain an emphasis for the Group in response to the growing PRC market. We will also be cautious in containing costs and maintaining operating efficiency. With the expertise, hardwork and commitment of our team, we are confident to build on the steady growth of the IT segment, thereby gaining more business wins and continuing to expand our portfolio of services.

Yvette Ong

Managing Director and CEO