




Managing Director & CEO's Report



The fiscal year ended 31 March 2002 was no different to NWCB than any other IT companies. We were all in an industry which faced dramatic downturn. However, NWCB's team overcame major challenges during the year and is proud to report to our shareholders that we are confident we have charted the right course for our business. Over the year, we closed down unprofitable businesses and expanded the scope of our business in areas of high growth potential. In addition, we significantly improved our costs structure. Determination was made to focus on the China market and solidify the strategic direction in the IT industry. Although we will continue to face challenges inevitably, we will strive to overcome each one because we believe we are in the right direction to drive our business to a path of positive return for our shareholders.

FINANCIAL REVIEW

During the year, the Group's turnover was HK\$66.7 million, a 21% reduction compared to HK\$84.4 million in 2001. The decrease in turnover was due to the reduction in the revenue after the disposal of non-core business. While IT business is the Group's mainstream business, technology related revenue reached HK\$44.1 million, representing a 28% increase compared to HK\$34.4 million last year.

The consolidated loss attributed to shareholders was HK\$189.2 million, a decrease by 87%, compared to HK\$1,423 million restated loss attributable to shareholders in the previous year.

The operating loss before interest and taxation HK\$163.7 million, was mainly attributed to two areas.

Firstly, the unexpected continuation of global downturn affected performance and valuation of many companies within the investment portfolio, comprising investment properties and hi-tech companies, the management decided to take a conservative approach to make a provision of HK\$106.9 million for diminution in value of these investments that include properties at Bank of America Tower and funds investment. Secondly, the remaining loss of HK\$56.8 million is the operating loss, an 81% decrease from last year due to the disposal of non-profitable and non-core business.

In an effort to maintain a healthy cost structure, the Group had carried out restructuring activities such as disposal of non-profitable and non-core businesses during the year. Therefore the operating expenses had been significantly decreased by 55% compared to last year.

STABLE FINANCIAL POSITION

In April 2002, the Group raised approximately HK\$94 million (net of expenses) by way of a rights issue. With the proceeds raised and the cash on hand, NWCB believes its cashflow position is at a comfortable level to support the development of the Group's existing business activities and new business growth in the coming years.

Despite the provision made for potential write-down of certain investments in our portfolio, the remaining investments in our current portfolio has a market value of HK\$493 million. This is composed of properties worth HK\$380 million and listed investments of HK\$113 million. For listed investment in Beida Jade Bird Universal Sci-Tech Company Limited and Asian Information Resources (Holdings) Limited, based on market value as at 31 March 2002, NWCB has an unrealized gain of HK\$101 million. Management believes the value of these investment will continue to solidify the overall financial standing and positively contribute to the overall value of NWCB.

A YEAR OF RESTRUCTURING

With a strong commitment to set the business on track to deliver high return for our shareholders, management had made some very important strategic decisions on restructuring last year. We struggled to realign our resource to focus on businesses that have high return and markets that have high growth potentials. As a result, we made some very harsh decision to close down non-profitable and non-core businesses. The result of the above had two major impacts; very substantial write-down in our balance sheet, however, on a positive note, a major improvement in our monthly operating expenses.

Despite the pressure to reduce operating expenses and bring the company to a right cost structure, the challenge was not only to streamline the operation, but to invest our resources in areas with high growth potential. Thus the strategy was to redirect our attention from the Hong Kong market and focus on the high growth IT market in China.

CHOOSING A HIGH GROWTH CHINA IT MARKET

Despite the global economic downturn in the IT industry during the year, the IT industry is expected to grow. According to the International Data Corporation ("IDC"), by 2005, China will hold almost 39.7% of the total Asia Pacific Region (excluding Japan) IT market, a market size reaching almost US\$50 billion. In order to tap the market, the Group has concentrated its resources and focus on the China market. In securing the market position, the Group has the following key accomplishments.

We decided to invest and transform, a wholly owned subsidiary system integration software company in China, as a base for our future growth. It has over nine years of software experience in workflow/office automation, and it has proven application development solutions to companies in the same industry. During the beginning of last financial year, we believed that as an application solutions company, the next evolution for growth is to package these as software products and multiply its distribution.

In April 2001, the Group first kicked off its IT business for the mainland market by staging a company launch in Beijing. During the launch, the Group re-branded one of our fully own China business and we reiterated our commitment to the China market and announced its next step in developing IT and software solutions for enterprises, government organizations and financial institution.

TAKING OFF FROM A STRONG BASE

With over nine years of China experience and a team of 100 plus IT professionals in China, we are able to establish a firm foothold in the fast growing China IT market through continuous products and services expansion.

In September 2001, the Group successfully launched our first flagship software product suite, LogicBase™, in China. A series of software products spreading from workflow, document management to application solutions for different industries. The portfolio of products included, LogicBase™ - Process Management, LogicBase™ - Document Management, LogicBase™ - SmartOffice and LogicBase™ - SmartOffice for Government.

With an effort to increase its service quality and customer-centric solutions for the China market, NWCB also established its Customer Service and Technology Products Development Center in Shanghai, with a plan to reinforce customer relationships and provide facilities for constant product development. Shanghai was chosen because of its position as an international metropolitan city in the heart of China, it possesses competitive advantages in terms of geographical and environmental aspects and is ideal to be the center for the Group's research and development base and service center. NWCB has recruited outstanding software and IT talents to enhance the technology development team there. The Center has a staff force of over 50 highly trained professionals.

NWCB also announced the launch of a Value Added Distribution (VAD) program to build its distributors' network in China. Up till now, over 70 distributors have been recruited throughout China. The nation-wide network will be broadened to co-incide with the business expansion of the Group.

On a separate note, the applications solutions team continued to focus on providing solutions specifically for Government, banks and enterprises. Some of the key customers win in Hong Kong and China include Hong Kong Stock Exchanges & Clearing Limited, China Pacific Insurance Company Limited, The Agricultural Bank of China, Bank of Communications and Shanghai Pudong New Area Government.

To support of the business expansion, and increase our portfolio of offerings and our technical capabilities, on 23 January 2002, NWCB announced the 100% acquisition of City Internet Holdings Corporation Limited, also known as "ChinaQuest". ChinaQuest is engaged in the development and provision of technologies and solutions services in Greater China in relation to digital city mapping and city information; wireless location based services (LBS); geographical information system (GIS); tracking systems for fleet management and logistics.

The technology and services of the newly-acquired company complement NWCB's well established GIS business and core technology in the area of Business Process Management ("BPM") software. In addition, the acquisition strengthens NWCB's expansion into the wireless LBS and Digital City services opportunities in Greater China market.

Leveraging the team's strength in software development experience and the potential size of the outsourcing market in China, the Group opened the door to yet another new market expansion opportunity. In January 2002, NWCB signed a Letter of Intent with Shanghai Jiaotong University Shanghai Distributed Computing Technology Center to form a joint venture IT outsourcing development center to deliver comprehensive IT outsourcing development service. Offering software maintenance, software development and product localization and customization to local and international companies.

TAKING OFF FROM A STRONG BASE *(Continued)*

With the Group's effort in strengthening its products and distributors' network, revenue in IT grew 28%. IT revenue contributed 66% of total revenue compared to 41% in the last year. The group is optimistic about its IT business as a major source of revenue.

EXPANDING OUR SERVICE CAPABILITIES

In the years ahead, information technology will be an important tool to support China's race towards the digital revolution. There will be an increase in demand for professional IT support among all businesses.

We believe internal IT buyers are more concerned about the return on IT investment and therefore are always seeking solutions that will increase operating efficiency and minimize operating expenses.

Shortage of skilled and experienced in-house IT professionals combined with the continuous changes in technology revolution creates great difficulties for companies to resource in-house capabilities.

With the above trend, there will be a growing need to seek support from external IT professional services to provide IT solutions that address their specific needs. They will need software applications that can integrate current IT resources and maximize their utilization. Moreover the IT enabled business processes will acquire a number of applications from various vendors, and this will create a great demand on the integration of enterprise applications and resources for smooth operations and database management (the so-called Business Process Management). In addition, there will be a need to outsource the software development activities and customer relationship management activities to control fluctuation in operating expenses.

We will continue to focus on the following areas:

Software Products

Based on NWCB's past experience in workflow and document management technology, we will continue to expand the LogicBase™ software product suite which is based on the growing trend in Business Process Management solutions. LogicBase™ BPM will be the process application integration platform that will help companies leverage on resource utilization by integration of distributed application systems. We believe LogicBase™ BPM will be the core engine to help the transformation of many businesses on their path to digital business operations.

In the last decade, China has sustained a tremendous growth in Geographic Information Systems (GIS), particularly in government information infrastructure. GIS is playing a key role in the digital city and digital government applications. The current GIS technology is moving rapidly toward distributed systems and services in order to truly support the government and enterprise processes. The acquisition of ChinaQuest (the largest GIS data and internet service provider in China) and its merge with NWCB's BPM technology provides a unique and crucial link today in the digital city arena that finally makes integration of distributed GIS systems practical and meaningful. While GIS is the core of data integration and analysis, BPM serves as the intelligent information highway that carries data and information from system to system. We believe with the integrated solutions, we will be well positioned to play a significant role as an IT service company in the Government's initiatives in digital city in the next five to ten years.

EXPANDING OUR SERVICE CAPABILITIES *(Continued)*

Industry IT solutions

We will continue to deliver on our 'Customer-centric' service model to provide industry solutions that focus on customers needs. Our industry IT solutions will focus in three major industries: Finance, Securities and Insurance ("FSI") as well as the Government and enterprises. This will be achieved through continuous development of a team of professionals with industry domain expertise, best in class technology, and strong strategic partner alliances.

Outsourcing Services

According to the McKinsey Report 2001, IT outsourcing services are expected to grow 15 times by 2008 to approximately US\$142 billion. We believe with the potential needs of software applications in the China market, there will be a continuous need to outsource development work to third parties. With the future potential of a large domestic software outsourcing market, and with a team of software specialist as well as a development infrastructure that has been ISO9001 certified since 1999, NWCB is well equipped with our software development capabilities to expand this service offering as an outsourcing service in the coming years. Last year, the Group has already started to work with local partners like Jiaotong University in the setting up of the software outsourcing efforts. In the coming year, the Group will enhance our efforts in this new business area. The initial development services will focus on software maintenance, software development and product localization and customization.

CONTINUOUS ENHANCEMENT IN OUR CORE COMPETENCE

The management believes *people expertise, technology excellence* and *quality services* makes up the core values of NWCB. People are one of most important assets, therefore the Group, not only strives to provide technical and skills training to employees but also provides continuous career development. In addition, we also think it is important to recruit industry and domain experts from the field.

In the area of technology excellence, we will continue to invest in our Research & Development efforts, as well as strengthening the alliances with technology partners with Best-in Class technology.

As service quality is the underpinning reason for continuous customer loyalty, we have plans to migrate our current ISO9000 quality process to implement the Capability Maturity Model (CMM) process and aims to be CMM certified in the long term.

In the years ahead, information technology will be an important tool to support China's race towards the digital revolution. There will be an increase in demand for professional IT support among all businesses. NWCB is well equipped to offer services in three areas: software products, industry specific IT solutions and outsourcing services. With a very strong commitment from our team, we believe we have succeeded in building the right cost model and a solid business infrastructure to ensure our continuous growth.

Yvette Ong

Managing Director and CEO