FINANCIAL REVIEW

RESULTS ANALYSIS

For the year ended 31 March 2005, New World CyberBase Limited (the "Company") and its subsidiaries (together the "Group") recorded a turnover of approximately HK$38.1 million as compared to approximately HK$29.7 million in 2004. The turnover was originated from two business streams namely technology related services and property investments. The recovery in the business of technology related services in particular the growth in the mobile Internet business sector accounted for the 28% overall increase in turnover.

The profit attributable to shareholders for the year ended 31 March 2005 amounted to approximately HK$15.2 million representing a turnaround from loss attributable to shareholders of HK$26.2 million in 2004. The overall results were boosted by the following key factors: (a) Hong Kong's property market is benefited from the re-bounce of the local economy. Consequently, a revaluation surplus of HK$29.6 million was booked in the investment properties of the Group; and (b) the containment of operating loss in the business of technology related services through the introduction of stringent cost control measures and expansion into the highly potential and growing area such as mobile Internet services.

FINANCIAL RESOURCES

Liquidity and financial resources

As at 31 March 2005, the Group's shareholders' fund amounted to HK$269.1 million (2004: HK$227.9 million) and the net asset value per share was HK$0.62 (2004: HK$0.78).

The Group's funding was derived from internal resources and credit facilities from a bank and other companies. Total net borrowings of the Group (total borrowings net of bank and cash balances) as at 31 March 2005 amounted to HK$141.5 million (2004: HK$159.2 million). In respect of the secured bank loan of approximately HK$134.4 million as at 31 March 2005, it was refinanced by another bank with better terms during the year and only approximately HK$7.0 million together with accrued interest would be repayable within one year from the date of inception of the loan and the remaining balance would be repayable thereafter subject to annual review by the bank. Due to this arrangement, the secured bank loan is booked as current liability in the accounts, however, this does not represent the total bank loan has to be repaid within one year from 31 March 2005. Besides, the Group has been able to repay principal balances plus interests on time and the carrying value of the Group's investment properties pledged to secure the bank loan amounted to approximately HK$385.0 million as at 31 March 2005 which is well in excess of the balance of the secured loan. Therefore, the directors consider that the Group does not face any immediate repayment pressure of a large portion of the secured bank loan.

In March 2005, the Company raised a net proceeds of approximately HK$26.1 million by way of a rights issue of 145,624,029 shares at a price of HK$0.2 per share. The net proceeds from the rights issue is used and earmarked for the Group's general working capital.

FINANCIAL REVIEW

As at 31 March 2005, the cash and bank balances were HK$41.7 million (2004: 13.6 million). As at 31 March 2004, bank balances of HK$6.3 million was pledged as security for banking facilities granted to the Group, which was duly released in the current financial year. Undrawn banking facilities of the Group as at 31 March 2005 was approximately HK$37.1 million (2004: HK$10.5 million). Liquidity ratio dropped to 0.28 (2004: 0.34) due to full portion of secured bank loan was classified as current liability for accounting purpose.

On 19 May 2005, the Company completed a placing of 58,000,000 shares at a subscription price of HK$0.24 per share (the "Placing"). Details of the Placing have been published in an announcement of the Company dated 21 April 2005. The net proceeds from the Placing was approximately HK$13 million.

Gearing

At the balance sheet date, the gearing ratio of the Group was slightly improved to 0.38 (2004: 0.41) which was calculated based on the Group's total borrowings to total assets.

Interest rate risks and foreign currency exposures

Interests on bank and other loans are chargeable mainly based on certain agreed interest margins over the Hong Kong Interbank Offer Rate ("HIBOR"). The Group's operations are principally in Hong Kong and the Mainland China and all assets and liabilities are denominated either in Renminbi, Hong Kong dollars or US dollars. The directors believe that the fluctuation in exchange rates among these currencies are minimal and accordingly no related hedging measures are adopted.

Pledge of assets

Investment properties with a carrying amount of HK$385 million (2004: HK$310 million) were pledged to a bank as collaterals for banking facilities granted to the Group.

Contingent liabilities

The Group has a contingent liability in respect of claim filed by a PRC governmental institute against the Company and certain of its subsidiaries for the infringement of rights to derive benefits from using the city mapping information contents in the PRC amounting to RMB5.0 million (equivalent to approximately HK$4.7 million). By order issued by a PRC court, the Group was required to freeze its assets value to the extent of RMB5.0 million (equivalent to approximately HK$4.7 million) in connection with the above claim. During the year, the court has taken action to freeze certain bank balances of certain subsidiaries of the Group in the amount of RMB573,000 (equivalent to HK$540,000). The litigation is still in progress up to the date of this report. While the outcomes of such contingencies cannot be determined at present, the directors believe that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group.

Investment activities

As at 31 March 2005, the market value of the Group's listed investments in Hong Kong over its book value amounted to HK$26.3 million (2004: HK$59.4 million) which was not reflected in the accounts.