



NewWorldCyberbase

INTERIM REPORT 2001/02

New World CyberBase Limited
(incorporated in Bermuda with limited liability)

The directors (the "Directors") of New World CyberBase Limited (the "Company") announce the unaudited consolidated results of the Company and its subsidiaries (the "Group" or "NWCB") for the six months ended 30 September 2001 together with the comparative figures for the corresponding period in the previous year as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 September 2001

		Unaudited Six months ended 30 September	
		2001	2000 (Restated)
	Note	HK\$'000	HK\$'000
Turnover	3	44,884	38,177
Other revenues		6,819	8,539
Staff cost, depreciation and other operating expenses		(87,703)	(187,184)
Gain on disposal of other investment	4	4,680	177,711
Gain on disposal of subsidiaries and associated companies		14,550	–
Recovery of bad debts		1,638	–
Provision for diminution in value of other investments		(22,862)	–
Additional depreciation on property, plant and equipment	5	(4,944)	(101,874)
Impairment of goodwill previously included in capital reserve	2(d)	–	(793,436)
Operating loss	6	(42,938)	(858,067)
Finance costs		(16,196)	(37,822)
Share of profits less losses of:			
Associated companies	3	(3,527)	(14,991)
Jointly controlled entities	3	–	(3,331)
Loss before taxation		(62,661)	(914,211)
Taxation	7	–	(23)
Minority interests		1,612	1,421
Loss attributable to shareholders		<u>(61,049)</u>	<u>(912,813)</u>
Basic loss per share	8	<u>(HK\$0.016)</u>	<u>(HK\$0.285)</u>

CONDENSED CONSOLIDATED BALANCE SHEETS

As at 30 September 2001 and 31 March 2001

		Unaudited 30 September 2001 HK\$'000	31 March 2001 HK\$'000
	Note		
Assets			
Non-current assets			
Property, plant and equipment		427,956	570,600
Associated companies		17,364	153,111
Other investments		65,566	196,092
		<u>510,886</u>	<u>919,803</u>
Current assets			
Trade receivables	9	9,324	6,288
Prepayments, deposits and sundry debtors		18,855	30,734
Cash and bank balances		41,685	35,752
		<u>69,864</u>	<u>72,774</u>
Current liabilities			
Trade creditors	10	13,303	9,834
Deposits received and accruals		45,075	62,933
Current portion of long term loans	11	47,237	185,404
		<u>105,615</u>	<u>258,171</u>
Net current liabilities		<u>(35,751)</u>	<u>(185,397)</u>
Total assets less current liabilities		475,135	734,406
Non-current liabilities			
Long term loans	11	149,300	345,634
Minority interests		1,011	2,896
Net assets		<u>324,824</u>	<u>385,876</u>
Capital and reserves			
Share capital	12	76,106	76,106
Reserves	13	248,718	309,770
Shareholders' funds		<u>324,824</u>	<u>385,876</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2001

	Unaudited Six months ended 30 September	
	2001 HK\$'000	2000 HK\$'000
Net cash (outflow)/inflow from operating activities	(37,525)	92,462
Net cash outflow from returns on investments and servicing of finance	(17,253)	(27,757)
Tax refunded	–	192
Net cash outflow from investing activities	(1,768)	(356,071)
Net cash inflow from financing	<u>62,479</u>	<u>225,853</u>
Increase/(Decrease) in cash and cash equivalents	5,933	(65,321)
Cash and cash equivalents at 1 April	<u>35,752</u>	<u>377,606</u>
Cash and cash equivalents at 30 September	<u><u>41,685</u></u>	<u><u>312,285</u></u>
Analysis of the balances of cash and cash equivalents :		
Cash and bank balances	41,685	237,235
Pledged deposit	–	75,050
	<u><u>41,685</u></u>	<u><u>312,285</u></u>

**CONDENSED CONSOLIDATED STATEMENT
OF TOTAL RECOGNISED GAINS AND LOSSES**

For the six months ended 30 September 2001

		Unaudited Six months ended 30 September	
		2001	2000 (Restated)
	<i>Note</i>	HK\$'000	HK\$'000
Total recognised losses			
– as previously reported		(61,049)	(119,377)
– effect of adopting SSAP 31	<i>2(d)</i>	<u>–</u>	<u>(793,436)</u>
– as restated		(61,049)	(912,813)
Goodwill arising from current period's acquisitions included in capital reserve		–	(514,057)
Impairment of goodwill included in capital reserve now transferred from capital reserve to accumulated losses	<i>2(d)</i>	–	793,436
Realisation of capital reserve on disposal of subsidiaries	<i>13</i>	<u>(3)</u>	<u>–</u>
		<u>(61,052)</u>	<u>(633,434)</u>
Prior period adjustments arising from the effect of changes in accounting policies	<i>2(d)</i>		
– increase in accumulated losses at 1 April 2001		602,648	–
– decrease in capital reserve at 1 April 2001		<u>(602,648)</u>	<u>–</u>
		<u>–</u>	<u>–</u>

NOTES TO CONDENSED INTERIM ACCOUNTS

1. BASIS OF PREPARATION

In preparing these interim accounts, the Directors have taken into account all information that could reasonably be expected to be available and have ascertained that the Group has obtained adequate financial resources to support the Group to continue in operational existence for the foreseeable future. Under these circumstances, the Directors consider that it is proper to prepare the accounts on a going concern basis notwithstanding that at 30 September 2001, the accumulated losses of the Group amounted to HK\$ 2,448,477,000 and that its current liabilities exceeded its current assets by HK\$35,751,000.

2. PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated interim accounts ("interim accounts") are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants.

These condensed interim accounts should be read in conjunction with the annual accounts for the year ended 31 March 2001.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31 March 2001 except that the Group has changed certain of its accounting policies following its adoption of the following Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants which have become effective for accounting periods commencing on or after 1 January 2001:

SSAP 9 (revised)	Events after the balance sheet date
SSAP 14 (revised)	Leases (effective for periods commencing on or after 1 July 2000)
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 29	Intangible assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investment in subsidiaries

The changes to the Group's accounting policies and the effect of adopting these new policies are set out below:

(a) SSAP 14 (revised) "Leases"

Note 14(b) to these interim accounts has disclosed lease commitments as defined under SSAP 14 (revised). The revised SSAP 14 requires the aggregate future minimum lease payments analysed into the following periods:

- (i) not later than one year
- (ii) later than one year and not later than five years
- (iii) later than five years

This is a change from previous SSAP 14 which only required disclosure of the minimum lease payments payable in the next twelve months, analysed into the periods in which the lease expires within that year, in the second to fifth year inclusive and over five years from the balance sheet date.

Comparative figures have been restated to conform with the current period's presentation.

(b) SSAP 26 "Segment Reporting"

Note 3 to these interim accounts has disclosed segment revenue and results as defined under SSAP 26. In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format. Comparative information has been given.

(c) SSAP 30 "Business Combinations"

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary, associated companies or jointly controlled entities at the date of acquisition. Goodwill on acquisitions occurring on or after 1 April 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill on acquisitions that occurred prior to 1 April 2001 was written off against reserves. The Group has taken advantage of the transitional provisions in SSAP 30 and such goodwill has not been retroactively capitalised and amortised. However, any impairment arising on such goodwill is accounted for in accordance with SSAP 31 "Impairment of Assets".

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition. For acquisitions on or after 1 April 2001, negative goodwill is presented in the same balance sheet classification as goodwill.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those assets is recognised in the income statement immediately. For acquisitions prior to 1 April 2001, negative goodwill was taken directly to reserves on acquisition. The Group has taken advantage of the transitional provisions in SSAP 30 and such negative goodwill will not be restated.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for acquisitions prior to 1 April 2001, the related goodwill written off against reserves to the extent it has not previously been realised in the profit and loss account.

(d) SSAP 31 "Impairment of Assets"

SSAP 31 prescribes procedures to be applied to ensure that assets are carried at not more than their recoverable amounts. The recoverable amount of an asset is defined to be the higher of its net selling price and its value in use. The Group determines the value in use of its assets as the present value of estimated future cash flows expected to arise from the continuing use of an asset and from the disposal at the end of its useful life. The recoverable amounts of the assets are reviewed at each balance sheet date to assess whether there are any indications that assets may be impaired, and if there are such indications, the recoverable amount of the assets is to be determined. Any resulting impairment losses identified are recognised as an expense in the profit and loss account.

Under this new accounting standard, the Group is also required to assess any impairment in goodwill previously eliminated against reserves. This is a change in accounting policy and accordingly, the Group has retrospectively restated its previously reported loss attributable to shareholders for the six months ended 30 September 2000 and for the year ended 31 March 2001 by HK\$793,436,000 and HK\$797,145,000 respectively, as shown in Note 13 to these interim accounts, in respect of the impairment of goodwill arising from the acquisition of certain subsidiaries, associated companies and jointly controlled entities previously eliminated against reserves.

As a result of the above adjustments, the relevant portion of such goodwill previously realised to the profit and loss account upon disposal of the relevant subsidiaries, write-off and deemed disposal of the relevant associated companies, and write-off of the relevant investment previously acquired as an associated company in prior year was also reversed. There is no effect on the loss attributable to shareholders for the six months ended 30 September 2001 and the loss attributable to shareholders for the year ended 31 March 2001 was reduced by HK\$194,497,000.

3. SEGMENT INFORMATION

The Group is principally engaged in the provision of technology related services and property investment.

An analysis of the Group's turnover and contribution to operating loss for the period is as follows :

	Six months ended 30 September 2001		
	Property investment HK\$'000	Technology related services HK\$'000	Total HK\$'000
Revenues	<u>13,523</u>	<u>31,361</u>	<u>44,884</u>
Segment results	<u>12,611</u>	<u>(51,917)</u>	<u>(39,306)</u>
Gain on disposal of other investment (<i>Note 4</i>)			4,680
Gain on disposal of subsidiaries and associated companies			14,550
Provision for diminution in value of other investments			<u>(22,862)</u>
Operating loss			(42,938)
Finance costs			(16,196)
Share of losses of associated companies	<u>-</u>	<u>(3,527)</u>	<u>(3,527)</u>
Loss for the period			(62,661)
Minority interests			<u>1,612</u>
Loss attributable to shareholders			<u>(61,049)</u>

	Six months ended 30 September 2000		
	Property investment HK\$'000	Technology related services HK\$'000	Total HK\$'000
Revenues	<u>19,251</u>	<u>18,926</u>	<u>38,177</u>
Segment results	<u>19,471</u>	<u>(159,939)</u>	(140,468)
Gain on disposal of other investment (<i>Note 4</i>)			177,711
Additional depreciation on property, plant and equipment (<i>Note 5</i>)			(101,874)
Impairment of goodwill previously included in capital reserve (<i>Note 2(d)</i>)			<u>(793,436)</u>
Operating loss			(858,067)
Finance costs			(37,822)
Share of losses of:			
Associated companies	(3,566)	(11,425)	(14,991)
Jointly controlled entities	<u>–</u>	<u>(3,331)</u>	<u>(3,331)</u>
Loss before taxation			(914,211)
Taxation			(23)
Minority interests			<u>1,421</u>
Loss attributable to shareholders			<u>(912,813)</u>

An analysis of the Group's turnover and contribution to operating loss for the period by geographical segment is as follows:

	Turnover		Operating loss	
	Six months ended		Six months ended	
	30 September		30 September	
	2001	2000	2001	2000
	(Restated)		(Restated)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Principal markets				
Hong Kong	34,917	33,678	(54,073)	(105,528)
Mainland China	9,734	3,147	(6,165)	(370)
Others	233	1,352	(1,930)	(34,570)
Gain on disposal of subsidiaries and associated companies	-	-	14,550	-
Gain on disposal of other investment	-	-	4,680	177,711
Additional depreciation on fixed assets	-	-	-	(101,874)
Impairment of goodwill previously included in capital reserve (Note 2(d))	-	-	-	(793,436)
	<u>44,884</u>	<u>38,177</u>	<u>(42,938)</u>	<u>(858,067)</u>

4. GAIN ON DISPOSAL OF OTHER INVESTMENT

Gain on disposal of other investment for the period represents gain on disposal of shares in HITRUST.COM Incorporated.

Gain on disposal of other investment in prior period represented gain on disposal of shares in chinadotcom corporation.

5. ADDITIONAL DEPRECIATION ON PROPERTY, PLANT AND EQUIPMENT

Additional depreciation was provided for on certain plant and equipment in order to write down their carrying amounts to their estimated recoverable amounts.

6. OPERATING LOSS

Operating loss is stated after charging the following:

	Six months ended 30 September	
	2001 HK\$'000	2000 HK\$'000
Depreciation (other than those disclosed in <i>note 5</i>)	5,467	6,698
Operating lease rentals in respect of land and buildings	3,945	6,983
Outgoings in respect of investment properties	3,065	3,340
Staff costs	29,317	42,355
Operating costs in respect of technology related services	31,601	79,368
Administrative expenses	<u>18,758</u>	<u>46,405</u>

7. TAXATION

	Six months ended 30 September	
	2001 HK\$'000	2000 HK\$'000
Company and subsidiaries		
Hong Kong profits tax	–	1
Taxation in the Mainland China	–	22
	<u>–</u>	<u>23</u>

Hong Kong profits tax has not been provided as there is no assessable profit for the period (2000: Nil).

Taxation in the Mainland China has been calculated on the assessable profit for the period at the rates of taxation prevailing in the Mainland China.

There was no material unprovided deferred taxation for the period.

8. LOSS PER SHARE

The calculation of loss per share is based on the loss attributable to shareholders of HK\$61,049,000 (2000 : HK\$912,813,000) and on the weighted average number of shares in issue during the period of 3,805,307,441 shares (2000 : 3,205,052,000 shares).

Fully diluted loss per share is not presented as the exercise of the outstanding share options of the Company would be anti-dilutive in respect of both periods presented.

9. TRADE RECEIVABLES

The Group's credit terms on provision of services range from 30 to 60 days. The ageing analysis of trade receivables is as follows:

	As at 30 September 2001 HK\$'000	As at 31 March 2001 HK\$'000
Current to 30 days	2,817	3,890
31 to 60 days	2,168	1,170
61 to 90 days	1,270	148
Over 90 days	3,069	1,080
	<u>9,324</u>	<u>6,288</u>

10. TRADE CREDITORS

The ageing analysis of trade creditors is as follows:

	As at 30 September 2001 HK\$'000	As at 31 March 2001 HK\$'000
Current to 30 days	1,533	5,031
31 to 60 days	1,786	2,315
61 to 90 days	2,839	279
91 to 120 days	7,145	2,209
	<u>13,303</u>	<u>9,834</u>

11. LONG TERM LOANS

	As at 30 September 2001 HK\$'000	As at 31 March 2001 HK\$'000
Secured bank loans wholly repayable within five years	129,903	153,522
Secured loan notes wholly repayable within five years	–	230,300
Other unsecured loans wholly repayable within five years	58,893	139,475
Loan from minority shareholders	7,741	7,741
	<u>196,537</u>	<u>531,038</u>
Amount due within one year included under current liabilities	<u>(47,237)</u>	<u>(185,404)</u>
	<u><u>149,300</u></u>	<u><u>345,634</u></u>

The maturity of the Group's bank loans and other borrowings were repayable as follows:

	Bank loans		Other loans and loan from minority shareholders	
	As at 30 September 2001 HK\$'000	As at 31 March 2001 HK\$'000	As at 30 September 2001 HK\$'000	As at 31 March 2001 HK\$'000
Within one year	47,237	47,237	57,584	121,680
In the second year	47,237	47,237	–	246,787
In the third to fifth year inclusive	35,429	59,048	9,050	9,049
	<u>129,903</u>	<u>153,522</u>	<u>66,634</u>	<u>377,516</u>

12. SHARE CAPITAL

	As at 30 September 2001 HK\$'000	As at 31 March 2001 HK\$'000
Authorised:		
7,500,000,000 ordinary shares of HK\$0.02 each	<u>150,000</u>	<u>150,000</u>
Issued and fully paid:		
3,805,307,441 ordinary shares of HK\$0.02 each	<u>76,106</u>	<u>76,106</u>

The share option scheme adopted by the Company on 24 July 1990 (the "Former Share Option Scheme") expired on 24 July 2000. Any outstanding share options, which were granted under the Former Share Option Scheme, remain exercisable during the option period of three years commencing from the date of grant subject to such conditions as the Directors may have determined notwithstanding that the scheme period of the Former Share Option Scheme has expired.

A new share option scheme (the "New Share Option Scheme") was adopted by the shareholders of the Company at a special general meeting of the Company held on 22 September 2000. Under the New Share Option Scheme, options may be granted to employees (including any executive directors) of the Company and its subsidiaries to subscribe for shares in the Company. The share options granted under the New Share Option Scheme may be exercised during the option period of seven years commencing from the date of grant subject to such conditions as the Directors may determine.

Movements of share options granted under the above schemes during the period were as follows:

Date of grant	Exercise price HK\$	Number of outstanding share options at 1 April 2001	Granted during the period	Lapsed during the period	Number of outstanding share options at 30 September 2001
17-8-1999	0.5664	73,000,000	–	–	73,000,000
2-5-2000	0.5328	800,000	–	–	800,000
22-5-2000	0.5888	3,000,000	–	(3,000,000)	–
22-7-2000	0.3592	8,000,000	–	(2,000,000)	6,000,000
16-11-2000	0.2328	2,900,000	–	–	2,900,000
		<u>87,700,000</u>			<u>82,700,000</u>

No share options were exercised during the period.

13. RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2000	1,062,369	1,040,649	(279,376)	(963,496)	860,146
Issue of shares for the acquisition of					
– a subsidiary	89,125	–	–	–	89,125
– associated companies	117,819	–	–	–	117,819
– jointly controlled entity	148,182	–	–	–	148,182
– other investment	14,593	–	–	–	14,593
Conversion of convertible notes	225,000	–	–	–	225,000
Share issue expenses	(542)	–	–	–	(542)
Goodwill arising from current year's acquisitions	–	–	(517,766)	–	(517,766)
Realisation of goodwill on disposal of subsidiaries, associated companies and other investments	–	–	194,497	–	194,497
Loss for the year ended 31 March 2001					
– as previously reported	–	–	–	(821,284)	(821,284)
– effect of adopting SSAP 31 (Note 2(d))	–	–	602,648	(602,648)	–
– as restated	–	–	602,648	(1,423,932)	(821,284)
At 31 March 2001 – as restated	<u>1,656,546</u>	<u>1,040,649</u>	<u>3</u>	<u>(2,387,428)</u>	<u>309,770</u>
At 1 April 2001					
– as previously reported	1,656,546	1,040,649	(602,645)	(1,784,780)	309,770
– effect of adopting SSAP 31 (Note 2(d))	–	–	602,648	(602,648)	–
– as restated	1,656,546	1,040,649	3	(2,387,428)	309,770
Realisation of capital reserve on disposal of subsidiaries	–	–	(3)	–	(3)
Loss for the period ended 30 September 2001	–	–	–	(61,049)	(61,049)
At 30 September 2001	<u>1,656,546</u>	<u>1,040,649</u>	<u>–</u>	<u>(2,448,477)</u>	<u>248,718</u>

14. COMMITMENTS

(a) Capital commitments

	As at 30 September 2001 HK\$'000	As at 31 March 2001 HK\$'000
Contracted but not provided for in respect of other investments	<u>125,180</u>	<u>138,795</u>

(b) Lease commitments

At 30 September 2001, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 30 September 2001 HK\$'000	As at 31 March 2001 (Restated) HK\$'000
Land and buildings		
In the first year	3,462	12,977
In the second to fifth year inclusive	<u>1,034</u>	<u>8,333</u>

15. CONTINGENT LIABILITIES

	As at 30 September 2001 HK\$'000	As at 31 March 2001 HK\$'000
Guarantee in respect of credit facilities granted to a former associated company	<u>86,000</u>	<u>86,000</u>

16. RELATED PARTY TRANSACTIONS

Principal transactions with related companies, which were carried out in the normal course of the Group's business, during the period are summarised as follows :

	Six months ended 30 September	
	2001 HK\$'000	2000 HK\$'000
Interest income from an associated company (Note a)	1,666	2,580
Services fees from related companies (Note b)	9,312	-
Rental expenses to related companies (Note c)	4,161	3,977
Interest expense to a related company (Note d)	4,135	3,101
Portal development charge and facility management fee from a related company (Note e)	<u>791</u>	<u>1,121</u>

Notes:

- (a) The amount represents interest income in respect of amount due from Get Rich Enterprises Limited, a former associated company. The amount due from the associated company was unsecured and had no fixed repayment terms. During the period, the Group disposed of the associated company and the amount due from the company was fully repaid. At 30 September 2000, included in the amount due from the associated company was HK\$47,381,000 which carried interest at 1.5% over the Hong Kong prime lending rate.
- (b) Services fees were mainly received from subsidiaries of Tai Fook Securities Group Limited. Chow Tai Fook Enterprises Limited, a substantial shareholder of the Company, is also a substantial shareholder of Tai Fook Securities Group Limited. Services fees were charged on prices and terms no less favourable than those charged to and contracted with other third party customers.
- (c) Rental expenses were paid to certain subsidiaries of New World Development Company Limited ("NWD"), which was a substantial shareholder of the Company, based at a fixed rate in accordance with the tenancy agreements.
- (d) Interest expense was paid to New World Finance Company Limited, a subsidiary of NWD, in respect of a loan to the Group at 2% over the HIBOR in accordance with the loan agreement.

- (e) The amount represents the portal development charge and facility management fee charged pursuant to a portal development and implementation agreement and a facility management contract entered on 14 September 2000 with New World BioSciences Co. Limited, a subsidiary of NWD, to create, develop, implement and integrate the Fulintang Portal and provide facility management and network services for the Fulintang Portal. The portal development charge and facility management fee were charged at prices and terms no less favourable than those charged to and contracted with other third party customers.

Items (c) to (e) also constitute connected transactions as defined under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current period presentation.

DISCLOSURE PURSUANT TO PRACTICE NOTE 19 OF THE LISTING RULES

At 30 September 2001, the Group made advances to certain affiliated companies totalling HK\$166 million which exceeds 25% of the Group's net assets. A pro-forma combined balance sheet of these affiliated companies and the Group's attributable interest in these companies are presented below:

	Unaudited pro-forma combined balance sheet HK\$'000	Group's attributable interest HK\$'000
Assets		
Non-current assets		
Intangible assets	37,736	7,547
Property, plant and equipment	8,000	1,600
	<u>45,736</u>	<u>9,147</u>
Current assets		
Debtors, prepayments and other deposits	52,600	15,260
Amounts due from affiliated companies	9,706	1,941
Inventories	25,853	5,171
Cash and bank balances	33,650	6,730
	<u>121,809</u>	<u>29,102</u>
Current liabilities		
Creditors, deposits and accruals	18,554	8,450
Current portion of long term loans	17,383	3,477
Amounts due to immediate holding company	308,351	154,176
	<u>344,288</u>	<u>166,103</u>
Net current liabilities	<u>(222,479)</u>	<u>(137,001)</u>
Total assets less current liabilities	(176,743)	(127,854)
Non-current liabilities		
Long term loans	108,378	21,676
Net liabilities	<u>(285,121)</u>	<u>(149,530)</u>
Capital and reserves		
Share capital	45,426	9,085
Reserves	(330,547)	(158,615)
Shareholders' funds	<u>(285,121)</u>	<u>(149,530)</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2001 (2000: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group's turnover was increased to HK\$44.9 million by 18% when compared to HK\$38.2 million for the same period of the previous year. Overall, technology related revenue of HK\$31.4 million contributed 70% of total revenues during the period, compared to HK\$18.9 million which contributed 50% for the same period in last year, reflecting an increase of 66%.

The Group's loss attributable to shareholders for the six months ended 30 September 2001 was HK\$61 million, representing a decrease in loss of 93% as compared to the same period last year. Overall operating loss was reduced to HK\$34.4 million by 76%, down from a loss (before special provision and gain on disposal of other investments) of HK\$140.5 million for the same period last year. Such improvement was mainly attributable to the disposal of the PowerPhone business and data center business and substantial cost control.

During the period under review, a provision of HK\$22.9 million has been made for other investments. An aggregate gain of HK\$19.2 million was generated from disposal of interests in HiTRUST.COM Incorporated, an investment of the Group, HiTRUST.COM (HK) Incorporated Limited, an associated company of the Group, and Super Points Investments Limited, a subsidiary of the Group engaged in property investment.

Investment activities

In July 2001, the Group disposed of its entire interests in HiTRUST.COM Incorporated, an investment of the Group, and HiTRUST.COM (HK) Incorporated Limited, an associated company of the Group at an aggregate consideration of approximately HK\$15.6 million in cash and the release of the Group's obligation to repay a term loan of HK\$121.68 million. The disposal recorded a gain of approximately HK\$10 million.

Included in the Group's investment portfolio are Asian Information Resources (Holdings) Limited (stock code: 8025) and Beijing Beida Jade Bird Universal Sci-Tech Company Limited (stock code: 8095), whose shares are listed on the Growth Enterprise Market of the Stock Exchange. The total cost and market value of these two investments as at 30 September 2001 was HK\$21 million and HK\$89 million respectively. The unrealized gain amounting to HK\$68 million on listed investments was not reflected in the accounts.

Business Review

China's accession to World Trade Organisation not only means a rapid growth of business opportunities in the market, but also intense competition for the enterprises in China. As a result, there will be a greater demand for the use of Information Technology products and services to improve enterprises' competitive edge. NWCB is well-positioned to capture this market opportunity. NWCB's products and services assist organizations and enterprises to increase their work efficiency and effectiveness by providing the latest technology solution in the area of process management solutions and IT services.

NWCB has successfully transformed into an IT and software company by further strengthening its capabilities and infrastructures in software products and application solution development in the past six months. The Group achieved a number of milestones in software products business and solution business.

Software Products Business

In September 2001, NWCB launched its own flagship LogicBase™ software products series in China. The series incorporates latest solution in eProcess management with a focus in workflow and document management technology. These products include LogicBase™ Process Management, LogicBase™ Document Management, LogicBase™ SmartOffice, LogicBase™ SmartOffice for Government and LogicBase™ SmartOffice for Bank. NWCB develops software in both platform products as well as application products. Platform products are based on workflow management and document management technology. Application products are developed with special focus on banking, government and telecommunication industries.

In addition, to ensure maximum customer satisfaction NWCB built a customer-centric operating model by establishing its first Customer Service Centre and Technology Products Centre in Shanghai. This effort realizes NWCB's belief of providing quality products and services and being close to its customers.

In order to enable a nationwide distribution of the NWCB products, NWCB announced the launch of a Value Added Distribution (VAD) programme in September. In building up a distributors network, this will ensure NWCB products are distributed in every corner in China. In the short two months, over 60 distributors have been recruited throughout China.

Solution Business

In the first half of the financial year, NWCB focused the team's effort in providing total application solution in Finance, Securities and Insurance (FSI), Technology and Government segments. The scope of services ranges from software application solutions to network solutions.

Future Outlook

According to Ministry of Information and Industry (MII) and International Data Corporation, the software segment demonstrates one of the highest growth rates. During the period between 1999 and 2004, China is continuing to lead the growth of IT spending at 5-year Compound Annual Growth Rate (CAGR) of 26.1%. Software and application solutions are expected to grow rapidly attaining CAGR of 38.7%.

With the contributions from the Company's highly capable Research and Development (R&D) experts, as well as the newly launched flagship products – LogicBase™ software products series, NWCB will enhance its R&D capabilities to continuously develop new products as well as expanding into software outsourcing services.

In the area of expansion of product portfolio, NWCB continues to design advanced function of the current product series and develop new industry based application solution products. In addition, continuous efforts are made in expanding the VAD network and its distribution capabilities.

NWCB is setting sail on the right path to benefit from the market trend. With proven track record in providing software products, IT solutions and a well established distribution network, NWCB will continue to commit to expanding its focus in the Mainland China market.

Financial resources

As at 30 September 2001, the Group's total loans were reduced from HK\$531 million of the last corresponding period to HK\$196.5 million by HK\$334.5 million, following the disposal of properties and investments during the period. The total loans mainly comprised mortgage loan of HK\$129.9 million secured by investment properties with carrying value of HK\$410 million and the loan due to New World Finance Company Limited in the amount of HK\$57.6 million. The Group is still in the process of disposing the investment properties and focusing the resources to the core technology business.

As at 30 September 2001, cash and bank deposits were HK\$41.7 million and the net debt to equity ratio ^{note 1} was improved to 0.48 when compared with 0.75 for the last corresponding period.

*Note 1: Net debt to equity ratio = net debt / shareholders' funds
Net debt = the aggregate of loans less cash and bank balances*

Employees schemes

As at 30 September 2001, the Group employed over 180 full-time employees mainly in Hong Kong and Mainland China. Remuneration packages are structured to take into account the level and composition of pay and the general market conditions in the respective countries and businesses in which the Group operates. The remuneration policies of the Group are reviewed on periodic basis. Apart from pension funds, year-end bonuses and share options are awarded to the employees according to the assessment of individual performance and industry practice. Structured training programs are also offered for staff training and development.

DIRECTORS' INTERESTS

As at 30 September 2001, the following Directors had personal interests in share options entitling them to subscribe for shares of the Company as follows:

Name of Directors	Date of grant	Exercise price HK\$	Number of shares subject to options exercisable under the share option scheme of the Company
Cheng Kar Shun, Henry	17-8-1999	0.5664	25,000,000
Lo Lin Shing, Simon	17-8-1999	0.5664	25,000,000
Doo Wai Hoi, William	17-8-1999	0.5664	8,000,000
Yvette Ong	17-8-1999	0.5664	5,000,000
	22-7-2000	0.3592	4,000,000
Chan Wing Tak, Douglas	17-8-1999	0.5664	5,000,000
Wong Chi Chiu, Albert	17-8-1999	0.5664	3,000,000

The above share options were granted to the Directors pursuant to the share option scheme adopted by the Company on 24 July 1990 and were exercisable during the option period of three years from their respective dates of grant subject to the terms and conditions as contained in their respective letters of offer. The said scheme expired on 24 July 2000 but any outstanding share options granted under the said scheme shall remain exercisable.

No share options had been exercised by the Directors during the period.

Save as disclosed herein, as at 30 September 2001, none of the Directors or chief executive of the Company had any interests in the securities of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”), which are required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which they were taken or deemed to have under section 31 or Part I of the Schedule to the SDI Ordinance) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules or which were required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2001, the following persons (other than the Directors or chief executive of the Company) had an interest of 10% or more of the issued share capital of the Company according to the register kept by the Company under section 16(1) of the SDI Ordinance:

Name of shareholders	Number of ordinary shares held
New World CyberBase Nominee Limited (“NWCN”) (Note 1)	690,000,000
New World Telephone Holdings Limited (“NWTH”) (Note 2)	704,086,000
New World Development Company Limited (“NWD”) (Note 2)	704,086,000
Chow Tai Fook Enterprises Limited (“CTFEL”) (Note 2)	704,086,000

Notes:

1. *NWCN was a wholly-owned subsidiary of NWTH which, in turn, was a subsidiary of NWD. CTFEL owned more than one-third of the issued share capital of NWD. Accordingly, CTFEL, NWD and NWTH were deemed to be interested in 690,000,000 shares held by NWCN.*
2. *This interest represented the aggregate deemed interest in 690,000,000 shares held by NWCN and 14,086,000 shares held by another subsidiary of NWTH.*

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of these interim accounts. At the request of the Directors, the Group's external auditors have carried out a review of these interim accounts in accordance with the Statement of Auditing Standards 700 issued by the Hong Kong Society of Accountants.

CODE OF BEST PRACTICE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2001, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

By Order of the Board
Lo Lin Shing, Simon
Chairman

Hong Kong, 13 December 2001