

## MANAGING DIRECTOR AND CEO'S REPORT

The fiscal year ended 31 March 2004 was another challenging year for New World CyberBase Limited ("NWCB"). Though business in China was adversely affected by Severe Acute Respiratory Syndrome ("SARS") epidemic in the first half of the year, the Group took advantage of the market recovery in the second half of the year to expand its business to the highly potential and growing area in IT services including mobile Internet services and IT outsourcing services and achieved solid progress.

### Financial Review

During the year, the Group recorded a turnover of HK\$29.7 million, representing a 18% reduction from HK\$36.2 million in 2003 while operating losses had been trimmed down to HK\$23.4 million, 40% decrease compared with HK\$39 million last year.

The turnover was originated from two business streams namely, technology related services and property investments. The drop in the turnover contribution from the technology related services accounted for the overall decrease in current year. A modest increase of 4% when compared to last year was found in the turnover of property investments following the gradual recovery of the Hong Kong property market.

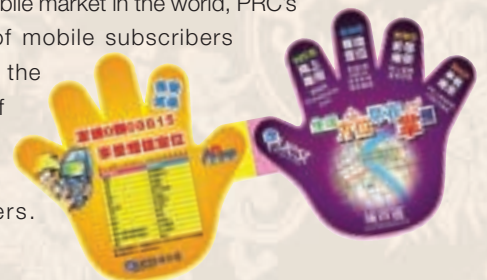
Operating loss for the year was mainly attributable to the loss from the provision of technology related services of HK\$23.7 million (2003: profit of HK\$4.1 million). The surge of operating loss in this business segment was due to three reasons. Firstly, the

business was affected by the unexpected outbreak of the SARS in the People's Republic of China (the "PRC") resulting in a shrinkage of turnover. Secondly, the Group directed more resources in setting up the infrastructure of both mobile Internet services in alignment with the Group's expansion into mobile Internet market. Thirdly, certain subsidiaries in this business segment were voluntarily liquidated in prior year, recording a one-off written back of over accrued expenses and provision for liabilities made in previous years by these subsidiaries totaling HK\$17.8 million which was reflected in 2003.

Loss attributable to shareholders was reduced to HK\$26.2 million (2003: HK\$44.7 million), a decrease by 41% compared with last year since no deficit on revaluation of investment properties was recognized in current year (2003: HK\$24 million).

### New Growth by Focusing on Mobile Internet

During the year, the Group has successfully established two focus areas in the mobile Internet business, city infotainment (information and entertainment) and mobile entertainment. Being the largest mobile market in the world, PRC's number of mobile subscribers exceeds the number of fixed telephone lines users.



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The mobile data services including short messaging services ("SMS"), wireless application protocol ("WAP"), multimedia messaging services ("MMS") and interactive voice response ("IVR") are booming at an unbelievable growth rate.

Our initial step in this arena was marked in the third quarter by launching a call center telephone mapping and city information enquiry services in Shanghai for China Unicom customers and kicking off the Group's first series of Location Based Service ("LBS") mobile games and mobile entertainment services in Guangzhou.



[www.chinaquest.com](http://www.chinaquest.com)

By end of the year 2003, the Group enhanced the website [www.chinaquest.com](http://www.chinaquest.com) with mobile access features enabling mobile users to enjoy city information and city entertainment via SMS. The services mainly focused on two types of information; city directory and public transportation, such as details on restaurants, banks, government organizations, shopping centers, supermarkets, guesthouses, hospitals, education institutes, postal and telecommunication services, leisure and entertainment facilities, etc. This enhancement successfully changed business model of this website from



## Yvette Ong

*Managing Director and CEO*

free services to fee-based services. Customers can also receive more value-added services such as community based information services.



In addition, adopting the most advanced LBS technology, as an extension to the NWCB's WAP LBS service previously launched in July 2003 in Shanghai, the Group launched its first SMS LBS city infotainment service for China Mobile users in Shanghai. The result in this area is shown by total users in the area of city infotainment reaching over 250,000.

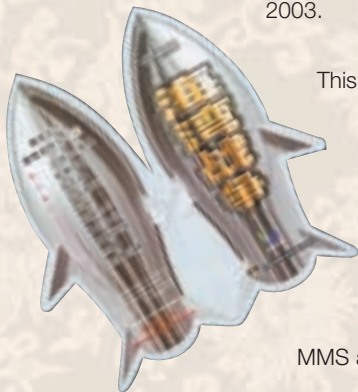


### Sustaining Growth through IT Outsourcing Business

The Group's IT outsourcing business also contributed an important role in the Group's business. The IT outsourcing business encompasses services in the following areas: call center services, software outsourcing, data management and IT services.

In the area of mobile entertainment, the Group launched a stream of interactive SMS entertainment services in September 2003. With an objective to build a fun mobile entertaining community for the young and trendy mobile users, the Group launched a range of mobile games through the alliance of our partners in Europe, China and Hong Kong by end of 2003.

The call center team provided the best-in-class service to its customers and expanded to provide higher margin services such as training, professional services, inbound and outbound customer care service outsourcing.



This service offers very comprehensive mobile entertainment to the young community, such as ringtone download, MMS DIY, mobile games and others. These services will be offered over the most advance mobile technology from SMS, to WAP, MMS and K-Java.

We have successfully renewed contracts with long-term major clients, representing a significant portion of IT outsourcing services revenue base. To sustain new business growth, the Group extended service offerings in the area of data management. An outsourcing service is to support high volume of data management requirements such as data entry, data cleansing and data storage for the local enterprise. Our wins include major banks and insurance companies. In order to maintain our high quality service level to our IT outsourcing customers, the Group has successfully continued our ISO9000 certification.

Mobile users can simply subscribe the SMS services from their mobile handset. The first batch of services are "Birthday Luck", "Psycho Test", "Fruit Fortune Telling" and "Humor Article".



NWCB provides comprehensive entertainment content for the young and trendy mobile users



The call center team provides best-in-class service to customers

## M A N A G I N G   D I R E C T O R   A N D   C E O ' S   R E P O R T

## Future Growth

The Group's key growth area will be in the mobile Internet business sector; relying on the expansion of service offerings through cross platform from MMS to WAP, and IVR technology. The first step is the launch of an interactive mobile entertainment web platform [www.ijcool.com](http://www.ijcool.com) in May 2004. The website is established as a forum for mobile users to enjoy interactive entertainment through a mobile Internet environment.

Furthermore, the Group will continue to expand the business of mobile Internet service by geographic extension. City infotainment services are scheduled to be launched in other key cities such as Beijing and Guangzhou. Community groups will be established through the expansion of more city infotainment service on topics in four distinguished aspects of daily life in the city; food & restaurants, transportation, property and fashion. The mobile Internet service will continue to be the business focus of the Group.



[www.ijcool.com](http://www.ijcool.com)



A new growth area for IT outsourcing Services will be the expansion of service offerings in value added call center services and data management while maintaining its steady growth through securing long term customer relationships and taking advantage of the global trend of companies looking to outsource to China.

## The Year Ahead

Looking ahead, the expansion into the mobile Internet service and IT outsourcing service will be the Group's emphasis in response to the fast growing wireless value-added services and Internet market in the PRC. The Group will also continue to control costs and maintain operating efficiency.

With a strong commitment and focus in innovations and management of executions, in addition to a team of industry professionals, NWCB is confident to improve the service quality, establishing our brand, and expanding our reach in the marketplace.

Yvette Ong

Managing Director and CEO